The Eastern Economist

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CONTENTS

	Page
Leading Articles:	
JOHN FOSTER DULLES	1005
EMPLOYMENT OF BANK FUNDS	1006
THE PROBLEM OF RURAL TAXATION	1007
CEYLON'S CABINET CRISIS	1008
THE WEEK'S NOTES — Prospects in Nepal; The State of Soviet Agriculture; Coalition in Orissa; Economy Drive.	1009
A WINDOW ON THE WORLD: Odysseus on "Why Few Tourists Come to India."	1013
A SETBACK FOR SUPRANATIONALISM	1015
WORLDGRAM AND NEWS IN BRIEF	1017
A DELHI NOTEBOOK	1020
Special Article:	
A DECADE OF NATIONAL INCOME	1021
A LETTER TO THE EDITOR	1023
The Business World:	
AN UNWARRANTED ATTACK	1024
BUSINESS NOTES — U.S. Trade Mission's Report; Protection to Hydroquinone Industry; Time and Motion Study for Textile Industry; Sir H. P. Mody Retires from Tatas.	1025
ECONOMIC REPORT FROM THE U.S.: World Trade Week	1027
COMMODITY NEWS AND NOTES	1028
COMPANY AFFAIRS	1031
CURRENT STATISTICS	1032

John Foster Dulles

THE death of Mr. John Foster Dulles on Sunday last has removed one of the most controversial figures of recent times from the international scene. Like all controversial personalities, he was either passionately admired or unequivocally condemned for his policies. To those who agreed with him, he was, in the words of the American President, Mr. Eisenhower, "one of the truly great men of our time;" to those, who thought differently, he was a fanatic, who could nonetheless look for something good or reasonable in his opponents' policies. But, let it be said, neither praise nor calumny deflected him from his chosen path which he trod tirelessly and with amazing courage. Such attachment to convictions and principles was inevitably a source of irritation for those among Mr. Dulles's colleagues who saw differently or were less scrupulous in maintaining the unity between ends and means. He would not under any circumstances compromise his principles for the sake of expediency.

There are many who believe that his inflexibility created more tensions in the world than it resolved. This may be partly true. But this weakness — if it is at all that — reflected only his fundamental strength. It was Mr. Dulles's firmness, or what has somewhat critically come to be known as "brinkmanship", that practically preserved world peace for a little over a decade. In fact, it would not be wrong to say that Mr. Dulles, by his single-mindedness veritably saved the democratic world from the ceaseless offensives launched by the Kremlin. For this, he had to reappraise liberalism, and indirectly helped to create the contempt for its hesitation to be conclusive which has become fashionable among protagonists of the free world, who do not quite often see any contradiction between this contempt and

their profession of fighting to protect the liberal attitude. But he did not, let it be emphasized, himself ever doubt the ultimate desirability of the liberal approach. The determination with which he pursued and implemented his policy not only earned him the undisputed leadership of the free world; he also impressed upon our times a crystallization and personality it had not distinctly known. He was one of the chief architects of the defences of the free world for which the dynamics of his approach was a source of great strength.

Perhaps Mr. Dulles's most lasting contribution was his unconditional estimates of Communists and their tactics. He provided the West with answers to many puzzling questions and situations which had always perplexed it, thereby giving it a self-confidence, which before had begun to wane dangerously. He was, one might say, in the form of an equation, the West's answer to Russia's Mr. Molotov and Mr. Vyshinsky. It was because of his deep-seated distrust of Communist "philosophy" that he was prepared to compromise with other political systems which did not conform to his high ideals of freedom and democracy. This was the reason why he promoted friendship with King Saud of Saudi Arabia or with Spain and Portugal or with India's close neighbour, Pakistan. His speeches, sometimes couched in language blunt rather than diplomatic, tended to irritate allies and neutral countries. His policy of arms aid to Pakistan, his authorship of the Baghdad Pact could not but provoke criticism in this country.

On his part, Mr. Dulles was critical of India policy of non-alignment Yet he was a great pr tagonist of aid to India. In his depositions befo the U.S. Congress, he pleaded for generous econ mic assistance to this country, which, in spite his differences of opinion on foreign policy, h recognised as "a great democracy in Asia." Wha ever his errors and weaknesses, the peoples Asia and Africa will remember him for his u equivocal condemnation of the Anglo-Frenc aggression against Egypt. Unmindful of the fee ings of America's "closest allies", Mr. Dulles spok then for what he and the democratic world reall stood for — the will and determination to uphol the right of a weak and small people to live i their own way. It might well be described a Mr. Dulles's finest hour.

Whatever may have been Mr. Dulles's failing as the maker and executor of American and West ern policy in international affairs, none doubte his ability and dedication to the cause which h held dear. It was by these qualities that he influenced more than any other person the cours of world events for over a decade. The role Mr Dulles played is unparallelled in U.S. history. I his time, American diplomacy came to maturity His death cannot but be a serious loss to the force working for peace and democracy in the worl One cannot help concurring with Sir Winsto Churchill's tribute to Mr. Dulles: "Mr. Joh Foster Dulles was a man of principle and integrity whose example should long be remembered by those who put their trust in freedom and fair dealing."

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Employment of Bank Funds

It has now become a hardy annual for the Reserve Bank of India in both its reports—Trend and Progress of Banking as well as the year-end statutory report—to expound the reasoning behind the policy of selective credit control. Trend and Progress issued last week is no exception. It reiterates the justification of selective curbs on bank advances in the dichotomy of inflationary pressures in some segments of the economy and recessionary influences in others for a considerable time past. The Bank claims success for the policy of selective credit control as an instrument to hold the price line. Foodgrains in particular, and sugar later on, were the primary objects of the application of this policy.

The Government, however, thinks quite otherwise about the efficacy and success of this policy. Attributing the increase in prices of foodgrains to speculative activity, the Government asserted that the real remedy to eliminate speculation and hold prices was nationalisation of the wholesale trade in foodgrains. This assertion was an indirect verdict of dissent from the view which the Bank has taken on its own policy.

Confusion is made more confounded by the finding which Trend and Progress has recorded to the effect that the increase of 9 per cent in the prices of foodgrains during the last calendar year, as against the decline of 10 per cent in the production of foodgrains, establishes that the inflation in prices was the consequence of the drop in output. A major reasonable inference that may be drawn from this perplexing analysis from different angles is that selective credit control can hardly claim either full justification or effectiveness which is invariably pleaded for it.

A significant consequence of the selective control on advances against specified foodgrains has been to deprive the banks of one of their important outlets for employment of funds. During 1958 bank advances showed an increase of a marginal amount of Rs. 11.1 crores, which is to be interpreted in contrast with the spectacular increase of Rs. 219 crores in net deposits. The deterioration in the ratio of advances to deposits, in the result, underwent further aggravation. The ratio dropped from 62.7 per cent in 1957 to 55 per cent in 1958. This worsening of the ratio had its inescapable impact on the search for utilization of funds to earn remuneration to sustain a rising and inflexible structure of costs. Bank funds were channelled increasingly into investments. This trend caused a marked bulge in their investment portfolio which showed a rise of Rs. 206 crores above 1957. Except for a fractional amount of Rs. 4 crores, the entire investment of Rs. 202 crores flowed into Government securities to register a new all-time peak.

The third Five-Year Plan with an outlay around Rs. 10,000 crores is bound to produce powerful repercussions on the size of bank deposits. But in a big plan, with a broadening industrial base and higher targets in all the sectors, heavy pressure will be exerted on the services of the banking system. It is in the context of this assured prospect that serious, if somewhat radical, thinking on the employment of bank funds needs to be made. The present stalemate in the sphere of bank advances must be broken and a positive policy evolved for utilizing the resources of banks for financing economic development rather than

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routing them in Government securities. The traditional pattern of bank advances primarily directed to requirements of commercial credit was evolved in a state of the economy in which it had a very narrow base of industry. This state is now undergoing transformation owing to the deliberate emphasis on industrialisation as the main plank in its diversification. There is growing need for resources to meet the demand of industry for finance in addition to what the financial institutions established since independence can provide. These additional resources can quite appropriately be drawn from the banking system.

A quick and large-scale switchover to industrial lending is advocated in no responsible quarters. But an increasing support by banks to industry is clearly indicated as the major ingredient in a dynamic policy for the banking system. Bank advances to industry will, of course, need to be made with caution and judicious selection of clients. In this field it will be the function of big banks with large resources to acquire sufficient experience before others can make their entry. But more moderate from the viewpoint of security of the depositors' interests is the proposal of a consortium of big banks, the government-sponsored or assisted finance corporations and the Life Insurance Corporation for under-writing issues of equity capital—shares as well as debentures. This proposal has the merit of securing dispersal of risk over a number of financial agencies possessing sizeable resources as well as of preventing concentration of control of industrial finance in any particular agency. The Government has adopted at the present time a negative attitude to it. But this is certainly not the last word on the issue and it is advisable that it should be reconsidered without loss of time.

The Indian banking system is clearly at the cross-roads. It cannot cling to the traditional pattern of supplying commercial credit as its predominant activity. Employment of its funds in term loans to industry by a prudent and careful selection of applicants emerges as a reasonable and essential change in its policy of employment of funds in a rapidly industrialising economy.

The Problem of Rural Taxation

FOLLOWING the Congress Sub-Committee's proposal for increasing rural taxation as one of the avenues of resources mobilisation for the third Plan, Mr. C. D. Deshmukh, former Finance Minister, has just expressed the opinion that "the Government should have the political courage to impose some restraint on the consumption of the 99 per cent of the population which does not pay income-tax." By restraint on consumption Mr. Deshmukh apparently means taxation in some form or other to increase public saving. As by far the larger part of the population is dependent on agriculture, Mr. Deshmukh's suggestion would, in effect, involve increases not only in indirect taxation by way of excise duties or sales taxes on commodities consumed by the agricultural population but also in land taxation, although he has not specifically referred to it. Immediately, what is considered here is the extent to which land taxation can be increased in this country to provide in part the additional resources required for financing the third Plan.

In some circles connected with the Planning Commission, the suggestion has been canvassed that land taxation may be raised, on the average, to Rs. 35 per acre of irrigated land and Rs. 15 per acre of dry land. It is figured out that if the rates of land revenue assesement are so increased, a total yield of Rs. 2,700 crores will accrue in five years. The rates suggested would represent a seven to eight-fold increase in the present average rates of land revenue assessment for irrigated and dry lands in the country. Whether land revenue assessment can be increased to that extent is, on the very face of it, doubtful. The present incidence of land revenue works out to only about 1½ per cent of the valued farm output in a year. If land revenue is to be increased to the point of yielding Rs. 550-600 crores per annum during the third Plan period, annually about 9-10 per cent of the valued farm output will have to be taxed away by the State. By all accounts, this seems to be an impracticable proposition at the present time in view of the serious political factors in the rural situation. The amount of political courage that will be required on the part of the Congress to increase land taxation by 7-8 times will be beyond its capacity. At the most it may be possible only to double the present yield of land revenue without causing serious political repercussions.

Of course, it is theoretically conceivable that a large surplus can be squeezed out of agriculture if State trading in foodgrains and co-operative organisations are introduced on a countrywide scale. In the case of State trading, the probability is that no substantial surplus may be mobilised because of the certainty of two contrary pulls — one from the producers for higher procurement prices and the other from the consumers for lower issue prices. Again, if joint co-operative farms can be organised on a countrywide scale, it will be theoretically possible to tax away a larger proportion of the agricultural produce than at present; this can be done on the plausible ground that in a co-operative set-up, production would increase substantially. But any such development cannot be postulated with certainty because the kind of co-operative organisation that is visualised will not be accompanied by that amount of compulsion or tight control that has been possible, for example, in China. It may even be that co-operatives, instead of yielding more surplus for the State, may actually draw in more State investment by way of aids and credits. The fear has been rightly expressed in this connection that State trading in foodgrains might easily involve losses and subsidies and that co-operatives might easily become an agency for drawing more and more public funds into the agricultural sector.

What, then, can be a realistic approach to this problem of mobilising surpluses from the countryside for financing the third Plan. Such an approach can be by way of a moderate increase in land taxation combined with an equally moderate increase in commodity taxation. The idea of restraint on consumption can be pushed only within very restricted limits for the agricultural classes are living on the margin of subsistence. Besides, reduced consumption which will curtail the demand for goods cannot fail to affect production adversely. If investments in agriculture can be stepped up by way of aids and credits and production increased, as a consequence, by at least

2½ per cent per annum in the third Plan period, it is not inconceivable that a larger volume of farm output will produce a greater surplus for the State by way of indirect taxation and small savings. If the gap between available savings and required investments cannot be bridged, it may have to be supplemented by expansion of bank credit. It is a matter of further examination whether bank credit can be utilised on any substantial scale for agriculture.

Ceylon's Cabinet Crisis

THE prorogation of Ceylon's Parliament up to the end of June, cancelling the earlier meeting scheduled for May 26, comes as a climax to the Cabinet crisis brewing in the island over the past three or four weeks. It is, however, a moot point how far this breathing time would enable Premier Bandaranaike to consolidate his position for facing Parliament when it reassembles. For, as it is, it would appear that Government's strength is only 45 in a House of 101 members including the Speaker. The events leading to the depletion of the Government majority are better recapitulated here.

Since the 1956 elections, when Mr. Bandaranaike was swept into power, Ceylon has been under a coalition Government in the name of the Mahajana Eksath Peramuna (People's United Front) consisting of the Premier's Sri Lanka Freedom Party and the Viplavakari Lanka Sama Samaj Party led by Mr. Philip Gunawardene. Even from the beginning, this marriage of convenience suffered from a basic handicap because of the gulf separating the Marxist elements of the VLSSP from the Premier's own party consisting of moderates. In the result, in spite of outward harmony, there have been frequent dissensions in the Cabinet and there was justification for the feeling that the two sections were working at cross purposes. Indeed, it is a surprise that this rather precarious experiment should have been able to continue for nearly three years.

Recently, however, matters took a serious turn since the Ministers of the Sri Lanka Freedom Party persisted in a demand for the expulsion of Mr. Gunawardene, Minister for Agriculture, on the ground that he was bringing a pronounced leftist bias in Government's policies. The Co-operative Development Bank Bill, sponsored by Mr. Gunawardene, happened to be the last straw since it was apprehended by the rightist members of the Cabinet that it would confer extraordinary powers on the Food Minister and eventually pave the way for imposition of the Communist pattern of society in Ceylon. The Prime Minister was thus confronted with a choice of either acceding to the demand of the rightist members or face the consequences of their non-co-operation. Mr. Bandaranaike, however, adroitly made a move to resolve the tangle by a reshuffle of the Cabinet which would have the effect of curtailing Mr. Gunawardene's powers, though he ostensibly pleaded that since he himself had taken over the Co-operative Development Bank Bill, he should naturally be in charge of the subjects concerned. Mr. Gunawardene and Mr. P. H. W. de Silva, Industries Minister, however, retaliated by tendering their resignations and withholding the support of their Party to the coalition. However, along with the loss of five members to the ruling party, which was serious enough, seven members of the Premier's own party resigned as a protest against Mr. Bandaranaike's decision. The result has been to bring down Government's strength to 45 including the support of the nominated members.

The exit of the VLSSP from the coalition has no doubt been an inevitable finale to differences within the Cabinet. In his letter of resignation, Mr. Gunawardene told the Prime Minister that the Cabinet reshuffle was not in the interest of the masses or even of administrative efficiency and "it has meaning only as a conscious act done to pander to the forces of foreign vested interests hostile to socialism". This reveals the basic conflict, for it is well-known that formerly the efforts of the Prime Minister to encourage foreign capital and expanding foreign investment by firms already in Ceylon were thwarted by Mr. Gunawardene's public promises to nationalise foreign tea and rubber estates. Because of the exit of the Marxist elements, there is no doubt a better climate has now been created for attracting foreign capital which had been hitherto shy. It is also significant that at the annual session of the Sri Lanka Freedom Party, the Prime Minister came out openly against Communism and declared that he felt convinced that the only way to progress was to follow the path of democratic socialism. The present developments will, therefore, enable Mr. Bandaranaike to inject some cohesiveness in Government's programme for the rest of the term of Parliament.

While this is undoubtedly good, it remains to be seen how the Party alignments are going to take shape. The Prime Minister said that even if in numbers the Government may fall a little short of an absolute majority, he saw no difficulty in carrying on the Government. But this seems to be a tall claim since in the absence of a workable majority he will find it difficult to carry on for any length of time. The fact is he has to wade through the conflicting demands of leftists and anti-Marxists. Thus if he seeks the support of the seven "progressives" who have resigned from the Party, he will antagonise the moderates and *vice versa*. The only redeeming feature is that the rival parties are not in a mood to demand fresh elections pending the new electoral laws for reducing the voting age and re-defining the constituencies. However, it will be difficult for a weak Government, always at the mercy of the opposition parties, to embark confidently on any dynamic programme. Obviously the next few months are crucial for Ceylon and the view expressed by Mr. Bandaranaike sometime back about his doubts over the applicability of the Cabinet party system of Government in a country where rule by coalitions rather than by a single homogeneous party has been a normal feature gain added topicality in the light of these positive developments.

"THE MATHAI AFFAIR AND AFTER"

Our attention has been drawn to the last paragraph of the Leading Article under the above title in the issue dated May 15, 1959. We would desire to state that it was never our intention to cast reflections either on the proceedings of the Rajya Sabha or on its Chairman, nor did we have any intention of seeking to influence the Chairman in the discharge of his duties or to influence the future proceedings of the House. We regret the publication of the paragraph in question and express our apology to the Chairman and through him to the House.

(Editor)

THE WEEK'S NOTES

PROSPECTS IN NEPAL

FOLLOWING THE verdict of the first general election, King Mahendra invited Mr. P. P. Koirala, leader of the Nepali Congress, to form an interim Ministry. The latter accepted, and his Cabinet was sworn in last Wednesday. Though the Nepali Congress won 74 seats in the 109-member House, it is feared that factional feuds inside the party might prevent the complete eradication of political instability in the Himalayan Kingdom. Past experience in this regard is hardly re-assuring. Since the Rana regime was overthrown in 1953, the democratic transformation of Nepal has been retarded not only by the struggle for power between the Nepali Congress and other political parties, but also, and even more, by the squabbles and schisms within the Congress itself. It will, therefore, be one of the primary tasks of the new Prime Minister to try his best to clear the decks by ending group politics and factional fights. This is necessary for a variety of reasons, the most important being the insecurity resulting from the expansionist ambition of its northern neighbour. Political and ministerial instability will not only bring democratic institutions into disrepute and contempt; it will also tempt Communist China to begin or take part in subversive activity. It might be mentioned, incidently, that Mr. Mao Tse-tung and Mr. Ho Chi-minh are included as honorary members of the Nepali Communist Party's politburo.

Mr. Koirala would be well advised to learn a lesson from the fissures which have appeared in the once-upon-a-time most powerful political organization of India — the Indian National Congress. The Congress, for its parliamentary strength and the unrivalled stature of its leader, Mr. Nehru, is slowly losing its monopolistic position in Indian politics. This is largely due to the fact that most of the top Congress leaders have been barred by Governmental positions. Under the Nepalese Constitution, in addition to the Prime Minister, the Cabinet may well consist of 15 Ministers and 10 Deputy Ministers. This provision might have been included to enable the prospective Prime Ministers to satisfy all personal, factional, and regional claims. But the provision is likely not only to result in sharpening such claims, but also in draining away most of the Nepal Congress leaders into governmental position. This will denude the grassroots of the ruling party in Nepal, and make it difficult for it to sustain its popular appeal.

The developments in Nepal will be watched with keen interest in India. In addition to a common cultural and spiritual heritage, and a common belief in democratic institutions, the new danger from the north has brought the two countries close together. Few will fail to discern the real purpose behind Mr. Nehru's proposed visit to Kathmandu in June next arranged ostensibly to witness the installation of the first democratically elected Government in Nepal. It would be, of course, too much to expect any spectacular or immediate results from his meeting with King Mahendra and Mr. Koirala and other political leaders. But it is bound to strengthen Indo-Nepali collaboration which was recently symbolized by the King of Nepal's laying the foundation stone of the Rs. 17-crore Kosi barrage. An Indian military mission has been at work in the land of the valiant Gurkhas. Roads and bridges have been built with Indian assistance. Mr. Nehru's meeting with the leaders of Nepal, against the background of the Tibetan tragedy and China's public disavowal of the MacMahon Line, may well determine the future course of events in this part of the world.

THE STATE OF SOVIET AGRICULTURE

THAT THE process of hectic industrialisation in the Soviet Union during the last thirty years has not greatly helped its agriculture could be inferred from the findings of Mr. Charles E. Kellogg who led in the latter half of last year an American mission on soil and water use to that country. His major finding is that "the development and application of soil management practices have been handicaped by lack of fertilisers, machines, and the many other industrial materials needed." Which, in effect, means that Soviet industrialisation has not so far provided the industrial materials required for agricultural development in adequate quantities. It is, therefore, not surprising that, as Mr. Kellogg has pointed out, there are "very few examples of soil and water management practices carried out better on Soviet farms than on good American commercial farms."

Irrigation has also not developed to any great extent in the Soviet Union. Only 24 million acres are under irrigation as of today, and the Soviet plan is to have some 4.5 million acres more under irrigation by 1965. Much of even this limited irrigation is for cotton. It would thus appear that most grain-growing lands are unirrigated. In some areas, effective drainage is also a difficult problem. The other findings of the American Mission are that transport to the farms is a limiting factor both for marketing and for bringing supplies to the farms, that most State and collective farms, especially the latter, have far more labour than is really needed for efficient production and that a standard work-day unit on collective farms might range in value from roughly 7 roubles (about 70 cents) to 30 roubles (about $3), considering items in both cash and kind.

But in spite of the limiting factors mentioned by Mr. Kellogg, it is stated that "the people of the Soviet Union have room for vertical expansion on their present farms and for further expansion onto yet undeveloped soils". It may be recalled in this connection that development of virgin soils has been a special contribution of Mr. Khrushchev to Soviet agriculture. It has been undoubtedly easier to bring virgin lands under the plough than to go in for more intensive cultivation on existing farms with a view to increasing unit-area yields. That productivity per acre can be increased significantly only by better scientific farming is obvious. But such a development would depend on more facilities for soil management which could come, if at all, only from the industrial sector. Although this has not been adequate so far, the United States' mission has given the finding that industrial materials, fertilisers and machines needed for scientific farming are now beginning to be available to farms to a greater extent than before. Efficiency in agriculture would, however, depend on further mechanisation of the smaller jobs, which alone could bring about a reduction in the farm labour force. This development is not unlikely in the context of the Soviet Seven-Year Plan for 1959-65 which is bound to increase the demand for additional recruits to the industrial labour force.

COALITION IN ORISSA

THE CONGRESS-GANATANTRA PARISHAD coalition Ministry was installed in office at Cuttack last week. Composed only of three Ministers, including the Chief Minister, and six Deputy Ministers, it will be the smallest Ministry in any Indian State. It has been urged in defence of the Congress's radical departure in Orissa

from its traditional policy on the subject of coalitions, that the coalition in Orissa provided the only way in which political stalemate in the State could be ended and stability achieved. The outgoing Mahtab Ministry had a bare majority of one in a House of 140 members and remained in constant peril of being voted out either because of defections from the Congress Party or because of the withdrawal of support of the Jharkhand members. It has also been urged in defence of the Congress-Parishad coalition that the Parishad being only a local party with no all-India affiliations, an understanding with it involved no commitment of a political nature extending to all over the country. Some supporters of the coalition have gone even so far as to contend that, though the Parishad is led by former rulers and feudal chieftains, the party is not as reactionary as its critics have made out, emphasising the fact that it too professes faith in Socialism. According to Mr. Nehru, the Parishad has undertaken to accept the Congress policy, including its programme of agrarian reform embodied in the Nagpur resolution.

These arguments do not, however, stand a moment's scrutiny. The Congress already harbours within its fold a very strong section that is opposed to its more socialistic economic and agricultural policies. The powerful critics of the Nagpur resolution were silenced only after the Prime Minister held out the threat of expulsion. It is this section of the Congress that the Parishad will be strengthening by its entry into the coalition. It will, thus, bolster up what might, to use jargon, be termed "reactionary" forces throughout the country and make the execution of "progressive" policies in Orissa difficult. Apart from this, the coalition with the Parishad is tactically wrong. It will help the Ganatantra Parishad in its accession to power, with probably undesirable consequences for the Orissa Congress in the long term—and possibly in the coming elections. In the circumstances, it would have been more logical, and consistent, for the Congress to attempt a workable arrangement with the Praja-Socialist Party: their programmes are almost identical. Moreover, considering that the P.-S.P. wielded power in the Travancore-Cochin State on the strength of the Congress support, the coalition between the two in Orissa would not have been an impossibility.

The plain fact is that neither principle nor consistency is involved in the present arrangement in Orissa. The only consideration for the formation of the coalition has been the anxiety to ensure political stability in the State—and apparently keeping the Congress in saddle. In view of this pragmatic consideration, it is the duty of Orissa Congressmen to prove that the Congress is not animated by power lust and opportunism. If they are able to disprove the fears of those critical of the present arrangement, they will have ushered in a new political pattern in India.

ECONOMY DRIVE

A RECENT hand-out of the Government mentions certain steps taken by the Government to effect economy in the issue of invitations for functions held by Government departments. These suggestions, it has been stated, have been worked out by the O and M Division in consultation with the Central Economy Board. One is that as far as possible, invitations should not be printed but cyclostyled so as to keep down printing cost. Another is that if the invitations to be sent are more than 200, they may be printed, but as far as practicable folded cards not requiring envelopes may be issued. Some time back a circular was sent out that the covers containing the Press Information Bureau hand-outs may be returned as a measure of economy. These commendable attempts, however, appear to be very amusing in the context of the grave losses sustained by Government departments as revealed periodically by the audit reports and the reports of the Public Accounts Committee.

True to its tradition, the Audit Report of the railways, 1959 contains an interesting chapter pertaining to the losses, nugatory expenditure and other financial irregularities noticed during the course of audit of the accounts in 1957-58. These have been listed under various categories, like contracts and agreements, work expenditure, stores, pay and allowances, revenue expenditure, earnings, departmental catering and so on. Each one of these items is full of interest and to the lay public very revealing. Just to take one or two instances; under works expenditure, the report shows how there had been avoidable expenditure on acquisition of land by the Western Railway. It points out how although nine years have elapsed since the acquisition of the land, the question of its retention or relinquishment has not yet been decided. Again, over the railway electrification project of the suburban services in Calcutta with extensions to the coalfields, there has been considerable loss due to lack of proper planning. The report points out that though an abstract estimate for Rs. 11.84 crores was sanctioned in 1956 for the first phase of the project, it could not proceed ahead according to schedule at every stage because of the delays in the finalisation of plans, estimates and designs etc. Originally it was decided to adopt the D.C system but later on it was revised to the A.C. system and though the outlay on the change-over was originally estimated at about Rs. 3.5 crores, it would appear that it will not be possible to determine the cost precisely until the quotations for the conversion of the major items of equipment for alternative use elsewhere are finalised. Further the revised estimates of the project itself have risen and now it would appear the ultimate cost of the project would be about Rs. 18.68 crores. These are only instances to show how economy has been thrown to the winds due to either errors of commission or omission. The report contains many more of these and when one talks of "economy campaigns", one should pause to reflect on reports of this kind.

India's Three Dominant...

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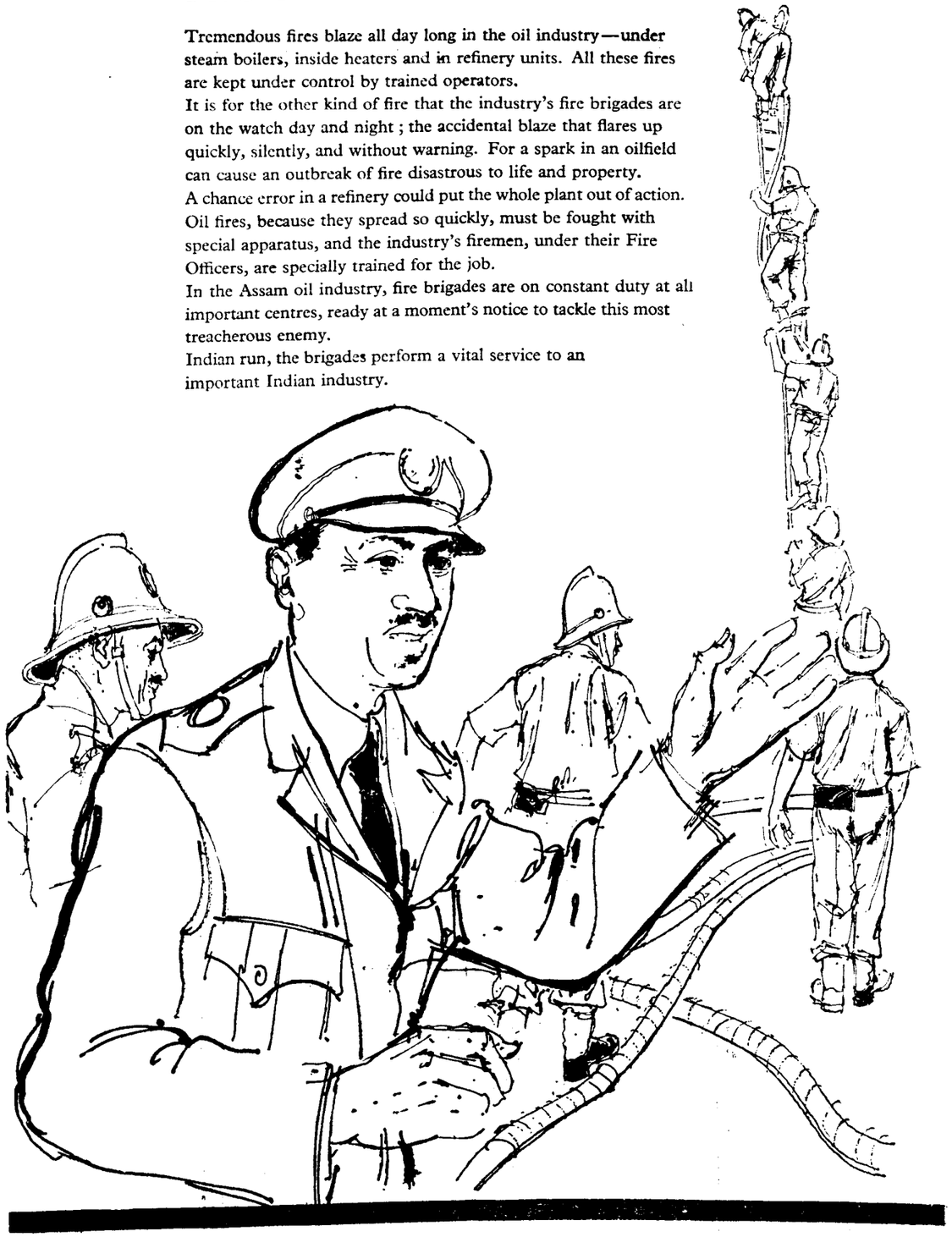
Tremendous fires blaze all day long in the oil industry—under steam boilers, inside heaters and in refinery units. All these fires are kept under control by trained operators.

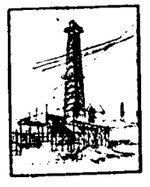
It is for the other kind of fire that the industry's fire brigades are on the watch day and night ; the accidental blaze that flares up quickly, silently, and without warning. For a spark in an oilfield can cause an outbreak of fire disastrous to life and property.

A chance error in a refinery could put the whole plant out of action. Oil fires, because they spread so quickly, must be fought with special apparatus, and the industry's firemen, under their Fire Officers, are specially trained for the job.

In the Assam oil industry, fire brigades are on constant duty at all important centres, ready at a moment's notice to tackle this most treacherous enemy.

Indian run, the brigades perform a vital service to an important Indian industry.





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WHY FEW TOURISTS COME TO INDIA

By ODYSSEUS

THAT INDIA should have raised her earnings from tourism from Rs. 10.3 crores to Rs. 19 crores between 1955-58 is satisfactory but, considering the vast potentialities of tourism, I suggest that Rs. 19 crores is a flea bite.

Where those concerned with the promotion of tourism in India go wrong, I believe, is that their eyes seem fixed on the higher income groups of tourists. They seem to be thinking only in terms of luxury hotels. High income tourists do exist, but in a world which thinks it intelligent to "soak" the rich, it is inevitable that the rich are becoming as rare as lions in Kathiawar.

On the other hand, with the expansion of economies in Europe and America, there has been a steady rise in the numbers and incomes of those with moderate means, and it is these, not the so-called rich, who constitute the solid mass of the 30,000,000 tourist arrivals registered in member countries of the Organisation for European Economic Co-operation.

My genial and learned colleague, who writes our "Business Notes," said on May 1 that in 1957 Japan attracted 180,000 tourists who spent Rs. 32 crores while India attracted 80,000 who spent Rs. 16 crores. From this he concluded that the point to note was that the expenditure of tourists in India per head was Rs. 2,000 compared with Rs. 1,778 in Japan. This, he said, was because India has many attractions to offer which tend to make the tourist spend a longer time and visit more places, even if this costs him more. Well, this is going to be one more of those notorious examples of the differences between economists, because, with great respect, the basic point to note is not, I submit, the larger expenditure per head, adding up to Rs. 16 crores in India, but the smaller expenditure per head totalling Rs. 32 crores in Japan. No matter which way you look at it, Rs 32 crores is twice Rs 16 crores!

I suspect that Japan's bigger earnings are largely due to the presence of several thousand American troops whose relatives in the USA therefore have a natural reason for prefering Japan for their holidays. I suspect also that among the reasons why India attracted fewer tourists than Japan was because distances, and therefore costs, are so much greater in India, and therefore only those in the higher income groups could afford India.

If India wants to attract tourists on the scale that the countries of Europe do, she must re-organise herself to cater for the lower income groups of foreigners. Tourism is the commodity for which the Demand is without limit as incomes rise, always remembering that it is the modest incomes that are rising. The highest incomes are, after taxation, tending to fall.

TOURISTS SEEK FUN—NOT CULTURE

Above all, remember that tourists are on a holiday. They are NOT primarily out to add to their knowledge or to study foreign affairs. They ARE out to enjoy themselves. This may seem so obvious as not to be worth mentioning, but it is, in fact, a point that is persistently overlooked—beginning with our respected Prime Minister who, when he inaugurated the convention of travel agents in Mussoorie on April 24, "emphasised the need for promoting travel and tourism in the right spirit, so that the barriers that separate nations and races might break and there was more understanding among them. Mr Nehru urged that unless a traveller had a sympathetic and receptive attitude of mind he could not understand a country and the people he visited." These remarks are strictly true but they place Panditji in the same class as Montgomery as a dropper of bricks by proclaiming blunt truths aloud at the wrong moments.

Because as long as we tell the foreigner that he ought to like us, ought to learn our ways, ought to admire our culture, and so on, only a minority, consisting of the most fearless, determined, and tough, will come to us. The majority will go to those countries whose leaders and tourist trade agents say in effect "you want to enjoy yourselves? Good! HOW do you want to enjoy yourselves. Tell us and we'll lay it on for you, even if it means modifying our own ways of doing things."

Postwar European experience of the tourist trade shows that the luxury hotel and resort business is decreasingly important while the non-traditional business is increasing, i.e., more and more people are travelling in parties (rather than in couples or alone); more and more want to tour for an all-inclusive fixed price in a motor coach, under the care of a courier who acts as a guide and relieves them of all difficulties en route; more and more want to tour in caravans, or in hired cars which they can drive themselves.

They do not want luxury hotels but camping or caravan sites with water and toilet facilities, or "motels"—a group of well-kept, clean huts, with a canteen and other simple shopping facilities. The point is that they are people of modest income, to whom cheapness is all. Hold on to the 180,000 tourists who spent Rs 32 crores in Japan. Forget the 80,000 who spent Rs 16 crores in India.

Remember, too (at least IF you want tourists), that they come to your country not to understand it but to gratify their preconceived image of it. This may be an irritating lesson to those who think like Panditji, but if the British can learn it, I should have thought that we could. The British image of themselves is that of a successful go-ahead, modern industrial nation. They were annoyed to find that the British Travel Association was plastering America with posters of thatched cottages, of glamorous women in tall Welsh hats that have not been worn for centuries, of picturesque ceremonies featuring the Yeomen of the Guard in their Elizabethan ruffs, and of village rustics in smocks hired from a theatrical costumier for the photographer's benefit.

TOURISTS COULDN'T CARE LESS!

"You're giving the Americans an entirely wrong impression of Britain," everyone began complaining. "The Americans will think of us as Ye Olde England—a back-number in the modern world. They should know that we discovered pencillin, invented radar, have in action the first commercial-scale nuclear power station in the world, have discovered Zero Energy Thermo-nuclear Assembly (ZETA) which will enable us to obtain unlimited energy from water, and that all turbine-powered air liners in the world are British."

To which the British Travel Association replied patiently: "Do you, or do you not, want foreign tourists?", and went on advertising Shakeaspeare's birth place and the Changing of the Guard. It is only in China and the USSR that visiting factories, or studying ideologicalised statistics in "cultural" centres is a holiday pastime.

The result has been that whereas in 1938 only 439,000 tourists visited the UK, of which a mere 77,000 were from the USA, by 1950 the total was 618,000, with 124,000 Americans, and this has risen to 1,258,000 in 1958, of which 320,000 were Americans. British earnings of foreign currencies in 1958 were the equivalent of Rs. 255 crores.

If these 1,258,000 foreigners did return home with increased understanding of the British way of life, this was a by-product of their tour and depended partly on their attitude of mind (as Panditji pointed out) but even more on the attitude of those of the British with

whom they happened to come into contact. If those British were friendly, welcoming, and well informed, the foreigners returned home friendly and sympathetic. If not, not.

That is why tourism is the concern of the whole nation—not merely of government officials, hotel keepers and travel agents.

That the British have increased their foreign visitors to 1,258,000 is satisfactory, but that the French have increased theirs to over 4,000,000, and the Italians to over 11,000,000, suggests that the British are far from a complete solution of the problem of satisfying all the requirements of foreigners. That Italy does better than France suggests that a warm climate is outstandingly important. In this, the UK is at a natural disadvantage. But other UK disadvantages are man made. Two curable UK disadvantages are (1) that meals in most hotels and restaurants are between fixed hours: no breakfast after 9-30 a.m., no lunch after 2-30 p.m., no dinner after 9-30 p.m. But tourists don't want to live to schedule. They have enough routine in their working lives. On holiday, they want to be free to move about, lingering here and there without thought for the time, as fancy directs. (2) The UK licencing hours. That drinks can only be obtained from 12 to 2-30 p.m. and 7 to 11 p.m. strikes them as incomprehensible and causes resentment. In France and Italy, you can normally find some place to eat and drink throughout most of the day, and in Paris and Rome throughout the 24 hours, which is as it should be—always supposing that you do want tourists.

The UK Travel Association has been representing about these points to the Government for years. It has won a minor victory which (let us hope for the sake of the UK's balance of payments and ability to invest more in India) may be the forerunner of others: the bar in the airport of London is open 24 hours a day.

Tourists spent the equivalent in foreign exchange of four thousand million dollars in the 17 members of OEEC in 1955 (and the total has risen since). There is no reason why India should not make a comparable showing. India has a choice of climates throughout the year and a rich variety of scenery and historic sites, b if she is serious in wishing to emulate Europe's astoun ing achievement, India has much spade work befo her.

GET RID OF PROHIBITION

First, get rid of prohibition. No, your eyes have n deceived you. I said: Get rid of prohibition. That is I you want tourism on the thousand million dollar scal For, of course, all that prohibition does is to enrage th tourist by what he regards as a presumptuous effo to teach him morals, which ends by entangling him i red tape and illegalities. The outstanding success o prohibition in India has been to put the price of drin up sky high and to keep the number of tourists down Its enforcement is a matter for ridicule and contempt The last time that I arrived in a certain prohibitio centre, I had been less than a minute in my hotel roo before a voice on the phone offered me a bottle of gin at thrice the commercial price.

Secondly, the needs of the lower income tourist must be met: motels, caravan sites, camping centres, with all amenities laid on, youth hostels, etc. The lower the prices, the more the tourists, and the higher the total eornings.

Thirdly, India must follow the UK in spending money on continuing consumer research in order to avoid giving tourists what officials think they want and to ensure that they are provided on the results of your consumer research. That there is a connection between consumer research, advertising expenditure and results, is shown by the figures of the UK Travel Association:

Year	Total No. Visitors	Total Tourist Income £	Advertising Expenditure £
1947	401,000	33,000,000	103,421
1948	511,000	47,000,000	221,117
1949	565,000	65,000,000	297,663
1950	630,000	87,500,000	403,437
1951	711,590	107,000,000	417,042
1952	732,830	114,500,000	441,072
1953	818,600	126,000,000	500,101
1954	901,460	137,000,000	547,057



A SETBACK FOR SUPRANATIONALISM

From Our Special West European Correspondent

PARIS, May 23.

AN attachment to the cause of European unity can cover two quite different philosophies. One we may call supranationalism: this is the belief that the unification of the six Continental countries necessarily involves the establishment of international authorities to which the national governments must surrender parts of their sovereignty. The other is what General de Gaulle has called "l'Europe des patries", an expression meaning literally "the Europe of distinct homelands" and referring to the vague idea of Continental unity achieved by intimate alliance but without any surrender of national sovereignty beyond what any government concedes when it concludes a treaty with another sovereign government. European unity in one form or another is bound to progress, but it will be a matter of immense importance—especially of economic importance—which of these two conflicting philosophies of unity governs that progress.

The conflict is actually between the moderate versions of each of these views. The extreme versions are discredited and impossible. The extreme version of supranationalism was represented by the European Army plan in the EDC, which required national governments to surrender sovereignty first in the very department were nationalism is strongest, in matters of defence. It failed; there was too much opposition to the idea of a supranational army both from military men (e.g. de Gaulle) and from liberal civilians (e.g. Mendes-France). At the other extreme, it is clear that a mere sequence of traditional treaties will never build unity on the Continent, but only a loose multilateral alliance forever at the mercy of political moods. The course of unification will lie somewhere in between. Its supranational institutions must grow slowly and naturally out of international alliances; they cannot come first. But the alliances must have teeth in them, right from the start; there must be some way of preventing a member-nation deserting the common effort whenever it finds its obligations temporarily embarrassing, and that implies some sort of supranational body if only a court of arbitration.

A stage in this conflict has just been fought out in the Coal and Steel Pool (hereafter called CECA, from its French initials) and it has ended in a resounding defeat for supranationalism. The pretensions of CECA, which has its headquarters in Luxembourg, to tell the member-governments what they must do to meet the current coal crisis have been rejected so firmly by Bonn and Paris that discouraged "Europeans" are predicting a bad end for all efforts toward European unity, including the Common Market and Euratom. This pessimism is exaggerated in so far as it is based on the notion that a European economy can only grow within the controlled framework of a super-State that can direct enterprises over the heads of national governments. But it is correct to see that CECA's failure to exert authority over the national capitals is a significant portent for the further course of European unity, including the progress of the Common Market. It does not mean that the Common Market will move more slowly, but it means it will move along another path.

The Coal and Steel Pool worked very well during the years when coal and steel were relatively scarce and when those industries were expanding rapidly. But it failed to get member-countries to co-ordinate their coal import policies, with the result that when the recession came American coal was still pouring into certain European countries while stocks began to accumulate at the pitheads. The crisis soon assumed alarming proportions. Coal and coke stocks at the end of last month had shot up to the record figure of 38 million tons, against 18 millions at the end of April last year; consumers were holding another 19 million tons. This immense surplus accumulated although mines were shut, miners thrown out of work or put on short time, so that member-countries raised 6.7 million tons less in the first four months of 1959 than in 1958.

This was the occasion for CECA to exercise its supranational powers. The crisis affected members unequally; it was worst in Belgium (where it led to violent labour trouble a few months ago), bad in West Germany, not at all serious in France and of course non-existent in Italy which mines almost no coal and imports its fuel. But CECA, conceiving its role to be that of a super-State or at least a super-Ministry of Fuel, proposed a general solution. It would declare a "state of crisis," which would enable it to enforce its supranational powers, and then impose restrictions on production and import of coal in all parts of the community, penalising heavily any mine that exceeded its quota, even in France where there was no local surplus of coal. It would behave as any national government might when a large surplus of coal appeared on its territory. The Belgians naturally supported this proposal, for it amounted to asking the whole European community to share with them the effects of a crisis that was worst in their country.

CECA's failure was total. The Governments of West Germany and France disingenuously denied that there was any general crisis; there was only a crisis in Belgium, which could be alleviated without recourse to supranational controls simply by the Italian Government undertaking to buy coal in Belgium rather than from overseas. France was determined not to import any Belgian unemployment, and West Germany, even though itself affected by the coal surplus, did not want to accept the restrictionist, "socialist" controls of a super-State. CECA and the Belgians replied that the big partners were being selfish and nationalist, and that their suggested solution would be quite inadequate to meet the situation.

It is difficult to say who is right and who is wrong on the economic point. The Franco-German plan which was finally adopted offers assistance to the Belgians to close down their marginal mines, it subsidises the sale of Belgian coal to Italy, it requires but does not order France and Germany to limit their coal imports from abroad (German importers are buying back their contracts from the Americans, often at great loss), and the West Germans are taking steps to reduce their production by introducing a five-day week in the Ruhr. It is quite possible that these measures will reduce coal stocks or prevent them from growing further. But the main point was not so much economic as political: was a supranational authority to be allowed to dictate coal policy, to fix quotas and impose fines, over the heads of the national governments? If that issue of principle had not complicated the debate, it seems probable that the purely technical question of how to deal with the coal crisis could have been solved by compromise. But because it was a question of principle, no one was willing to compromise. CECA wanted to exercise the

supranational powers implicit in the treaty; Bonn and Paris wanted it to stick to the letter of the treaty and deal only with national governments. It was this hardening of positions that made the defeat of CECA so total and humiliating.

The supranationalists now ask, how can CECA, thus discredited, go on to frame an all-European energy policy, the urgency of which no one doubts? It can of course, by consulting with Euratom and the Common Market organisation, write a plan; but to impose it, it would need the powers now denied it. Thus governments will slide back into nationalist energy policies without coherence or co-ordination—and the dangers of such policies have just been demonstrated by the coal crisis. And if governments reject supranationalism in CECA, will they tolerate the overriding authorities that are necessary for the working of the Common Market and Euratom?

Their victorious adversaries, Dr Erhard and M. Debre, reply that the solution adopted is still in the line of close European co-operation, but that as long as national governments are responsible to their peoples for how they exercise power they cannot share that power with independent authorities that are responsible to no one. This sounds very noble and democratic, but one must not be fooled by demagogy. The obvious fact is that in things like the Common Market and the Coal and Steel Pool we are dealing with an international market, and what goes on in that market is determined by big business and big labour unions. But national governments do not control the actions of those bodies in the international field, and unless there is some supranational body to control them then it is they that are responsible to no one. The results of this irresponsibility could be anything but noble and democratic. Cartels and restrictive practices within national boundaries fall within the jurisdiction of a government; in an international market without supranational authorities, they fall in no one's jurisdiction. The way is opened to a Common Market controlled by economic feudalisms: cartels and labour unions. The tendency would be to return, in the international market, to pre-Keynesian economics with no global control or study of the economic situation, because there would be no international authority to undertake it.

It was because the member-governments denied CECA its supranational powers that it was powerless to stop the cartellisation of the Ruhr, after the postwar deconcentration. A similar process could occur now in many other fields. This would not mean that without supranational organisms, European unity would progress more slowly. On the contrary, it might gather impetus more quickly, as business firms saw the advantages and economies of uncontrolled concentration.

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WORLDGRAM

AGRICULTURE

Space for Storage of Foodgrains: The President has given assent to the Bombay Land Requisition (Extension and Amendment) Bill, 1959. The bill empowers the Bombay Government to requisition sufficient space for storage of foodgrains, location of fair price shops and offices for the staff entrusted with the foodgrains distribution scheme. For this limited purpose the State Government has decided to use the powers under the Bombay Land Requisition Act, 1948 in those districts of the existing Bombay State which before November 1, 1956 were parts of the old Bombay State. The Bill also seeks to extend all the provisions of the Bombay Land Requisition Act, 1948 to the rest of the areas of the existing Bombay State.

INDUSTRY

World's Largest Sea-Water Distillation Plant: A Scottish firm of engineers has received an order from the Government of Kuwait, oil shaikhdom on the Persian Gulf, for what will be the largest "fresh water from sea water" plant in the world. The plant consists of two units, each of which will produce 1,000,000 gallons of fresh water a day—the greatest output ever achieved by a single flash distillation unit. The order is worth well over £500,000, and was obtained in the face of strong international competition. This follows last year's order for a similar plant for half-a-million gallons a day in Guernsey (Channel Islands).

*

British-Equipped Steel Mill in Spain: The largest and most modern steelworks in Spain, the reversing mill of Empresa Nacional Siderurgica S.A. at Alviles, recently started steel production. The major part of the electrical equipment was engineered by the metal industries division of the English Electric Co. The mill, the first twin-drive in Spain, is designed to give an output of up to 1,000,000 tons of blooms a year. The two 3,500 hp. motors were made at the Stafford works of English Electric. Some idea of the complexity of the complete installation can be gauged from the fact that some 14,000 electrical connexions had to be made for the main drive and auxiliaries. Erection and commissioning were carried out by company engineers. The electrical equipment for the associated structural mill has also been engineered and manufactured by English Electric and is currently being installed. This second mill will be commissioned about the end of 1959.

*

Fifth Indian Standards Convention to be Held at Hyderabad: The fifth Indian Standards Convention will be held in Hyderabad from December 27, 1959 to January 2, 1960. Mr. Lal Bahadur Shastri, Minister for Commerce and Industry, is expected to inaugurate the convention. The objects of holding these annual conventions are to promote consumer consciousness about standards and to create consumer demand for products certified under the Indian Standards Institution Certification Marks Act. The conventions also provide a forum for exchange of the latest technical and scientific data on standardisation and stimulate research on problems of standardisation. They also give an opportunity to producers, consumers and technologists to come together to discuss common problems. Above all, the Conventions focus attention on the production and consumption of standard goods. Over 500 delegates are expected to participate in the nine technical sessions of the 5th Convention. They will consider among other things the implementation of the Indian standards, standardization and productivity; design for industrial experimentation; tropicalisation of electrical and electronic equipment; latest techniques in chemical analysis; documentation; certification for small industries products, etc. Mr. C. S. Tyabjee, President of the Federation of Chambers of Commerce and Industry, Andhra Pradesh, will be the chairman of the Reception Committee for the convention. The first Standards Convention was held at Calcutta, the second in Bombay, the third in Madras and the fourth in New Delhi.

TRADE

Import of Art Silk Yarn: The Government of India have set up a Committee to scrutinise pending applications for import licences for art silk yarn under the Export Promotion Scheme. Under the scheme, which was suspended on March 6, 1959, licences for the import of art silk yarn were being issued to exporters of Indian art silk fabrics, sarees, garments, hosiery and other art silk manufactures. The Committee, now appointed, will scrutinise applications which were submitted to the port licensing authorities up to March 6, 1959, and which were not finally disposed of. Applications in respect of which a partial relief was given for want of ceiling or for production of further documents by the applicants or for the verification of values, etc. will also be treated as pending applications. Government have also decided that exporters who had completed all the formalities connected with the export of the goods and had also earned the foreign exchange before March 6, 1959, and were otherwise eligible to apply for import licences under the scheme before its suspension may submit their applications for import licences to the port licensing authorities concerned before May 31, 1959. Any applications for import licences already submitted by exporters fulfilling the above conditions to the port licensing authorities after March 6, 1959, will also be considered by the Committee. The Joint Chief Controller of Imports and Exports, Bombay, will be the chairman of the Committee. The other members of the Committee are Mr V. Subramaniam, Deputy Textile Commissioner, Bombay, and a representative of the office of the Joint Chief Controller of Imports and Exports of Calcutta or Madras in respect of the applications pertaining to the respective offices. For the scrutiny of the applications by the Committee, individual applicants may be required to appear before the Committee with all necessary documents as may be called for by the Committee.

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Foreign Trade of India in March, 1959: The provisional figures of foreign trade of India by all routes, i.e. sea, air and land, on private and Government accounts during March, 1959, according to information available so far in the Department of Commercial Intelligence and Statistics, Calcutta, are given below: **Merchandise:** excluding transit trade of Pakistan and other overland foreign countries viz. Nepal, Tibet, Sikkim and Bhutan: Exports Rs. 47.00 crores, re-exports Rs. 22 lakhs, imports Rs. 65.61 crores; Total trade Rs. 112.83 crores. The import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. **Treasure:** Exports (including re-exports) of currency notes Rs. 57 lakhs, gold and current coins (excluding gold coins) nil. Imports of currency notes Rs. 1.00 crores, gold Rs. 4 lakhs, current coins (excluding gold coins) negligible. **Balance of Trade:** Subject to the limitation in import figures mentioned above, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 18.43 crores.

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Trade Agreement with Iraq Ratified: Letters were exchanged between the Governments of India and Iraq in Baghdad recently ratifying the trade agreement between the two Governments signed on December 29, 1958. The agreement will be valid for a period of one year. The agreement seeks to promote closer trade and

economic relations between India and Iraq to the mutual benefit of both countries. The two countries have agreed to accord to the trade of each other the most favoured nation treatment, subject to the existing or future preferences or advantages which either party accords to a third country or countries. Under the agreement, the two Governments have also agreed to help in expanding the trade in traditional items, like Iraqi dates and Indian tea, as well as in extending the trade to a number of new products. Among the items listed as available for import from Iraq to India are dates and hides and skins. Among the items listed for export from India to Iraq are cotton textiles, tea, jute manufactures, light engineering products, plastic goods, pharmaceuticals and chemicals.

FINANCE

Excise Duty on Artificial Silk Fabrics: As a measure of relief to the Art Silk Industry, the compounded rates of excise duty, basic as well as additional, were reduced and 4-powerloom units as well as the first four powerlooms in 9-loom units working not more than one shift were exempted from payment of duty with effect from April 21, 1959. As a measure of further relief to the small-scale unit and as an incentive to increased production, the Government of India have now decided to exempt from duty all 4-loom unit and also the first four looms in 9-loom units from payment of duty, irrespective of the number of shifts worked and to reduce the compounded rates of duty, both basic as well as additional, in respect of the first 9-looms employed in all units with effect from May 15, 1959. Similar changes are being made in respect of warp knitting machines employed in the production of rayon or art silk fabrics.

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Regulation of Money Lending in Tripura: The Bombay Money-lenders Act, 1946, has been extended to Tripura by the Central Government exercising its powers under the Union Territories (Laws) Act, 1950. The Tripura Advisory Committee recommended the adoption of this measure at its last meeting. The Act regulates the practice of money-lending and makes it compulsory for a money-lender to take out a licence. It also limits the rates of interest and prohibits the levy of a charge on loans for expenses incurred on investigating title of property etc.

*

Companies Registered during January-March 1959: Sixty companies—3 public and 57 private—were registered under the Companies Act, 1956 in the Northern Region during the three months, January to March, 1959. In addition, one association, which is not for making profit was registered under the Act in Uttar Pradesh. The total authorised capital of these companies was over Rs. 2.31 crores. The Northern Region comprises the Punjab and Himachal Pradesh, Delhi, Uttar Pradesh and Rajasthan. During the same period 35 companies in the Region went into liquidation and names of 64 companies were struck off the Register under Section 560 of the Companies Act.

GENERAL

Calcutta Dock Workers (Regulation of Employment) Scheme: The Government of India have appointed a one-member committee to review the working of the Calcutta Dock Workers (Regulation of Employment) Scheme. Mr. R. L. Mehta, Joint Secretary, Ministry of Labour and Employment, constitutes the committee. In particular, the committee will examine various complaints that have been received from different quarters about the administration of the scheme. It will recommend measures to deal with those complaints, where necessary. The committee has been asked to conduct the inquiry expeditiously and submit its report to Government as early as possible. The Calcutta Dock Workers (Regulation of Employment) Scheme, which came into force in 1956, seeks to ensure, as far as possible, regularity of employment for dock workers, specially casual labour, i.e., pool workers. Under the scheme, pool workers are guaranteed minimum wages for 21 days in a month. They are also entitled to attendance allowance at the rate of Rs. 1/8 per day on days on which they came for work but are not provided work.

*

Basic Education in India: During the period 1949-50 to 1955-56 the total number of Basic schools rose from 32,182 to 47,813. Out of the total of 47,813 schools in 1955-56, 4,842 were senior Basic and the rest 42,971 junior Basic or Basic primary schools. During the session 1955-56 there were 50,60,267 pupils (39,36,954 boys and 11,23,253 girls) on rolls in the senior Basic and junior Basic/Basic primary schools of the country. Of these, 37,30,459 pupils were enrolled in junior Basic/Basic primary schools and the rest in senior Basic schools. The number of Basic teachers' training colleges and training schools has been constantly increasing. According to the information gathered up to August-September 1956, it rose up to 666 (33 post-graduate training colleges and 633 training schools, including those institutions also which impart teachers' training for both traditional as well as Basic education). In addition to adopting various measures to stimulate and co-ordinate educational activity in the country, the Government of India have been giving financial assistance to the States for the development of Basic education. These financial grants have been on a matching basis, the share of the Central Government being reduced gradually so that the States may be able to take over the entire financial responsibility for this work in due course. If the targets for expansion of Basic education in the second Plan are fully achieved, the Basic schools will form no more than 20 per cent of the total number of elementary schools (three lakhs) in the country. The handicaps are lack of adequate funds and the necessary trained teachers in sufficient number. It has thus been found necessary that side by side with the programme of complete conversion of the non-Basic schools in selected areas there should be evolved an orientation programme introducing a minimum Basic pattern in the non-Basic schools. This orientation programme will cover about 80 per cent of the existing primary schools as well as the additional primary schools started as part of the drive for universal compulsory education in India. The National Seminar on the Orientation of Elementary Schools towards the Basic Pattern, held recently, accepted 1960-61 (end of second Plan period) as the target date for the orientation of elementary schools except in a few States where because of certain special circumstances this might be extended to 1961-62

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Intensive Area Development Scheme: The Union Ministry of Community Development and Co-operation have requested the State Governments to immediately select at least one block, in consultation with the State Khadi and Village Industries Board, to give effect to the co-ordinated programme agreed to recently between the Ministry of Community Development and Co-operation and the Khadi and Village Industries Commission. Under the scheme of co-ordination, the State Government is to select one of its best blocks and earmark a compact area, comprising a population of 20,000 to 25,000, to be developed by the Block staff on the lines of the intensive area scheme of the Khadi Commission. In such areas, or in such blocks, the Khadi Commission will divert its funds to develop industries coming under its purview, inclusive of establishment charges on par with funds sanctioned by them for the intensive area scheme.

NEWS IN BRIEF

INDIAN

India's shipment of coal, both coastal and foreign, recorded a slight increase in April compared to the previous month, according to statistics available. A total of 152,730 tons—89,011 tons coastal and 63,719 tons foreign were shipped in April as against 150,142 tons in March.

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The Forward Markets Commission has announced margin exemptions on open long positions held as a hedge against commitments in respect of castor oil exports as an incentive for the export trade.

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Two agreements covering the allocation of Rs. 10 crores each to the Industrial Credit and Investment Corporation and the Industrial Finance Corporation out of United States PL 480 funds were signed in New Delhi recently between the Government of India and the US Technical Co-operation Mission.

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Three million tons of foodgrains are proposed to be imported from the United States under the next PL 480 Programme. The figure is under discussion between the Government of India and the US Government.

*

The Government of India have announced the basis for granting licenses for import of cotton to exporting mills. Under the scheme, which comes into force from July 1, 1959, mills which export cotton cloth, yarn or both will be entitled to 66-2/3 per cent of the f.o.b. value of such exports.

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Exports of black pepper from India during 1958 stood at 14,144 tons which was 1,112 tons less than the 1957 exports, according to the Cashew and Pepper Export Promotion Council.

*

The Government of India have announced a further modification of the export promotion scheme for textiles under which licenses are issued for import of certain coal tar dyes, textile chemicals and gums against exports of cotton textiles (other than handloom cloth) and yarn.

*

A non-official trade delegation led by Mr. Hasham Premji, a leading business man of Bombay, left for Iraq recently to explore the possibilities of promoting Indian exports. The delegation has been constituted by the Federation of Indian Chambers of Commerce and Industry in consultation with the Government of India.

*

Woollen yarn and handknitting wool will continue to be licensed freely for export up to the end of March, 1960, the Joint Chief Controller of Imports and Exports announced recently.

*

The Government of Bihar has promulgated the Bihar Sugar Dealers Licensing Order, 1959 for checking the upward trend of sugar prices in the State.

*

The Central Pay Commission is understood to be working hard to submit its report to the Government by the end of June.

*

It is reported compulsory life insurance schemes to mobolise small savings were being studied by the Planning Commission and the National Development Council.

FOREIGN

The International Rubber Society Group reports that its management committee estimated that the world might consume some 3,520,000 long tons of natural and synthetic rubber in 1959, apart from synthetic rubber produced in non-member countries.

*

A London company has been formed by the East German Chamber of Foreign Trade to promote trade relations between Britain and the G.D.R. according to a Comtel report.

*

A World Bank loan is to be made to British Guiana to assist it in its five-year development programme, recently revealed an official of the bank who has been making investigations into the territory's agricultural potentialities.

*

The Sudanese Government has granted the Italian concern A.G.I.P. a 30-year concession to prospect for oil on the Red Sea Coast. Profits, if any, will be divided fifty-fifty.

*

Firestone Tyre and Rubber Company has announced plans for a $55 million expansion of its world-wide production facilities over the next 30 months. Its investment in the US will be $40 million with the remainder going abroad.

*

The UK Chamber of Shipping's index of tramp freight rates showed a small improvement during April, gaining 3.5 points to 68.6. This was the first upward movement in the index since last September when it stood at 76.4. Rates for coal, grain, sugar, and timber all improved during April, but those for ore and esparto fell.

*

April steel production in the six E.C.S.C. countries was 5.28 million tons, the highest figure recorded since January last year. This is the first time since last July that production has shown an increase compared with the corresponding month a year earlier.

*

Production of crude copper in the US in April amounted to 112,468 tons, compared with the revised total of 117,520 tons in March. Production of refined copper was 137,490 tons against 120,928 tons.

*

The Russians have ordered a £6 million plant for the manufacture of viscose rayon tyre cord in Italy. The contract is being undertaken by Chatillon, one of Italy's largest rayon manufacturers.

*

The Aluminium Company of Canada has announced that the capacity of its sheet mill at Kensington is to be increased by 10,000 tons a year. This will be obtained by the addition of new equipment and alterations to existing equipment at an estimated cost of $2 million.

*

The Cuban Cabinet has passed an agrarian reform law prohibiting large holdings of land and establishing an agrarian reform institute. The maximum permissible holding has been put at 30 caballeria (1,000 acres) with the exception of land used for sugar, rice, or cattle raising.

*

Advances of Australia's eight main trading banks made a seasonal upturn in April. But the increase—£A19,400,000—was less than half that of April last year.

A DELHI NOTEBOOK

COTTONSEED OIL COMMITTEE'S REPORT

IT may be recalled that a Government Committee which examined the problems of the cottonseed oil industry submitted its report by the end of last year. The recommendations contained in this report are now available. The first recommendation is that the crushing of non-fuzzy seeds which contain smaller percentage of linters could be advantageously undertaken in the unorganized sector by smaller units which are not equipped with delinting machinery. The recommendation in respect of fuzzy seeds is that the objective of the industry in the organized sector should be to crush such seeds which are rich in fuzzy linters and, at the same time, have a higher oil content. Yet another recommendation is that the installed capacity of cottonseed oil mills in the organized sector ought to be rated not merely by the expeller capacity but by the capacity of the delinting machinery. The fouth recommendation is that the Government should review the progress of establishment of new units licensed under the Industries (Development and Regulation) Act and take steps to revoke licenses which block up the capacity.

The Committee has given its finding in respect of speculation in cottonseeds. The Forward Markets Commission, it has recommended, should keep a watchful eye on the speculative activities in the forward markets of cottonseeds so that such activities may not hinder the availability of cottonseeds for crushing purposes by pushing up prices. The Forward Markets Commission should also consider whether the practice reported to be adopted at Bombay of excluding the fuzzy variety of cottonseeds from tendering against forward contracts can be extended to other exchanges dealing in cottonseeds. In regard to fiscal policy, the Committee's recommendation is that the Government of India should persuade the State Governments to waive the sales tax levy on cottonseed on special consideration or at least not to discriminate and exempt cottonseed which is fed to cattle from payment of sales tax as this step would divert more whole seed instead of cake for cattle feeding. At the same time, the Committee has also recommended that the State Governments should be requested to advise local bodies to consider the policy of octroi duties on cottonseeds. Another recommendation is that no excise duty should be levied on cottonseed oil for five years; at present there is no excise duty on cottonseed oil.

On the question of financial assistance, the Committee has recommended that the Government should advise the State Financial Corporations to accord high priority to the cottonseed oil industry in their scheme of assistance to private industrialists. At the same time, the Reserve Bank also should be requested to advise all scheduled banks to consider the question of advancing loans on cottonseed and cottonseed products.

For the purpose of importing raw materials, the Committee has recommended that bleaching earth and activated carbon should be allowed for refining cottonseed oil till indigenous products of quality are available. As for the import of plant and equipment, the Committee's recommendation is that the proposal regarding the import of cottonseed preparatory machinery on a barter basis against cotton linters should be examined by the State Trading Corporation. It has also recommended that the possibility of procuring preparatory machinery and continuous solvent extraction plants under the U.S. Export-Import Bank Loan should be examined by the Government.

For the future development of the industry, the Committee has outlined a plan. The chief elements in this plan are:—Production should be developed on a minimum basis of 60,000 tons of cottonseed oil by the existing and licensed units and by nine additional units each with a capacity of 12,000 tons per annum in terms of cottonseed. Two of these units are recommended for Madras, two for Madhya Pradesh, four for the Punjab and one for Rajasthan. Secondly, the production of 70,000 tons of oil by the setting up of five more units of similar capacity should be achieved in the second stage; one of these additional units should be in Madhya Pradesh and four in the Punjab. Thirdly, in order to achieve the additional installed capacity, the Committee has recommended that first preference should be given to existing regional vegetable oil mills and vanaspati factories; new units should be developed in case the existing oil mills and vanaspati factories do not take to crushing cottonseeds expeditiously. Particular attention, the Committee says, should be devoted to the development of the cottonseed oil industry on modern lines in the Punjab. The Committee also considers that it would be justified to increase the foreign exchange expenditure of Rs. 1.6 crores for the immediate development of the industry. As regards the possible organization of the industry on co-operative lines, the Committee has recommended that every encouragement should be given to such organization.

OIL AND NATURAL GAS

It is learnt that the exploration of natural gas in Assam is to be undertaken in two stages. In the first stage which will end in 1962, 35 million cft. of gas per day will be made available for use. In the second stage, after the completion of the first stage, will be executed a plan to use 30-70 million cft. of gas per day. The Government of India, it is further stated, are constituting an Expert Committee to examine the question of capacity and location of new industries which could use gas as fuel. This Committee is also to examine the possibilities of using non-associated gas which, it is estimated, will be available to the tune of 30-70 million cft. per day.

The Government of India, it is reported, has just vetoed Oil India's proposal to commence the first stage of construction of the pipeline in Assam.

It is reported that the Russian Minister, Mr P. T. Antrapov, who has been in India recently, has offered Soviet assistance in the manufacture of drilling equipment in India. It is likely that the Russians may also set up a workshop and repair centre in India. The services of top oil technicians may also be lent by the Soviet Union for taking charge of the entire drilling operations.

BRIEFS

A non-official trade delegation under the leadership of Mr M. H. Hasham Premji has just been sent to Iraq by the F.I.C.C.I. for exploring the possibilities of promoting Indian exports. The visit of the delegation has synchronised with the opening of an Indian Exhibition organised by the Government of India in Baghdad on the 21st May. Thanks to the signing of a new Trade Agreement between Iraq and India in December 1958, a favourable climate for Indian exports has been created.

*

It is reported that a special bench is likely to be constituted within the Supreme Court to deal with industrial disputes. A separate cadre from which the members of the industrial tribunals could be selected is also likely to be created.

*

The number of Russians employed in the Bhilai Steelworks is now 1,125.

Special Article

A DECADE OF NATIONAL INCOME

THE latest White Paper on Estimates of National Income for the Indian Union released by the Central Statistical Organization gives an integrated picture of economic growth in the Indian Union during the last decade. It shows how each sector in the economy has pursued an onward path with varying degrees of success and attained the current level. It also sets out to measure the increase in the level of living of an average citizen.

Table I below summarises the movements of national income at current and constant prices during the decade 1948-49—1957-58. At current prices, national income has witnessed a rise of 31.3 per cent as against a rise of 25.2 per cent at constant prices. The significant trend is that real national income rose at over 2.5 per cent per annum during the decade under review.

It is pertinent to make a vital observation at the outset. The first four years in the last decade were marked by political turmoil in the wake of the partition of the Indian sub-continent and a critical period of restoration of peace and stability which seriously hampered economic development. If those years are eliminated, as they ought to be in any fair assessment, the rate of rise in national income turns out to be still higher. During the First Plan period in particular the annual (average) rise was of the order of more than 3 per cent.

One of the best measures for reckoning national as well as individual well-being in economic terms is per capita net output at constant prices because it eliminates the inflationary effects of price increases. It evaluates in real terms the movements in the average income of the people. It will be seen from Table I below that per capita net output at constant prices rose from Rs. 246.9 in 1948-49 to Rs. 275.6 in 1957-58—a total rise of 11.6 per cent, signifying a real rise of about 1.3 per cent per annum. The last year—1957-58—tends to obscure the picture of dynamic economic growth through which the Indian economy has passed in recent years because it was one of those interludes of severe recession in agriculture which gave a serious set-back to output and the total national income in that year registered a fall of 1.5 per cent instead of recording a rise. Per capita net output in real terms is a good indicator of economic well-being, but the reservation must be entered that it does not reflect movements in standards of living. For this purpose, capital investments need to be eliminated from the total national income. It is estimated that in 1948-49, only 4 to 5 per cent of the national income was utilized for investment as against 8 to 9 per cent in 1957-58. If allowance is made for capital formation, it will be seen that the average level of living during the decade under study has moved up by about one per cent per annum.

Significant growth has been recorded during the decade by almost every sector in the economy. The rates of growth, however, have varied. The highest rate of growth has been recorded in mining where output has more than doubled during the period under reference. The next in the order of importance comes the organized industrial sector whose total contribution at Rs 550 crores in 1948-49 rose to Rs 950 crores in 1957-58. "Other Services" take the third place, followed by "Commerce, Transport and Communications" and "Agriculture." Table II below sets out the rates of growth in the various sectors.

The process of growth in the economy has been accompanied by a shift in the proportions of national income contributed by different sectors. In absolute terms, the contribution of each and every sector has increased but in percentage terms, there are sectors which have flourished at the expense of others. The secondary sector consisting of "Mining, Manufacturing, and Small Enterprises" has taken a big leap forward, while the shares of "Agriculture" and "Commerce, Transport, and communications" in the overall national picture, have declined. In 1948-49, the share of agriculture in national income was 49.1 per cent, but it now

TABLE I

COMPARISON OF MOVEMENT OF NET NATIONAL OUTPUT (AT FACTOR COST) AT CURRENT AND CONSTANT PRICES

	1957-58**	1956-57	1955-56	1954-55	1953-54	1952-53	1950-51	1948-49
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Net output in Rs. abja*								
1. At current prices . .	113.6	113.1	99.8	96.1	104.8	98.2	95.3	86.5
2. At 1948-49 prices . .	108.3	110.0	104.8	102.8	100.3	94.6	88.5	86.5
Per capita net output in Rs.								
3. At current prices . .	289.1	291.5	260.6	254.2	280.7	266.4	265.2	246.9
4. At 1948-49 prices . .	275.6	283.5	273.6	271.9	268.7	256.6	246.3	246.9
Index number of net output with 1948-49 as base								
5. At current prices . .	131.3	130.8	115.4	111.1	121.2	113.5	110.2	100.0
6. At 1948-49 prices . .	125.2	127.2	121.2	118.8	116.0	109.4	102.3	100.0
Index number of per capita net output with 1948-49 as base								
7. At current prices . .	117.1	118.1	105.5	103.0	113.7	107.9	107.4	100.0
8. At 1948-49 prices . .	111.6	114.8	110.8	110.1	108.8	103.9	99.8	100.0

* abja = 100 crores.
** preliminary.

stands reduced to 46.9 per cent. In the case of "Mining, Manufacturing and Small Enterprises," the share has risen from 17.1 per cent to 18.4 per cent. It may be stated here that small enterprises had a very minor part to play in this shift. In fact the share of small enterprises to the total national income has fallen from 10.1 per cent to 8.8 per cent. The leap forward has been attained by the heartening performance of the organised sector only. "Commerce, Transport and Communications" have registered a fall, in percentage terms, from 18.5 per cent to 17.5 per cent, while "Other Services" have increased their share from 15.5 per cent to 16.9 per cent. The most significant variation under "Other Services" has taken place in respect of Government Service (administration) where the share has risen by 4.2 per cent from 1.6 per cent in 1948-49 to 5.8 per cent in 1957-58. This is corroboration of Parkinson's law with a vengeance.

TABLE II

NATIONAL INCOME BY INDUSTRIAL ORIGIN

(At Current Prices)

(In Rs. abja)

	1948-49	1957-58	Percentage change
1. Agriculture (Total)	42.5	53.3	+ 25.41
2. Mining, manufacturing & small enterprises	14.8	20.9	+ 41.22
2.1 Mining	0.6	1.4	+133.33
2.2 Factory establishments	5.5	9.5	+ 72.73
2.3 Small enterprises	8.7	10.0	+ 14.94
3. Commerce, transport & communications	16.0	20.2	+ 26.25
4. Other services	13.4	19.2	+ 43.28
5. Total National Income	86.5	113.6	+ 31.32

TABLE III

NATIONAL INCOME BY INDUSTRIAL ORIGIN

Percentage Distribution

	1948-49	1957-58	Variation
1. Agriculture (total)	49.1	46.9	—2.2
2. Mining, manufacturing & small enterprises	17.1	18.4	+1.3
2.1 Mining	0.7	1.2	+0.5
2.2 Factory establishments	6.3	8.4	+2.1
2.3 Small enterprises	10.1	8.8	—1.3
3. Commerce, transport & communications	18.5	17.8	—0.7
4. Other services	15.5	16.9	+1.4

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A Letter to the Editor

"KHRUSHCHEV'S EDUCATIONAL OFFENSIVE"

Sir,

It was only recently, to my regret, that I had an opportunity to read the article in your magazine entitled "Khrushchev's Offensive in the Field of Education." Ordinarily it would not be worth speaking about an article published several months ago. This one, unfortunately, contains so many distortions of the facts that, as a scholar directly connected with education, I cannot pass it by. I feel it my duty to point out the errors inasmuch as they concern a problem of more than purely national interest.

Throughout the centuries the great humanists of Europe and Asia have held up as an ideal the harmonious, all-round development of man's physical and mental capacities. Many of them, as you well know, justly considered the chief requisite for such development to be a combination of study and mental activity with vocational training and work. That is the idea which inspired the educational reform in the USSR. The reform serves the interests of society and at the same time the interests of the individual, and not "totalitarian" interests, as you claim.

You say that the purpose of the reform is to draw young people under the age of fifteen into forced labour. That is a gross mistake. The curriculum of the new eight-year schools, which are attended by children between the ages of seven and fifteen, does include, in addition to the basic subjects, elements of vocational training and some participation in work. In the first to fourth forms, pupils will devote two hours a week to vocational training and another two hours a week to socially useful work. In the fifth to eighth forms three hours a week are given over to vocational training and two hours a week to work. Also, two weeks are set aside in the year for practical work training lasting three or four hours a day. This, you will agree, bears little resemblance to forced labour.

Your article says, further, that most of those who finish the eight-year general, compulsory, free school will go into physical work and that in this way the reform intends to reduce the number of young people attempting to enter higher schools. Yes, it is true that a considerable share of the young people will go to work after having finished the eight-year school and having received some vocational training. But you fail to mention the most important thing—that while working these young people will have every opportunity to continue their education at schools of various types, either vocational or general, upon completion of which they will be able to enter a higher school. This right exists not merely on paper but in actual fact, since education is free of charge and young people who combine work and study are given a shorter working day or working week.

Forgive me for my bluntness, but I must say that you again mislead your readers when you speak of a desire to reduce the number of students entering higher schools. That is completely wrong. The seven-year plan for the development of the Soviet economy in 1959-1965 provides not for a decrease but for a significant 'increase' in the number of higher school graduates, an increase of about fifty per cent (2,300,000 persons as against 1,700,000 in the previous seven-year period). The Soviet educational reform aims not to reduce the number entering higher schools but to develop secondary schools which will prepare young people, both physically and psychologically, for practical work 'as well' as admission to a higher school. In this respect the reform represents a big step forward in the further democratization of the secondary schools, which all young people will complete, including those who will not go on to obtain a higher education.

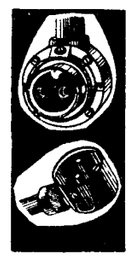
Will the new system lead, as you claim, to a lowering of educational standards? You are probably aware that the most widespread school in the Soviet Union was the seven-year school. Now, as you know, it is being turned into an eight-year school. The ten-year secondary school will become an eleven-year school, and, besides, the total number of these schools, of various types, will increase. How, therefore, can one talk of the educational standard of the Soviet youth being lowered? Finally, I do not know what sources you used when you said that it would be more difficult to enter a higher school except for those with a Party recommendation, but I do know that such a rule, or draft of a rule, does not exist in our country. I can only suppose that your statement is the fruit of a misunderstanding.

I feel certain, sir, that your magazine sincerely wishes to provide truthful and complete information. Hence, I trust that you will find it possible to publish my letter.

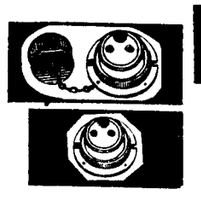
Yours faithfully,
ALEXEI LEONTIEV,
Professor of Moscow University,
Corresponding Member of the Academy of Pedagogical Sciences.

MOSCOW,
April 27, 1959

[We have great pleasure in publishing this letter from a distinguished Soviet educationist even though it refers to a note appearing in the 'Week's Notes' column of 'The Eastern Economist' as back as October 17, 1958. We are glad that the note has enabled some more light to be thrown on a controversial subject though there is still room for differences of opinion on certain aspects.—Ed.]



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The Business World

AN UNWARRANTED ATTACK

By CROESUS

THERE is hardly anyone among the leading business men whom I have met during the past few days who has not expressed his feelings of pain and disappointment at the Prime Minister's severe criticism of Indian industrial magnates at the recent AICC meeting in New Delhi. This is, of course, not the first time when the Prime Minister has done so, but, on this occasion, his speech gives a powerful impression that he has deliberately chosen to go out of his way to disparage the private sector and to extol the virtues and achievements of the public sector. "The great captains of industry" to quote his own words, "have not terribly impressed me. They consider themselves as geniuses and they try to propagate this idea both in the Parliament and outside, meaning by implication, that public concerns are not run properly."

This is neither factually correct nor fair to the private sector. Nobody, much less the captains of industry, can claim perfection; nor have they attempted to create this illusory impression. But, despite its falls or shortcomings, the fact remains — and recorded evidences amply establish it—that the private sector has done a lot of good to the country and it has to its credit achievements which are by no means negligible. It is common knowledge that the targets assigned to it, both under the first and the second Five-Year Plans, have been more than fulfilled and, in several instances, ahead of schedule. Obviously, the Prime Minister has not cared to draw a line between the achievements of the private sector before and after independence. He ought not to have ignored, for example, the significance of the political conditions under, and the tremendous odds against, which the private sector had had to struggle. Surely, all the struggles of the Tatas to make headway under a foreign rule could not have been unknown to the Prime Minister. But for the sympathy and support of the Congress Party and, more particularly, the strong stand taken by the late Pandit Motilal Nehru, the Tatas could not have achieved what they managed to do before independence. To say, therefore, that "even though the first steel plant in India was set up by the late Jamshedji Tata, a man of foresight, more than 50 years ago, India could not have a plant of her own to manufacture a plant for manufacturing steel", was a very unkind cut, apart from the fact that, even if the Tatas had been able to do so, there was hardly anyone to go in for such a plant in those days. Moreover, it is not so simple a thing as it is imagined to be. The Government of India itself has now had sufficient experience with the steel plants in the public sector to realise this. If the government has set up three steel-making plants in the public sector, the private sector has doubled its output since independence. Probably, the private sector's performances in this field would have been more spectacular still, had it not been cribbed, cabined and confined by all manner of controls and regulations.

The Prime Minister has said that Japan and other countries are not in the habit of importing more than one unit of even the most complicated machine, but there was in Japan a national government which was intent on developing its economy. It is a moot point if the economic progress of Japan would have been what it has been, if Japan, like India, had been under alien rule. This apart, it is not fair to compare Indian industrialists with their confreres in advanced countries like Japan or the UK who have taken more than 100 years to attain their present position. Besides the backing of their own national governments, they have also had the full support of their own banks and insurance companies with a standing of more than two centuries. Therefore—and this is what touched me most—as one distinguished industrialist said to me, the so-called Indian industrial magnates do not like to be called "Captains of Industry"; they would rather prefer to be called "Soldiers of Industry".

Since independence, only because of a sympathetic national government, notwithstanding all the hurdles placed by it, wittingly or unwittingly, in the way of progress particularly in the private sector, India has a reasonably distinguished record. Maybe, Indians have not so far produced a plant to manufacture a steel plant, but they certainly have to their credit some complicated machines, such as boilers, locomotives, automatic looms, etc. As the Prime Minister himself said, given the opportunity, the Indians are more than a match to any foreigner. The tremendous energy released by the attainment of independence has only just begun to channelise itself in a hundred constructive ways. They still require to be nurtured and nourished in a congenial climate. After all, Indians are still new to industrialisation in the modern sense. The so-called captains of industry can be counted on one's fingers. This is because, as in every other country, the transformation of the trading community into the industrial community is still taking place. Our business men may lack technical knowledge, but they have abundant practical commonsense and ample resources. Given the technical know-how and proper guidance—and now adequate foreign exchange—they will be able to achieve all that this country needs in the not distant future. The business community has not only to adapt itself to a modern industrial economy but also to new social responsibilities that the changing times demand. It is a happy augury that these responsibilities have been inculcated among the younger generation of business men by those who are holding the reins of trade and industry today, especially those who are farsighted enough to see things ahead of them for years to come. The interests of the country demand that the enthusiasm and the initiative of this section of the country's population are not killed by repeated harsh criticisms by those at the helm of affairs. The latter must realise that, if the standard of living of the people in this country and the economic development of India have to progress at the pace they want, they can only ensure it by enlisting in full the co-operation of the private sector, even after expanding the public sector to whatever extent they may want.

Finally, the Prime Minister has spoken about the co-operative approach to industrialisation. If the presence of the word "co-operative" alone is a proof that a particular institution is functioning along co-operative lines, then perhaps Indian industries today may not be called co-operatives. But, otherwise, in fact as well as in spirit, Indian industry, as modern industry anywhere else is, is essentially a co-operative affair. It is moonshine to believe that, without the co-operation of labour, the white collar worker, and the managerial class—not to speak of the government—any industry can thrive today. Gone also are the days when a tycoon could appropriate to himself all the spoils. The break-up of the profits of any big industrial organisation today shows that the bulk of the profits is appropriated by the workers and the State; even what is left thereafter the entrepreneurs cannot call their own, thanks to the umpteen restrictions under the Companies Act, the Income Tax Act and the Industries (Regulation) Act. The surprise, therefore, is that, even when bound hand and foot thus, the private sector is able to deliver the goods. Surely, such people deserve a word of tribute and not severe condemnation in season and

BUSINESS NOTES

U.S. TRADE MISSION'S REPORT

IN A leading article in 'The Eastern Economist' of May 15 it was argued how there is now a greater awareness in the United States over the stakes involved in India's development plans and in view of the fact that there are obvious limitations in expecting unlimited assistance in the form of Government loans and grants, there is need for tapping assistance in the form of private foreign capital with greater vigour. The report of the US Trade Mission, which visited Eastern India early this year, confirms this view in an ample measure. After pointing out how the Mission after individual discussions discovered many favourable opportunities for joint ventures for the production of many products, it says, "many countries overseas have benefited substantially by attracting American business and private investment of equity capital. This is of great benefit to the host country as it is more flexible. Such investments do not require any regular periodic payments for amortisation and they are usually quite permanent especially if the investment climate continues to be favourable." Again it makes this pertinent observation: "Foreign private investment does not create the same problems and difficulties associated with fixed foreign exchange repayment obligations and this inflow of new capital can help materially to offset balance of payments deficits."

The report emphasises the need for India competing in the world's capital market for foreign investment and the necessity for prompt executive action in the approval of projects. It points out that the Indian Government "is maintaining a flexible policy in its treatment of applications from foreign investors to participate with Indian nationals in new enterprises.... It is also evident that the field for private sector investment is increasing." It also goes on to say that the record of American firms operating in India has been favourable and that reasonable profits comparing favourably with US rates can be earned and transfered in dollars. It has, at the same time, urged that investment climate in India should be improved so that overseas capital will flow into the country in increasing amounts. It has also indicated the directions in which such a suitable climate can be created. For example, it suggests that some revision in India's tax structure might be made to encourage further investment without diminishing the net revenue accruing to the Government and has argued that an expanding economy, with greater employment and higher productivity, would soon offset such concessions through a consistently larger volume of business and permanent investment. While granting that the Government has certainly made tax concessions for various types of heavy industries, which will have the effect of encouraging foreign investment, it urges that the sound recommendations made in the report of the National Council of Applied Economic Research should be implemented which would serve to stimulate some of the moderate-sized American companies to venture into the Indian market and collaborate with local manufacturers. Apart from this, the report has also made a number of practical recommendations for improving India's production and marketing techniques as well as Government's practices on international trade. This is a report that would certainly require careful examination by Government as well as the business community.

PROTECTION TO HYDROQUINONE INDUSTRY

FEW INDUSTRIES seeking continuance of protection must have taxed the Tariff Commission so little as the enquiry into the continuance of protection to the hydroquinone industry which began recently. For this industry's problems are not many; the number of units producing the commodity is only two, while the capacity of these units alone is more than the total demand in the country. Moreover, the quality of the indigenous product is admitted to be as good as, if not better than, that of the imported variety. Evidently, the Tariff Commission is also satisfied with the substantial progress achieved by the industry since 1951, when the industry was first granted protection. The only aspects of the question that need to be examined by the Tariff Commission then are whether the units of the industry concerned cannot make use of indigenous raw materials alone (except, of course, for aniline which is not produced in the country) and whether, in view of the protection that has been enjoyed by the industry all along, it can not be made to export such hydroquinone as may be surplus to our requirements, as a sort of 'quid pro quo.' There should be no difficulty for the indigenous manufacturers to find export out-lets. At least on the count of quality, the Indian industry can hold its own, but it is not known whether, price-wise also, it can withstand competition in the foreign markets. If necessary, the Tariff Commission, which has already examined the costs of production of the only two units of the industry, could suggest ways and means of bringing down the costs, or, if that be not possible, to suggest to the Government some way of subsidising the export of hydroquinone. To the extent of the drain on foreign exchange involved in the import of the raw materials required by the industry at least, the two units of the industry could be asked to export their finished product, as is being done, for example, in the case of rayon.

A few particulars regarding the industry, as disclosed by Mr. C. Ramasubban, Chairman of the Tariff Commission, in opening the enquiry, may now be mentioned. The two units in the industry are the Kesar Sugar Works, Ltd. and the Satya Dev Chemicals, Ltd., the former being the older of the two. The Satya Dev Chemicals, whose capacity was stepped up to 42,000 lbs. per annum in 1957, accounted for an output of 37,361 lbs. in 1958; in 1951, this unit produced barely 771 lbs. ! The consumption of hydroquinone in 1958 was of the order of 50,000 lbs., as against an earlier estimate of 40,000 lbs. per annum (made in 1955). The four raw materials used for the manufacture of hydroquinone are aniline, (not available in India) sulphuric acid, manganese dioxide and iron powder (partly imported).

It is noteworthy that in his speech, Mr. Ramasubban stressed the fact that the demand for hydroquinone was substantially lower than the rated capacity of the industry and that this did not permit the industry to function economically. This makes it all the more necessary that the indigenous producers should make efforts to reduce costs and find outlets in the export markets.

TIME AND MOTION STUDY FOR TEXTILE INDUSTRY

THE TIME and Motion Study Session of the 16th All-India Textile Conference held at Bangalore on May

24 last came at a very propitious time when the industry is making a desperate search for any practicable way out of its protracted and grave crisis. The characteristic of this industry is that 50 per cent of its production costs are accounted for by raw materials and 32 per cent by the wage-bill. Thus it is that wages and raw materials between them take a big slice of 82 per cent of the costs. This industry, therefore, is a fit subject for time and motion study with a view to bringing a proper balance in costs.

In his presidential address, at the inauguration of the session, Mr. Karumuttu Thiagarajan Chettiar, the Association's Chairman, argued a sound and convincing case for the time and motion study in this industry. His advocacy was forceful for the reason that it represented the intelligent view-point of a non-technical observer free from perplexing technical jargon. To put it very briefly, the Chairman appealed to employers and employees alike to try to understand the vital importance of the differences, subtle though they are, between work and work-load. Once the basic significance of work-load is realised a good start will have been made in stepping up productivity. The environment in which the worker has to work and the psychological attitude which is created for him to make his contribution to the total production effort are the two important factors which have got a direct bearing upon the quantum of work-load. This quantum will rise or fall depending upon whether the two factors are conducive or detrimental to efficient work. It is a misconception that a higher work-load based on scientific assessment of time and motion study will adversely affect the remuneration of labour by "squeezing" greater output from the worker. It is the universal experience in the industrialised world that improved work-loads which contribute to higher productivity invariably bring higher wages to labour. One has only to look to the difference in the levels of wages in industrial establishments where there are disparities of work-loads.

Mr. Chettiar has emphasised the point that the gains of application of time and motion study to the working of the industry stand the serious risk of being cancelled out, if the Indian cotton textile industry does not realise the basic importance of equipping the factories with up-to-date machinery and housing them in buildings with the best standards of lay-out, ventilation etc. This is exactly a severe handicap from which the industry in the country is suffering today. But unless this handicap is removed the hope of our industry rising in efficiency so as to compete on equal terms with its rivals in the export markets will remain remote. This is a task which requires a very heavy outlay. In the present feeble state of the industry it can hardly raise more than a part of the requisite outlay. Mr. Chettiar has appealed to the Government to come to the aid of the industry by extending financial assistance for this programme, following the British Government's latest example of offer of financial assistance to the Lancashire cotton textile industry.

SIR H. P. MODY RETIRES FROM TATAS

IN A couple of days' time — by the end of this month to be precise — Sir H. P. Mody will be retiring as Director of Messrs Tata Sons Private Ltd., but that, one hopes, will not mean his retirement from active life. Sir Homi is the last person to prefer a life of ease which is what retirement means, having lived so active and eventful a life as has fallen to his fortunate lot for these 70 years and more. With the Tatas themselves, he has been associated for the last 25 years and Mr. J. R. D. Tata was not exaggerating in the least when he spoke of Sir Homi's "intellectual eminence and outstanding accomplishments".

Sir Homi drifted to industry from the Bar. It was when he was practising at the Bar that he was offered a partnership in one of the largest textile concerns of the country, and, as he has said, he turned his back on judges who hardly recognised him and solicitors who seldom briefed him. When he entered the textile business, he may have known precious little about textiles, but who will deny that, without the role played by Sir Homi all these years, the textile industry would be so much the poorer? From the time that he became the Chairman of the Millowners' Association until he joined the Tatas, the Textile Industry was passing through the most critical phase of its history. But, thanks to the organising ability of Sir Homi, the millowners' sustained propoganda, and, above all, the unstinted support of the people, the industry not only received protection but turned the corner as well.

Another institution which Sir Homi helped to found and fostered is the Employers' Federation of India. Many a battle had to be fought on behalf of the employers by Sir Homi in his capacity as President of the Federation for a whole generation. He did it unstintingly and valiantly.

But Sir Homi's interests were not confined to industry alone. He had other interests besides. Like the great contemporaries of his early years, he too began his public career in that hoary training ground of many a Bombay stalwart, the Municipal Corporation of Bombay. Later, he became a member of the Indian Legislative Assembly, with which august body he was connected for 15 years, in the course of which he "moved from place to place and, finally landed on the Treasury Benches."

At a particularly critical phase of the World War II, he was invited to join the Viceroy's Executive Council. He knew the position was going to be difficult and invidious in the extreme, but he accepted the offer, nevertheless, in the hope that he might be able to do some good to the country. Referring to this experience of his, he has said: "Some of the colleagues and I lost no opportunity in upholding the national point of view and, in particular, I think our presence in the Council in the dark days of the Quit India movement had a salutary effect." However, when the call of the nation came, he, with Mr. M. S. Aney, joined later by Mr. N. R. Sarker, lost no time in sending in his resignation, which, for obvious reasons, resulted in a great deal of misrepresentation.

After Independence, Sir Homi was called upon to act for a brief period as Governor of Bombay. A man with indefatigable energy and rare passion for hard work, he did not want this office of decoration to be thrust on him again. It was after a great deal of persuasion that he was induced to accept the Governorship of Uttar Pradesh, following the demise of Mrs. Sarojini Naidu. But how eminently he filled it in his characteristic way and endeared himself to the people of the State is quite green in the memory of all.

Economic Report from the U.S.

WORLD TRADE WEEK

By

GUY SIMS FITCH

NEW YORK, May 20.

THIS is world trade week in the United States, an annual event given to expound the benefits of international commerce. Yet this year there is a significant change in emphasis—a change that springs from the laterations that have taken place in US trading patterns. Throughout most of the post-World War II period, US exports were running so far ahead of imports that private traders and government officials were concerned principally with encouraging the sale of foreign products in American markets. The idea, of course, was to close the so-called "dollar gap", thereby giving other countries dollar earning power with which to speed their post-war recovery and economic development.

But now, outside of a few countries, the much-publicized dollar gap apparently is no longer a problem. Today, US traders and Government officials are concerned not with the imports, now proceeding at a record $14,000 million annual rate, but with the shrinkage in US exports. Some experts now believe that US commercial exports may fall below $16,000 million this year, as against a record $19,500 million a few years ago. On this basis, the US trade surplus—the excess of exports over imports—would decline to some $2,000 million from last year's $3,300 million. The problem, of course, is that export-import figures make up only part of the total balance of payments. Outweighing the US trade surplus is the outflow of American capital in such forms as private investment, tourism, military spending abroad and US economic assistance to other lands. These items (all of them substantial) could bring the total US payment deficit conceivably close to last year's $3,300 million, of which $2,300 million represented a loss of gold and the rest of dollars.

US officials do not expect this year's gold loss to be as heavy as last year's; up to mid-May it was only $300 million. But the lagging export picture nonetheless is a source of some concern. The idea that the US export shrinkage is linked to a tendency of American industry to "price itself out of world markets" is denied by most experts. Recent studies show that prices and wages have been rising no faster in the United States than in most other industrialized countries in recent years, and that the United States has demonstrated a comparatively high degree of price and wage stability. In general, the export lag is being attributed to the strong revival around the world, which is increasing the international competition American industry has to face. This revival, of course, has been a prime objective of US foreign economic policy, as exemplified by its liberal trade and aid programmes. There also is a feeling that the establishment of US industries abroad has led to some substitution of foreign-based production for what used to be US exports. Part of this "migration" may be due to the desire of American companies to surmount foreign import restrictions against American goods.

It is pertinent to note that the maintenance of these restrictions has been brought up for discussion at the current meeting of General Agreements on Tariffs and Trade (GATT), the international tariff-cutting instrument to which the United States and 36 other nations are parties. The view here is that many other countries no longer need or can justify the discriminatory barriers they erected when dollars were short. At any rate, the majority view among American economists is that US exports could begin to rise again before the end of this year. They note that economic activity in Western Europe and other industrialized areas has been firming after last year's slowdown, and that a period of renewed expansion may lie ahead. This could open up new opportunities for US goods. This revival, coupled with the strong and essentially non-inflationary upsurge in the US economy, already has helped strengthen many commodity prices, to the benefit of producing countries, a development that could further increase their ability to purchase goods from the United States. However, regardless of the differing degrees of seriousness with which individual experts view the export situation, they agree on one essential point. It is this: whatever the cause of the present US trade imbalance, the best answer is not to cut down on imports by raising tariffs but to use American managerial and production ingenuity and know-how to sell abroad. As long as international trade is a two-way street to which all lands contribute and from which all can benefit, this remains the salient point. And this is then instructive to note that the United States has taken the lead in GATT in urging another round of multi-lateral tariff-cutting negotiations within the next two years.

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Paid-up Capital	..	**Rs. 2,00,00,000**
Reserve Fund	..	**Rs. 1,48,00,000**
Working Funds (31.12.58) over	..	**Rs. 114,00,00,000**

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COMMODITY NEWS AND NOTES

IRON ORE PRODUCTION IN INDIA

The total output of iron ore during the month of March, 1959, was estimated at 609,000 metric tons as against 632,000 metric tons during the preceding month according to the Indian Bureau of Mines. The largest output was reported from Bihar and Orissa with 268,000 and 171,000 metric tons, respectively. Among the minor producing States Mysore, Madhya Pradesh and Bombay accounted for 80,000, 40,000 and 30,000 metric tons, respectively. During the month despatches of iron ore to iron and steel plants and export market were 471,000 and 142,000 metric tons, respectively.

ACTIVATED CALCIUM CARBONATE FOR RUBBER INDUSTRY

The Indian Standards Institution has published a standard specification for activated calcium carbonate for rubber industry (IS: 917-1958). The standard prescribes the requirements and methods of sampling and test for activated calcium carbonate, intended for use in the rubber industry. It is estimated that about 1,000 tons of activated calcium carbonate is being used in the country by the rubber industry; and it was felt that formulation of an Indian standard on this material would help the indigenous industry in the supply of the material of suitable quality to the consumers.

Copies of the standard, published in English, are available from the office of the Indian Standards Institution, Manak Bhavan, 9-Mathura Road, New Delhi, and from its branch offices at Calcutta, Bombay and Madras.

SMALL SCALE MANUFACTURE OF SALT

The Government of India have clarified that concessions granted to small-scale manufacture of salt by individuals or groups will apply only to salt works located in places other than the precincts of a 'salt factory'. It was announced on April 23, 1948, that individuals or groups could freely produce salt in any land to which they had lawful access for the purpose, provided the total area of land covered by the salt works set up by an individual or group was not more than 10 acres. It was also announced that no licences would be needed for such small scale manufacture of salt and that the salt so produced would not be subject to any restrictions by way of storage, transport and sale. As doubts have been expressed in certain quarters in regard to the scope and extent of the applicability of these concessions, it is clarified that these concessions are intended to apply only to salt works located elsewhere than within the precincts of a "salt factory" as defined in the Central Excises and Salt Act, 1944, and notified by the Salt Commissioner as a salt factory.

OILSEEDS COMMITTEE TO MEET

Targets of production of oilseeds for the third Five-Year Plan will be formulated at the second annual meeting of the Central supervisory committee for planned production of oilseeds in India at Bangalore on May 29 and 30, Secretary of the Indian Central Oilseeds Committee has announced. Mr H. Sitarama Reddy, Vice-President of the Committee, will preside. While formulating the targets, the committee will consider papers submitted by State Governments indicating the acreage and production targets for the major oilseeds, taking into account the organizational and financial resources of the States. The committee will also discuss the production drive initiated by the Union Minister of Agriculture for increased production of oilseeds, particularly during the current and next financial years by which time the target of production for oilseeds, fixed at 75.5 lakh tons, will have to be achieved. The progress of oil development schemes in the States will also be reviewed.

PLYWOOD PANELS

The Indian Standards Institution has granted a licence for the use of ISI Certification Mark in respect of tea-chest plywood panels to M/s Himalayan Plywood Industries Private Ltd., Assam. With this, forty-nine licences for tea-chest plywood panels have been granted so far to different manufacturers. Some time back, the Government of India decided to prohibit the export of tea except in tea-chests, the panels of which are certified by an inspector of the Development Wing, Ministry of Commerce & Industry, to conform to the specification laid down by ISI. Following this decision, more and more indigenous manufacturers of tea-chest plywood panels have been obtaining licences from ISI to use the ISI Certificate Mark. Under the provisions of the ISI Certification Mark Act, 1952, the Institution has been empowered to issue licences to manufacturers, whose products rigidly conform to relevant Indian standards. The presence of the ISI Certification Mark on the panels is an independent third-party guarantee that the plywood panels have been manufactured under controlled conditions, and conform to the requirements as laid down in IS: 10-1953 Indian standard specification for plywood tea-chests (revised). The Standard Mark is stamped on the plywood panels under the supervision of the Development Wing, Ministry of Commerce & Industry, Government of India. Any complaint regarding the quality of tea-chest plywood panels bearing the Standard Mark may immediately be brought to the notice of the licensee, the Development Wing and the Institution.

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STP 30



COMPANY AFFAIRS

EMPIRE JUTE CO., LTD.

During the financial year under review trading conditions were fair although raw material prices tended to be on the high side in comparison with prices for manufactured goods. While the hessian stock position was sound, sacking stocks increased considerably towards the end of the period, and prices were forced down to uneconomic levels by speculators. However, the introduction of minimum prices from 26th February, 1958 by the Indian Jute Mills Association arrested the decline.

The profit for the year ended 31st July, 1958, after providing for depreciation Rs. 2,92,187 and taxation Rs. 2,60,000 including wealth tax, amounts to Rs. 3,74,964. To this must be added the credit balance brought forward from the previous period of Rs. 4,192 dividends forfeited Rs. 2,499 and provision for doubtful debts Rs. 1,739 making a total of Rs. 3,83,385. From this must be deducted dividends previously forfeited now paid of Rs. 12 and the amount transferred to development rebate reserve of Rs. 1,37,250 leaving a balance of Rs. 2,46,123. The interim dividends for the year ended 31st July, 1958, on 10,000 preference shares at Rs. 3.50 per share absorbed Rs. 35,000 and on 1,50,000 ordinary shares at Rs. 0.30 per share absorbed Rs. 45,000 leaving an available balance of Rs. 1,66,123. This amount the directors recommend should be distributed as follows:

To final dividend on 10,000 preference shares at Rs. 3.50 per share for the year ended 31st July, 1958, absorbing Rs. 35,000 and to final dividend on 1,50,000 ordinary shares at Re. 0.70 per share for the year ended 31st July, 1958, absorbing Rs. 1,05,000, to be carried forward Rs. 26,123. Jute stocks are shown at cost. Sold stocks of goods have been calculated at contract sale price and goods unsold on 31st July, 1958, have been valued at market rates.

In accordance with the working time agreement of the Indian Jute Mills Association, working hours were 48 hours per week with 12½ per cent of the total looms sealed. The Company purchased loom hours during the period and worked 275 looms on a double shift basis. The installation of modern spinning plant continued during the year and the installation of machinery catering for sacking weft was completed. It is anticipated that the installation of the balance of the the sacking warp machinery will be completed during 1959.

ORIENT JUTE MILLS CO., LTD.

The audited accounts of the Company for the year ended 30th November, 1953 showed that after charging all expences against sales tax in respect of previous years, there is a profit of Rs. 90,476 of which short provision for taxation in the previous years requires Rs. 11,600 leaving a net profit of Rs. 78,876. From this the directors have transferred to development rebate reserve of Rs. 2,325 leaving a balance of Rs. 76,551. With the balance brought forward from last year Rs. 5,981 there is a total amount available for distribution of Rs. 82,532. The directors recommend that a dividend on ordinary shares at Rs. 2.50 per share be paid absorbing Rs. 62.275 leaving a balance to be carried forward of Rs. 20,257. Wealth tax, including Rs. 158 short provided in the previous year, is estimated to amount to Rs. 22,150 and this has been provided for by transfer of this sum from general reserve.

In accordance with the working time agreement of the Indian Jute Mills Association, the mill worked 48 hours per week with 12½ per cent of the total looms sealed during the period to which the accounts pertain. From the 2nd March, 1959, a further 1½ per cent of the looms have been sealed.

BUDGE-BUDGE JUTE MILLS CO., LTD.

The accounts of the Company for the year ended 31st October, 1958, after charging all expenses and writing back provision against sales tax in respect of previous years, show a profit of Rs. 2,86,438 of which short provision for taxation in the previous years requires Rs. 2,74,238. From this amount the directors have transferred to development rebate reserve Rs. 924 leaving a balance of Rs. 2,73,314. To this is added the balance brought forward from last year of Rs. 2.799 making a total available for distribution of Rs. 2,76,113. The directors recommend dividends on preference shares at Rs. 7.00 per share absorbing Rs. 63,000 and on ordinary shares at Rs. 5.00 per share absorbing Rs. 1,80,000 leaving a balance to be carried forward of Rs. 33.113. Wealth tax for the year is estimated to amount to Rs. 32,000 and the provision made in the previous year not having been required, only the balance of Rs. 2,000 has been provided for by a transfer from investment realisation surplus.

In accordance with the working time agreement of the Indian Jute Mills Association the Company's mill worked 48 hours per week on single shift with 12½ per cent of the looms sealed up to the 17th May, 1958. From the 18th May, 1958, No. 1 mill was closed down and the Company's allotment of loom hours was worked in No. 2 mill by the equivalent quantity of machinery working double shift. This change to shift working was at first opposed by the labour and for some months a considerable fall in working efficiency was experienced. Latterly the situation greatly improved and the subsequent more economic working of the mill has fully justified the move. Unfortunately this improvement came too late to be reflected in these accounts. From the 2nd March, 1959, manufacture has been further curtailed under the working time agreement by the additional sealing of looms equivalent to 1½ per cent of the complement on a single shift basis.

PRESIDENCY JUTE MILLS CO., LTD.

The profit for the year ended 31st July, 1958, after providing for depreciation Rs. 2,15,522 and taxation Rs. 2,40,000 including wealth tax, amounts to Rs. 3,21,105 to which must be added dividend forfeited of Rs. 1,826 and credit balance brought forward from the previous period of Rs. 7,049 making a total of Rs. 3,29,980. From this must be deducted the dividend previously forfeited now paid of Rs. 141 and amount transferred to development rebate reserve of Rs. 1,30,000 leaving a balance of Rs. 1,99,839. The interim dividend for the year ended 31st July, 1958, on 5,00,000 ordinary shares at Re. 0.15 per share absorbs Rs. 75,000 leaving an available balance of Rs. 1,24,839. This amount the directors recommend should be distributed as follows: To payment of a final dividend on 5,00,000 ordinary shares at Re. 0.22½ per share for the year ended 31st July, 1958, absorbing Re. 1,12,500 leaving to be carried forward Rs. 12,339.

Jute stocks are shown at cost. Sold stocks of goods have been calculated at contract sale rates and goods unsold on 31st July, 1958, have been valued at market rates. In accordance with the working time agreement of the Indian Jute Mills Association, working hours were 48 hours per week with 12½ per cent of the total looms sealed. The Company purchased loom hours during the period and worked 265 looms on a double shift basis. The installation of modern preparing and spinning machinery continued during the period under review, and the installation of machinery catering for the sacking warp is partially completed. A loan of Rs. 8,00,000 has been received from the National Industrial Development Corporation Private Ltd. to finance the cost of the new machinery.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
November 1958 ..	118.0	96.0	115.1	113.2	110.0	108.6	108.8	114.0
December ,, ..	113.3	96.4	115.1	112.6	110.3	108.0	108.3	111.4
January 1959 ..	114.3	103.6	114.9	114.1	110.5	108.0	109.4	112.4
February ,, ..	115.7	104.4	115.1	115.5	110.6	108.0	108.4	113.3
March ,, ..	113.8	100.3	115.6*	116.2	109 4	108.9	108.2	112.3
April ,, ..	113.1	97.5	115.6	116.2	108.4	108.1	108.1	111.9
Week Ended								
11-4-1959 ..	114.0	97.3	115.1	115.0	108.5	108.1	108.1	112.2
18-4-1959 ..	113.0*	97.5*	115.6*	116.6	108.6	108.1	108.1	111.9*
25-4-1959 ..	112.2	97.5	115.6	117.6	107.9	108.0	108.0	111.6
2-5-1959 ..	113.3*	98.1	115.5	118.1	108.2	108.0	108.1	112.3
9-5-1959 ..	115.4	99.0	115.6	119.0	107.8	108.0	108.0	113.5

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 =100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
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	142	347	424	397	151	356	152	146	145
1956	336	352	244	150	364	448	422	162	375	157	158	152
1957	352	368	259	150	384	468	447	165	401	157	169	161
1958	376	394	274	142	368	427	435	159	385	151	164	152
1958 June	376	394	273	146	378	468	442	171	390	156	166	160
July	388	407	285	153	392	483	445	172	404	161	168	164
August	385	404	288	154	403	494	445	168	407	161	173	166
September	385	404	289	155	406	499	452	163	409	162	181	167
Octobeber	386	405	290	157	406	514	459	170	419	162	180	170
November	383	402	292	159	399	505	466	170	425	162	177	168
December	379	398	290	156	385	485	473	168	430	164*	167	164*
1959 January	377	396	301	161	388	493	478	165	419	174*	159	157*
February	380	399	300	167	364	492	485	—	408	—	165	163*
March	382	401	290	164	364	—	—	—	408*	—	—	161*
April	—	—	—	156	—	—	—	—	—	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 15-5-1959 High	Low	Average	8-5-1959 High	Low	Average	1-5-1959 High	Low	Average	24-4-1959 High	Low	Average
Gold [per fine tola] ..	120 56	116.50	118.47	125.94	121.81	124.25	125.81	123.62	124.67	124.87	122.31	123.44
Silver (per 100 fine tolas)	196.00	191.87	194.10	203.69	198.00	201.21	203.37	201.37	202.46	203.00	199.44	201.62

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES: Demand (2)	Time (3)	Total (2+3) (4)	Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5+6) as percentage of (4) (7)	Advances (8)	Bills Discounted (9)	(8+9) as percentage of (4) (10)	Investments in Govt. Securities in India (11)
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	9.96	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	407,96	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
Averages of Fridays										
November 1958 ..	709,78	923,84	1,633,62	42,18	85,10	7.79	713,12	124,19†	51.26	641.04
December ,, ..	709,00	921,11	1,630,12	40,34	72,47	6.92	730,88	123,25†	52.40	644,43
January 1959 ..	720,81	902,81	1,623,62	41,63	69,46	6.84	771,98	131,84†	55.67	634,13
February ,, ..	714,51	915.24	1,629,75	41,08	69,92	6.81	812,50	136,32†	56.26	617,17
March ,, ..	723,30	899,87	1,623,17	41,12	65,82	6.59	848,29	141,88†	60.89	617,01
April ,, ..	755,82	933,48	1,689,30	44,02	80,89	7.39	870,19	151,20†	60.48	612,25
Week Ending										
3-4-1959 ..	749,53	917,40	1,666,93	44,71	71,23	6.96	868,91	152,21†	61.26	611,52
10-4-1959 ..	743,08	924,11	1,667,19	41,82	91,07	7.97	870,33	150,10†	61.20	607,75
17-4-1959 ..	753,63	929,86	1,683,49	44,63	73,29	7.00	872,48	150,96†	60.79	614,12
24-4-1959 ..	777,05	962,55	1,739,60	44,93	87,97	7.64	869,05	151,52†	58.67	615,62
1-5-1959 ..	739,95	994,36	1,734,31	43,16	81,23	7.17	871.35	149,71†	58.87	623,67
8-5-1959 ..	731,78	996,18	1,727 96	41,79	67,36	6.32	879,48	147,78†	59.45	633,62

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(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 (4)	Deposit money with the public: Demand liabilities of banks (5)	Deposit money with the public: Other deposits with Reserve Bank† (6)	Total variations in money supply (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 ..	2,389,49	1,607,26	782,22	762,36	19,87	+76,60
March 1958 ..	2,388,83	1,606,60	782,22	762,36	19,87	+60,24
April ,, ..	2,446,94	1,639,81	807,14	792,47	14,67	+58,11
May ,, ..	2,392,50	1,613,66	778,84	763,64	15,20	—54,44
June ,, ..	2,379,63	1,599,31	780,31	765,87	14,44	—12,87
July ,, ..	2,350,29	1,564,79	785,50	770,65	14,85	—29,34
August ,, ..	2,309,03	1,542,72	766,31	751,61	14,70	—41,26
September ,, ..	2,314,52	1,535,02	779,50	765,10	14,40	+5,49
October ,, ..	2,290,17	1,552,70	737,46	721,32	16,14	—24,35
November ,, ..	2,319,24	1,574,14	745,10	727,53	17,57	+29,07
December ,, ..	2,349,87	1,606,46	743,41	726,03	17,38	+30,49
January 1959 ..	2,389,82	1,644,68	745,14	729,21	15,92	+39,97
February ,, ..	2,427,68†	1,678,68†	759,00†	743,16†	15,84	+47,86†
March ,, ..	2,497,63†	1,724,88†	722,74†	753,50†	19,25	+59,95†

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

Source: Monthly Bulletin of Reserve Bank.

INDUSTRIAL CAPACITY AND PRODUCTION IN 1957 AND 1958
CHEMICAL INDUSTRIES

	1957			1958			
	No. of Units	Installed Capacity	Actual Production	No of Units	Installed Capacity	Estimated Production*	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sulphathiazole (Kgs.)	2	168,600	67,191	2	168,600	37,603	Imported finished product cheaper than imported raw material.
Anti-dysentery							
Di-iodohydroxyquinoline & Iodo-chlorohydroxyquinoline (Kgs.)	17	75,000	20,190	17	75,000	16,009	Production adjusted according to demand.
Insecticides							
Benzene Hexa-chloride (Tons)	2	2,500	2,022	2	3,000	2,870	
D.D.T. (Tons)	1	700	623	2	2,800	1,600	
Alkaloids							
Reserpine (Gms.)	1	18,000	258	1	18,000	3,034	
Harmones							
Testosterone (Gms.)	1	18,000	196	1	18,000	289	
Other Harmones (Gms.)			2,312			10,501	
Anti Diabetis							
Carbutamide (Kgs.)	1	660	65	1	660	257	
Tolbutamide (Kgs.)			23			532	
AROMATIC CHEMICALS & ESSENTIAL OILS							
Amyl Acetate (Perfumery Grade) (Lbs.)	1	6,000	1,220	1	6,000	180	The unit is experiencing difficulties in obtaining some of the raw materials.
Amyl Salicylate (Lbs.)	1	14,400	2,160	1	14,400	1,600	
Aurantiol (Lbs.)	1	1,200	148	2	10,200	3,700	
Citronelly Acetate (Lbs.)	..	..	..	2	600	160	
Critonellal Crude (Lbs.)	1	6,000	4,103	1	6,000	5,600	
Citronellol (Lbs.)	1	3,600	2,350	1	3,600	3,520	
Geraniol (Lbs.)	2	18,000	8,343	2	18,000	15,700	
Geranyl Acetate (Lbs.)	2	4,000	1,443	2	4,000	2,850	
Cedryl Acetate (Lbs.)	..	..	..	1	6,000	500	
Hydroxy Citronellol (Lbs.)	1	3,000	610	1	3,000	2,000	
Ionone 100 per cent (Lbs.)	1	9,600	4,900	1	9,600	5,300	
Linalol (Lbs.)	1	1,200	900	1	1,200	1,200	
Phenyl Ethyl Acetate (Lbs.)	.	..	..	2	6,000	1,300	
Sandalwood Oil (Lbs.)	7	298,800	281,071	7	298,800	260,941	For want of raw materials.
Turpentine Oil (Organised units (Galls.)	3	735,000	580,103	3	735,000	473,727	
Lemon Grass Oil (Tons)	..	..	..	..	..	1,050	These oils are produced on a cottage industries scale, as such authentic Statistics about their production are not available. Figures given in the last column represent estimated production.
Palmarosa Oil (Tons)	..	..	..	..	..	95	
Eucalyptus Oils (Lbs.)	4	..	..	..	..	300,000	
Geranium Oil (Lbs.)	..	6,000	..	4	6,000	1,505	
Linaloe Oil (Lbs.)	1	6,000	..	1	6,000	6,000	
Rosin (Organised Units) (Tons)	3	12,200	10,045	3	12,200	8,137	One of the units has not reported their production in spite of reminders.
Flavouring Essences (Tons)	10	200 to 300	144	10	200 to 300	188	

* Based on actuals for the first 9 months and estimated production for October, November and December 1958.

INDUSTRIAL CAPACITY AND PRODUCTION IN 1957 AND 1958
CHEMICAL INDUSTRIES—(Contd.)

	1957			1958			
	No of Units	Installed Capacity	Actual Production	No. of Units	Installed Capacity	Estimated Production*	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
OLEO RESINS							
Benzoin (Lbs.)	2	16,000	N.A.	2	16,000	4,100	
Styrax (Lbs.)	2	7,000	N.A	2	7,000	600	
Others (Lbs.)	2	6,000	2,450	2	6,000	2,326	
DYESTUFFS							
Azo Dyes (Lbs.)	2	2,593,520	2,161,631	2	2,593,520	1,801,736	Labour strike in one of units.
Fast Colour Bases (Lbs.)	1	672,000	221,993	1	672,000	242,340	Better utilization of capacity.
Fast Colour Salts (Lbs.)	5	630,000	272,340	5	630,000	283,079	Production depends on ready demands.
Ink Blue (Lbs.)	1	25,000	7,712	1	30,000	23,690	Better utilization of capacity
Methylene Blue (Lbs.)	1		2,612	1	30,000	4,800	Do
Naphthols (Lbs.)	2	2,016,000	1,284,994	2	2,016,000	852,436	Labour strike in both the units.
Optical Bleaching Agents (Lbs.)	3	277,000	76,826	3	277,000	152,753	Production was in its initial stage in one of the units.
Solubilised Vats (Lbs.)	3	370,500	110,988	3	370,500	132,113	Increased demand.
Stabilished Azoics (Lbs.)	9	1,146,500	520,769	9	1,146,500	473,380	Production depends on ready demand.
Sulphur Black (Lbs.)	2	3,000,000	3,808,619	2	3,000,000	1,989,166	There was strike in one unit and the other unit has been dismantled for shifting to new site.
Vat Colours (Commercial strength) (Lbs.)	2	602,000	262,582	2	602,000	363,825	Better utilization of capacity.
COKE OVEN & COAL TAR DISTILLATION PRODUCTS							
Benzene (Galls.)	3	718,500	516,368	3	718,500	779,065	Increase in demand.
Creosote oil—							
(i) Light (Galls.)	5	(No separate capacity)	529,927	5	(No separate capacity)	419,481	Poorer availability of crude coal tar for distillation. Coal tar producers prefer to use the tar as fuel for the production of steel.
(ii) Heavy (Galls.)	6	Do	705,908	5	Do	462,300	
Crude Coal Tar (Tons)	11	117,300	167,683	11	117,300	118,240	
Motor Benzol (Galls.)	5	2,414,000	1,231,319	5	2,414,000	978,417	Production depends on demand.
Naphthalene Refined (Tons)	5	1,040	816	5	1,040	700	Poorer availability of crude coal tar for distillation. Coal tar producers prefer to use the tar as fuel for the production of steel.
Pitch (Tons)	5	(No separate capacity)	4,240	5	(No separate capacity)	4,262	
Road Tar (Tons)	5	Do	26,895	5	Do	19,845	
Solvent Naphtha (Galls.)	4	Do	92,772	5	Do	103,666	It is a by-product.

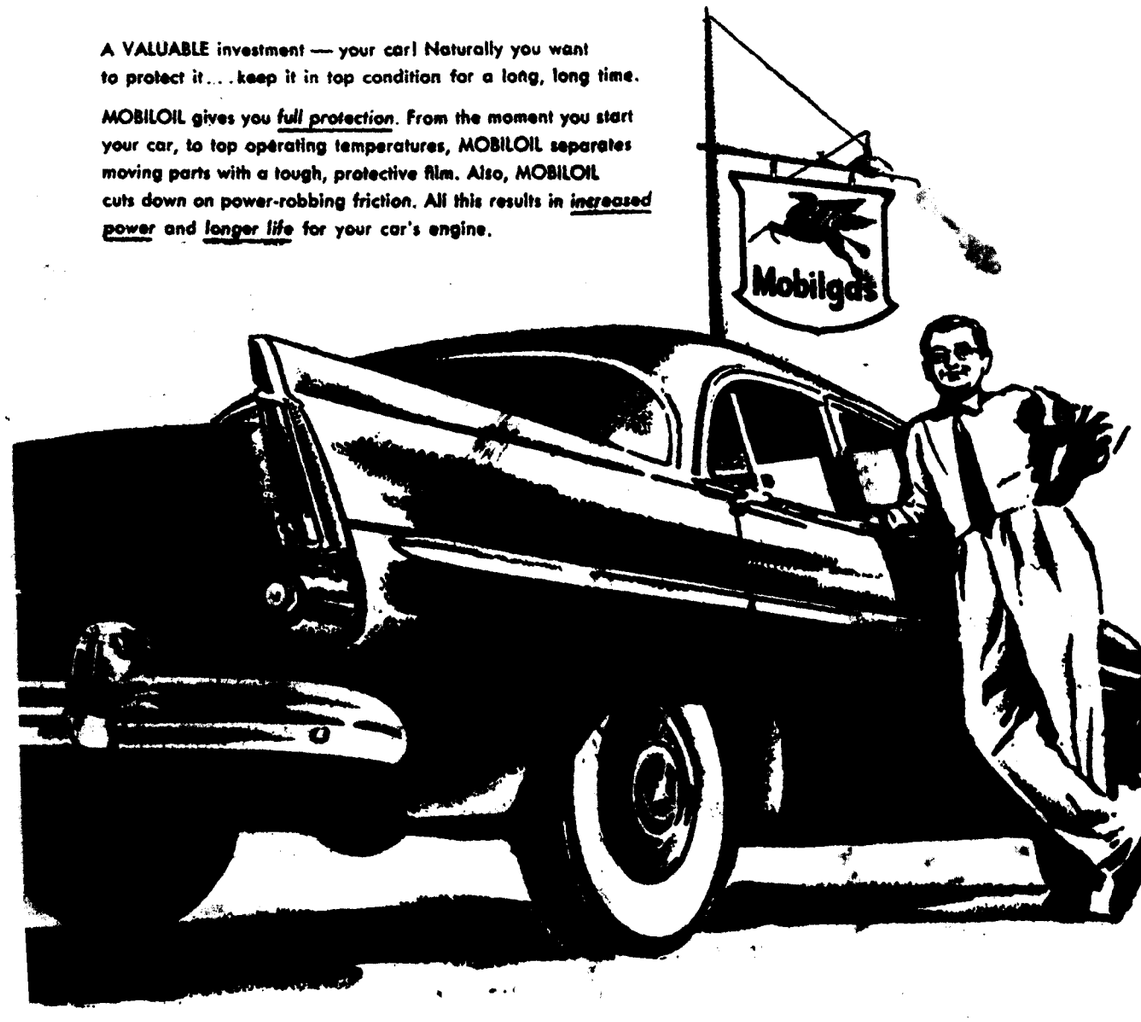
Source: Annual Report of the Ministry of Commerce and Industry.

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CONTENTS

	Page
Leading Articles:	
AFTER THE L.I.C. INQUIRY	1037
LABOUR APPEALS	1038
PAY SCALES FOR JOURNALISTS	1039
WHERE DOES SINGAPORE GO FROM HERE?	1040
THE WEEK'S NOTES — Crisis in Laos; Yugoslav Agriculture; Delhi Gurdwaras; Fear of God; A Party Devoid of Dogma.	1041
A WINDOW ON THE WORLD: Odysseus on "How Europe Aids its Tourist Industries"	1043
DISCRIMINATION AGAINST DOLLAR IMPORTS	1047
WORLDGRAM AND NEWS IN BRIEF	1051
A DELHI NOTEBOOK	1054
Special Article:	
THE JUTE INDUSTRY IN PAKISTAN	1056
ECONOMIC REPORT FROM THE U.S.: Marked Improvement	1057
The Business World:	
A GOODWILL JOB WELL DONE	1058
BUSINESS NOTES — Control of Sugar Distribution; Hindustan Machine Tools; Special Unemployment Fund; Ashok Leyland; Threats to Manganese Exports; Finance for Oil Milling Industry.	1059
BOOK REVIEWS	1061
COMPANY AFFAIRS	1069
COMMODITY NEWS AND NOTES	1070
CURRENT STATISTICS	1071

After the L.I.C. Inquiry

THE Life Insurance Corporation Inquiry, it is noteworthy, has thrown up some inter-related issues which have a crucial bearing not only on the future operation of the L.I.C., but also on the relations between a Minister and his Secretary and between the Government and an autonomous corporation. Specifically, the issue which has a direct bearing on the working of the L.I.C. is the position of its Investment Committee both under the statute and in actual practice as it has been during the last few years. According to the Vivian Bose Board, it is mandatory that the advice of this Committee be sought and considered regarding the investment of funds. The Union Public Service Commission, however, has given a different finding regarding the legal position of the Investment Committee. In this connection the Commission has drawn pointed attention to the practice which has, in fact, been followed by the L.I.C.—the practice of reporting a considerable number of investments to the Investment Committee only after those investments had been made. It may be that the statutory requirement, assuming that it is mandatory according to the findings of the Vivian Bose Board, cannot be fulfilled on all occasions without loss of time. Which would mean that investments which are *prima facie* sound need not always be referred to the Committee. But where the soundness of particular investments is open to legitimate doubt or where they involve large sums of money, it may have to be a regular practice to take the advice of the Investment Committee.

Another issue with a bearing on the future working of the L.I.C. is in respect of the Government's or the Finance Ministry's right to give informal advice even if that advice is not necessarily in writing. In this connection the Government's resolution on the L.I.C. Inquiry clearly says that the legal provision regarding the power to give directives to a Corporation should not be so construed as to prevent Government from having recourse to other channels of communication such as informal discussion or conferences. However, it passes one's comprehension why such advice should not be confirmed in writing even if it lacks the force of a written directive.

As for the broader issues, the first to be considered here pertains to the relations between a Minister and his Secretary. On this question the U.P.S.C. has given the finding that while it might be desirable that important decisions and directions should ordinarily be reduced to writing, the actual procedure will generally remain a matter for mutual adjustment between the Minister and his Secretary. If it is recognized in principle that it is a desirable procedure to record in writing what has been discussed and decided between a Minister and his Secretary, there seems to be no reason why in actual practice this should not be strictly adhered to. That surely would be the best way of ensuring the operation of second thoughts, if necessary, or of eliminating any vagueness or ambiguity that might have been in the words as spoken during the discussion.

The other broader issue is, how far autonomous an autonomous corporation can be under the statute and in actual practice. According to the Vivian Bose Board, the legal position is that an

autonomous corporation is intended to be independent, free and autonomous within the sphere (limited though it be) that is chalked out for its activities. The corporation, whether it be the L.I.C. or any other public corporation, is a creature of the statute that created it, and not of Government. Its (the L.I.C.'s) officers, continues the report of the Vivian Bose Board, are to act in the interests of the Corporation to the exclusion of outside interests; here the Government itself appears to have been taken as an outside interest. The U.P.S.C., on the other hand, has expressed the opinion that such a concept of the Corporation's autonomy and independence cannot be evolved by ignoring the implications inherent in nationalization. The Commission, therefore, considers it extremely doubtful if the "conventional notions of autonomy" of bodies corporate can any longer be said to be wholly compatible with the role that nationalised undertakings are designed to play in the planned economy of the country.

It may be noted that the Vivian Bose Board has given what is essentially a legal interpretation of the position of an autonomous corporation *vis-a-vis* the Government. Without trying to controvert this interpretation on legal grounds, the U.P.S.C., on the other hand, has given a different finding which may even suggest that Government's over-riding authority is implicit in the context of national planning and public ownership. In their Resolution on the L.I.C. Inquiry the Government appear to have accepted the U.P.S.C.'s interpretation and, at the same time, recognised the force of the Vivian Bose Board's legal finding. That the present legal position is probably not favourable to Government could be inferred from the following passage in the Resolution:

"The Government of India fully appreciate that it is essential that the authority and powers of such corporations should be clearly defined under the relevant statute or charter and normally the corporation should function freely within the field so defined. But, in the very terms of the charter, certain matters mainly, but not entirely, of policy would be specifically reserved for the Government. The 'autonomous functioning' of a corporation would mean 'free functioning' of that body within the terms of the charter and in conformity with the policy and guidance of Government given from time to time. The responsibility for supervising, guiding and directing the body in order to ensure its proper working rests on Government who have to assume it to enable them to discharge their duty to Parliament."

That clinches the issue as far as the Government is concerned. That, again, conveys that a Government determined to have its way with an autonomous corporation can always succeed. But is that the last word on an issue which has a long-term public import? Is it an inevitable and inexorable trend when the Government assumes increasingly greater power over autonomous public corporations? What happens, then, to the doctrine of 'accountability to Parliament' of statutory corporate bodies? Would it be more desirable to have the Government as such accountable to Parliament for the actual working of such corporations? The questions are very much there, but the answers are by no means clear yet.

Labour Appeals

THE forthcoming session of the Indian Labour Conference is scheduled to deal with industrial relations as the primary item on its agenda. It is clear from Press reports that the question of the reform of the appellate machinery for the settlement of industrial disputes will loom large in the deliberations at the conference. It would appear that labour entertains a deep sense of dissatisfaction with the appellate authority, which, at the present time, is vested in the Supreme Court. Either because labour has harboured a feeling of frustration at some of the recent important decisions of the Supreme Court or because long delays have occurred in the course of litigation, or because of both the factors, a demand has been pressed on behalf of labour that the existing arrangement should be modified and a special bench should be set up in the Supreme Court to deal with appeals arising out of industrial disputes.

The reasoning put forth is that a bench consisting of judges, conversant with the varied problems of industrial relations, would meet the situation rather than the present set-up. This plea makes no secret of the fact that appeals in industrial disputes should be treated in a distinct class by itself, necessitating a discriminatory treatment. At this stage no precise and authoritative information can be gathered about the attitude of the Government to this proposal. But if credence is to be put in some of the current reports, it may meet with the blessings of the Government. In that event, it is vitally necessary that the propriety and implications of the proposal should be fully examined before Government accords its approval and makes a commitment for carrying it through.

This move raises issues of a fundamental importance. The question that demands a forthright answer at the very outset is: What precisely is the reasoning behind this demand? Does this plea for a bench of specialist judges versed in labour problems suggest that competence to decide questions of law in appeals in industrial disputes requires intellectual equipment of a variety which is not to be found under the existing dispensation? Or, does the plea rest on the ground that a special bench in the Supreme Court would cut short delays? If so, is such a special bench the best remedy or whether this requirement can be met more appropriately by any alternative arrangement?

In case the contention of the protagonists of a special labour bench in the Supreme Court is that labour appeals are something which need to be treated on an individual footing on the ground that the complex problems raised in them make competence of a different character necessary, it amounts to a complete misconstruction of the functions of the Supreme Court. It is not labour appeals alone which involve problems for which specialised knowledge is necessary. In the course of various other classes of appeals, similar questions arise which require an understanding of the technical nature of the issues. The Supreme Court is essentially concerned with interpreting the law and deciding the points at issue in the light of the law. To demand that judges should possess specialised or technical knowledge of varied subjects is to import an extraneous and altogether unwarranted concept in the functions of the court of final appeal. The Supreme Court is the supreme interpreter of the law of the land and its status as such must be upheld scrupulously. There can be no question of tolerating the erosion of this status which is what the discriminatory arrangement involved in this proposal would result in doing.

If the *raison d'etre* of the proposal is that the vesting of appellate functions in the Supreme Court has caused inordinate delays and inconvenience or hardship to the parties, as also deterioration in their relations, this contention does not touch the competence of the Supreme Court to deal with the appeals. As it is, this class of appeals have to take their turn for hearing and decision in the midst of multifarious classes of appeals. The procedural time-lag can hardly be shortened except to the extent that some time could be saved by an overall reform to expedite proceedings. The Law Commission is not unmindful of the delays that occur in the disposal of labour appeals in the Supreme Court. It has pointed out that the devolution of the responsibility to entertain appeals from the decisions of industrial tribunals to the Supreme Court in the last two years has only served to clog its work. As a way out the Commission has urged the constitution of separate tribunals of appeals. This analysis gives the real clue to the delays that occur to the detriment of harmonious relations between labour and employers. The correct remedy is to restore the labour appellate tribunals which were abolished in 1956. Their revival will bring back an independent machinery for expeditious settlement of appeals from decisions awarded by the lower tribunals.

The root of this entire trouble lies in the excessive reliance on litigation as a means to settle industrial disputes. It hardly requires proof that litigation is the least appropriate method of settling relations between employers and employees which often require a human approach. At best, litigation can be used as a remedy of the last resort. Harmonious industrial relations and lasting settlement of disputes can rest only on the enduring basis of bipartite negotiations and a machinery of conciliation which would provide for mutually agreed arbitration in exceptional cases of failure of agreement. To indulge in litigation and to demand speedy disposal of cases and appeals is to invite hasty and sometimes imposed settlements which are likely to open outlets for further discord and litigation. A conscious effort needs to be made to eliminate the tendency to litigate and to give a new direction to employer-employee relations on the basis of negotiation and conciliation. This is a duty which the parties owe more to the country than to themselves, for real progress in industrial development cannot be assured unless a peaceful climate is created for smooth industrial relations.

Pay Scales for Journalists

THE final report of the Working Journalists Wage Committee, whose recommendations have been accepted by the Government with two minor modifications, one should hope, will mark the end of the tortuous process for the fixation of rates of wages for journalists with the object of improving their service conditions. It was in 1954 that the Press Commission gave its report which, among other things, drew attention to the imperative need to do something to raise the status and conditions of working journalists in the interest of the profession as well as the wider interest of the healthy growth of the Indian press. However, it has taken nearly five years for anything concrete to emerge. Here, it is necessary to recapitulate the background for a proper appreciation of the labours of the Wage Committee.

The last few years have shown the inability of working journalists, even in spite of their organisational strength, to come to any understanding with the employers. This has virtually necessitated Government intervention. In the implementation of Government's desire to help improve the lot of working journalists, following the passage of the Working Journalists Act, a Wage Board was constituted to fix the scales of pay. The hard labours of this Board were, however, set at nought by the Supreme Court which held that its decisions were *ultra vires* since the Board has failed to take note of an important aspect, namely, the capacity of the newspaper industry to pay the wages fixed by it. Then followed a period of suspense when again the journalists and their employers failed to come to an understanding between themselves to settle the issues on the basis of collective bargaining or adjudication. It, therefore, became incumbent for the Government not to leave things desperate for both the parties. The result was the constitution of the Wage Committee with the object of putting the final seal on this long drawn-out affair.

It is now easy to see how, if at all the Wage Committee has to err, it has to be on the side of caution. Its task was to approach the vexed question on a pragmatic level so that whatever recommendations it may make, may be workable and acceptable to both the employers and the working journalists. It has to be stated to the credit of the Committee that in several respects, its approach has been governed by a practical sense. Since the capacity of the industry to pay was held to be of cardinal importance, it saw to it that it was satisfied on this question thoroughly by adopting a sound procedure. Hence forty-one newspaper establishments, representing a fair cross-section of the industry, were selected to consider their financial position so as to assess correctly the capacity of the industry to pay the recommended wages. It also tried to see that its recommendations were not such as would drive any employer out of business and working journalists out of employment. This point became particularly weighty when during its labours some newspaper establishments seemed to be closing down. Again, in respect of classification of newspapers, it introduced a new category over and above those recommended by the Wage Board so as to minimize the burden. In another respect also the Committee showed a sense of pragmatism. It has rightly felt that the editors falling in the highest group constitute a class by themselves and in the present stage it would be unrealistic to fix any scales for them.

When all this is said, it does not mean that the report of the Committee is free from defects. In fact one can find something or the other to criticise in respect of several recommendations. But the point is, considering the wide variety of conditions under which newspapers are produced, the amorphous nature of the industry and the formidable task of fixing salaries to so heterogeneous a group as working journalists scattered all over the country, whether the Committee has produced a workable document. While the case of journalists for improving their status is certainly strong, an objective view has also to be taken of the newspaper establishments faced with the mounting cost of production, inelasticity of revenue from the point of view of circulation as well as advertisement and the possible impact on the other sections of the industry consequent on

an appreciable rise of wages for the working journalists. From this point of view, it cannot be denied that the Wage Committee has been rather realistic.

However, there is room for raising one or two doubts over the Committee's recommendations. One is its proposal for reclassification according to which it would be open either to the employer or to the employee to seek reclassification of a newspaper or a news agency at any time after the accounting year 1960. Whatever may be the intention behind this provision, it is possible that it may lead to considerable doubts and possible litigation if either party tries to take advantage of it. Secondly, the report claims that consequent on the enforcement of its recommendations, it will lead to greater efficiency since the new recruits will be men of adequate educational qualifications and professional competence. It is, however, not certain if the hopes of the Committee for attracting talent to the profession will be fully justified if the rates recommended by it alone are to prevail. Just to take the instance of an important financial weekly, according to its recommendation, the total emoluments of an assistant editor will come to Rs. 210 to start with and end with Rs. 405 after nine years' service. It will be too facile to believe that these emoluments will draw the talent required for running a financial journal. Again, unlike the Wage Board, which was content to fix a minimum wage for certain categories of journalists in the lowest class of dailies, the Wage Committee has fixed a scale for these categories also, on the ground that even a high minimum is no substitute for the psychological satisfaction of regular receipts of increments. Thereby the Committee has overlooked an important factor operating in the field of journalism, namely, mobility. Surely, it is too much to expect that a journalist, worth his salt, who happens to start in a lower class weekly or daily will have to be content to remain there for ever because of the Wage Committee's recommendations in respect of paltry though regular increments!

Where does Singapore Go from Here?

THE Left-wing People's Action Party has won a resounding victory by winning 43 of the 51 seats in Singapore's Legislative Assembly. Its leader, Mr. Lee Kuan Yew, will be sworn shortly as the Island's Prime Minister. This should mean the birth of another member of the Commonwealth. Under the new constitution, though Britain would retain control of defence and foreign affairs, internal security will become the responsibility of the Singapore Government. To some extent, the P.A.P.'s decisive victory may be due to the disunity in the ranks of the People's Alliance Party, led by the outgoing Prime Minister, Mr. Lim Yew Hock. But it will be naive to believe that it was only disunity of the rightist opposition which catapulted the P.A.P. to power. The P.A.P. seems to have an organised mass base among the island's population which the tearing and smearing pre-election campaign carried on against it by British and Chinese right-wingers could not shake or undermine.

The formation of the P.A.P. Government has been described by many as equivalent to handing over Singapore to the Communists and to Peking. They support their assertion by reference to the P.A.P.'s proclaimed aim — "to change a semi-colonial and semi-feudal society into an egalitarian, socialist one" — and to Mr. Lee's post-election declaration that "the vengeance of the people is a terrifying thing" and that Singapore's struggle is "a straight fight — us against the White man". These remarks are, on the surface, doubtless, synonymous with those commonly made by Communists. It is also true that the majority of the P.A.P. legislators are Chinese whose connections with their mainland brethren have often caused apprehension.

But Mr. Lee has sought to allay fears. He has not only declared that his party "does not propose to be, or even appear to be, the handmaid of the Communist Party", but has also bluntly stated that the ultimate contenders to political power in Singapore would be the P.A.P. and the Communist Party. The P.A.P., he has said, stands for social democracy. In view of these, the suspicion about the P.A.P. being a Communist front organization would seem to be the result of its rabidly anti-British stand and the extreme programme advocated by its extreme left constituents, led by Mr. Lim Chin Siong, who was detained without trial along with six of his trusted followers. According to the outgoing Prime Minister, Mr. Hock, Mr. Lee was agreeable to their incarceration in 1956. It may be recalled that two years ago he was nearly ousted from leadership by the present detenus. Whether Mr. Lee will now be able to "contain" these radicals is anybody guess.

Even if assumption of power does not have a sobering effect on the P.A.P., there are economic compulsions which might. Unlike Asian countries generally, Singapore has no agriculture, and unlike Hong Kong, no industries capable of supporting its rapidly growing population. Any radical swing in the island's politics will involve a flight of capital from the island and make its merger with the Malayan Federation impossible. Already, the Malays are unsympathetic towards Singapore's union with the Malayan Federation and are reportedly thinking of developing their own ports. Nothing could be more detrimental to Singapore's economy which is sustained by its *entrepot* trade.

If the P.A.P. does pursue its "anti-White" policies, unmindful of the economic consequences, there is precious little it can do under the present circumstances to dislodge British interests, let alone carry out a radical social and economic programme. The constitution gives the island internal self-Government without control of defence, and the internal security council will have an equal number of representatives from Singapore and Britain with an additional member from Malaya. Some tension may be expected to develop within this council, but here again it is unlikely that Mr. Lee, who played a crucial role in the constitutional talks in London, will help to precipitate a crisis. He probably realizes that such a conflict would jeopardise the prospect of Singapore's constitutional progress. If the worst came to the worst — and this is a big if — the constitution might be abrogated. As a commentator has rightly remarked: "Singapore cannot become Communist territory overnight but it could perhaps become another Cyprus." If, however, Mr. Lee is able to have his way, the P.A.P.'s assumption of power in Singapore might well be compared later with the Congress's acceptance of office in India in the late 'thirties.

THE WEEK'S NOTES

CRISIS IN LAOS

THE PRIME MINISTER, Mr. Nehru, is reported to have written letters through their Foreign Ministers to Russia and Britain, which are "Co-Chairmen" of the Geneva Conference of 1954, requesting them to reconvene the International Commission of Control and Supervision in Laos. The Commission was dissolved last year. Mr. Nehru's apparent anxiety to reconvene the Commission stems from the recent trouble between the Laotian Government and the Pathet Lao rebels under Prince Sonphonousne, who is now under house arrest. Both Peking and Hanoi have also protested in peremptory terms against Vietiane's "serious violations" of the Geneva agreement. The alleged violations relate to the Laotian Government's refusal to "absorb" the Pathet Lao's armed forces as distinctive units in the royal army. Neither China nor North Viet Nam, nor the Pathet Lao is justified in making a grievance of the Laotian Government's refusal. To date the Pathet Lao rebels have refused to surrender as required under the Geneva Agreement and are holding out in their northern strongholds with the known active support of Communist China and North Viet Nam.

Whatever the reasons for the present tension, it could be intensified to lead to civil strife if it is not nipped in the bud. It seems to be India's view that the Commission can help to lessen tension and restore peace in Laos. The Commission was the machinery evolved in 1954 to bring about a peaceful settlement between the Laotian Government and the Pathet Lao rebels. The Government of Laos has, however, opposed its reconvening because, according to it, the Commission is not in a state of adjournment; it was finally wound up last year. The British Government, one of the two "Co-Chairmen" of the Geneva Conference of 1954, has pleaded for respecting the views of the Laotian Government in the matter. Similarly, Canada is opposed to India's suggestion. It is of the view that the very existence of the Commission as a court of appeal would encourage the Pathet Lao rebels to maintain a recalcitrant attitude rather than lead to an adjustment of their differences. This seems inevitable—especially when one recalls that Phong Saly and Sam Neva, the provinces occupied by the Pathet Lao before the 1957-58 integration agreement, have a common border with China as well as North Viet Nam.

The roots of the present crisis may well be traced to the wishful thinking of the signatories of the Geneva Agreement. It was surely foolish to expect that the pro-Communist Pathet Lao rebels, who had maintained themselves by military defiance of constituted authority, would surrender and accept the authority of the Laotian Government. The difficulties in Laos are, once again, a confirmation of the fact that in a democracy there can be no co-operation with groups or parties that have yet to recognize the validity of democratic principles. India's suggestion on the reconvening of the Commission, even if accepted, is, thus, not likely to be of any use. On the other hand, her insistance may well be interpreted as a bait to China to "let bygones be bygones" on the question of Tibet and resume former friendly relations with this country.

YUGOSLAV AGRICULTURE

A RESTATEMENT of Yugoslav policy on agriculture that is full of interest was made in the report submitted by Mr. Edvard Kardelj, Secretary General of the Socialist Alliance, at the ninth plenary meeting of the Socialist Alliance of the Working People of Yugoslavia held in Belgrade last month. It is a comprehensive study of the problems of the post-war development of agriculture in Yugoslavia and the development of socialist social relations in the village under the new conditions. The report points out that during the last few years, agricultural production has achieved good results and especially from 1955 to 1958 with the exception of 1956 agricultural production was considerably above the post-war ten-year average level. One important aspect of the report consists in the statement that there are different roads of development for creating large socialist estates. It points out that one of these is the abolition of private ownership through a general collectivisation of the Stalinist type. It, however, mentions that such a method of creating a modern socialist economy is fraught with grave political consequences and it is also expensive besides provoking stagnation and decline in production. On the other hand, the path which Yugoslavia has taken consists in the gradual association of the socialist sector with individual farmers on the basis of mutual co-operation which is accompanied by a simultaneous advancement in agricultural production and increase in labour productivity and a lowering of production costs.

The report points out that one of the important tasks facing them is to endeavour gradually to make the private-owned farms capable of implementing modern production methods. This, however, it says, is not only an economic and technological problem but a serious social and political one which may give rise to very grave repercussions if a solution is attempted in a hasty manner. It therefore does not favour attempts to impose in any form such relationships upon the farmers as they cannot consciously accept or understand under the given conditions. Explaining further that the question of means and methods is of decisive importance, it goes on to say: "We have long since rejected methods leading to the forcible expropriation of land in any form whatsoever directly or indirectly. Thus the task which is before us is to undertake appropriate general social measures and establish concrete economic relationships between the socialist agricultural estates and peasant farms which will direct the economic interests of farmers towards stimulating productive co-operation between the private farms and co-operatives and other socialist agricultural organisations." Yet another example of the liberal policy adopted by the Government is seen in the following passage: "Our policy has never been and cannot be aimed at impoverishing the farmers or at maintaining their low standard of living; i.e., our policy cannot be aimed at ruining the farmers in order to clear the way for the development of large agricultural estates even if the latter are socialist. On the contrary our policy must enable even the small farmer to improve his standard of living on condition that this higher standard should be exclusively the result of the growth of productivity of his own labour." There is a good deal of material in this report that can provoke interest and its study will certainly be rewarding to students of agriculture.

DELHI GURDWARAS

THE STORM over the Delhi Gurdwaras is over. The two rival Sikh groups, one led by Master Tara Singh, the Akali chief, and the other by Giani Kartar Singh, Punjab's Minister for Irrigation, have temporarily abandoned their struggle for control of the local Gurdwaras and agreed to abide by the verdict of Sardar Baldev Singh, India's former Defence Minister, and Giani Gurmukh Singh, a veteran Sikh nationalist. The struggle which started in the Punjab with the defeat of Master Tara Singh in the election to the presidentship of the Shromani Gurdwara Parbandhak Committee in December last, had in recent weeks, spread to the Capital. For the last three or four months, the supporters of the two groups had been trying to establish their claim over the Delhi Gurdwaras. While the Shromani Gurdwara Parbandhak Committee claimed control over the Delhi Gurdwara Parbandhak Committee, the latter challenged it. According to the President of Delhi Gurdwara Parbandhak Committee, the S.G.P.C., which is a statutory body established under the Punjab Gurdwara Act of 1935, has control only over those Gurdwaras of the

Punjab which have been notified in the Act itself. Some five years ago, the local Gurdwara Parbandhak Committee voluntarily affiliated itself with the S.G.P.C.; but after the Akali chief's defeat in the election for the S.G.P.C. presidentship, the local Gurdwara Parbhandak Committee disaffiliated itself from the S.G.P.C. The disaffiliation was, however, not recognised by the S.G.P.C. On the other hand, the S.G.P.C. decided to dissolve the Delhi Gurdwara Parbandhak Committee and nominate an eleven-member ad hoc committee in its place. This was resented by the local committee. To implement its decision, the S.G.P.C. mobilised and sent nearly one thousand "Sevadars" (volunteers) to forcibly occupy the local Gurdwaras. Their descent on Saturday last led to the deplorable clash between the contending parties in which pistols, swords, lances, lathis, knives, stones, brickbats and soda water bottles were freely used. This desecration of Sisganj, the holy Sikh shrine, cannot but be viewed with deep sorrow and shame by those who have the good of the community at heart. It was unreasonable for either to insist on its own interpretation; but it would be no less than madness to try to force an implementation. The right course for the contending parties would have been to go to a court of law, and not indulge in organized rioting and disturbing the peace of the Capital.

Both factions should be severely censored for the unbecoming manner in which they have tried to settle their dispute. By allowing their passions to run away with them and by resorting to violent methods, the warring factions have only brought discredit upon the faith they profess to uphold. While one can understand, but not justify, that the Tara Singh group, bitter over the defeat of its leader in the S.G.P.C. election, was spoiling for a fight, there seems no explanation why the other group, which is led by a Punjab Minister, should have attempted to take law into its own hands. This naturally raises the question: might a Minister lead a movement in another State which cannot but result in a deterioration of the law and order situation there? Again, the part played by the local administration was, to say the least, reprehensible. If its officials had only taken preventive measures against the "volunteers" who had descended from Amritsar to carry out the orders of S.G.P.C. by force, the peace of the city would not have been disturbed. Why did the local authorities refuse to move in the matter until the fight between the two rival Sikh groups had actually broken out is anybody's guess?

FEAR OF GOD

ACCORDING TO a news agency message from Ootacamund, Mr. Nehru is reported to have made the following remarks, in the course of his speech at a public meeting on June 1: "I am not afraid of the future. I fear nobody. I am not a religious man and I do not fear even God. I cannot understand this mentality of fear. If some disaster happens, we face it and we do not run away from it." On the face of it, it is obvious that these observations by the Prime Minister would strike anyone as rather indiscreet. It is not known whether the report, as it has appeared, is correct, but if it is so, it would be unfortunate. For an understanding of the circumstances under which the Prime Minister made these remarks, it is, however, necessary to explain the context. Mr. Nehru was replying to the criticisms levelled some days back by Mr. C. Rajagopalachari pertaining to co-operative farming and Government's proposals for State trading in foodgrains. The main criticism of Mr. Rajagopalachari was that people had lost the habit of thinking for themselves and they had become indolent and that was the reason why it had become so difficult to get the Government do anything the people wanted. He expressed his fear that what was described to be happening in China would happen in India too by and by and therefore "we must protect the farm and the family against the inroads of a totalitarian state."

It is obvious here that when Mr. Rajagopalachari was referring to "fear" it was not with reference to any person but what he thought would inevitably follow if the Government's policies were allowed to go unchecked with regard to agrarian reorganisation. It is of course a matter for argument whether co-operative farming will lead to totalitarianism or not, and one need not quarrel with Mr. Nehru if, on the argumentative level, he scouts fears of authoritarianism following from co-operative farming based on voluntariness. But there is certainly no need to bring in religion or God into the argument. It has been one of the most commendable traits of the Prime Minister that, barring the few occasions when he has ridiculed the practice of astrology and especially those who have exploited it for political purposes, he has not so far, in any of the discussions of political or economic problems, brought in God or religion. It is, therefore, unfortunate that Mr. Nehru should have made the remarks that have been reported which may lead to some misunderstanding. For a people taught by tradition to be god-fearing, anything that savours of disturbing this notion may come as a rude shock. Moreover, the fear of God has been consistently inculcated on ethical grounds even apart from one's religious belief. It will not be surprising if some of the so-called rationalist organisations, proclaiming their atheistic beliefs in the South, exploit the reported statement of Mr. Nehru for political purposes. It is to be hoped that the Prime Minister's observations were just an accidental escape from a sceptical mind rather than the result of a conscious effort at indulgence in a controversy over so personal a matter as fear of God. Perhaps Mr Nehru's remarks were just the result of his impatience with Rajaji's familiar references to God and religion in political and economic controversies.

A PARTY DEVOID OF DOGMA

ALTHOUGH THE need for building up an effective opposition with a clear-cut policy and having a nation-wide following, in order to prevent Governmental inroads into the various spheres of economic activity has been stressed, times without number, both in the press and on the platform, nothing concrete has been done about it so far. The absence of such an opposition is, in fact, the most serious, as also the most unfortunate, lacuna of the prevailing mechanism of our democracy. It is, therefore, greatly relieving to note from the addresses of both Mr. C. Rajagopalachari and Mr. M. R. Masani, at a meeting of the Forum of Free Enterprise, held at Bangalore recently, that a "Grand Coalition" of the free peasantry, self-employed artisans and traders, middle class intelligentsia, professional and business men, is under active contemplation.

Alluding to the objectives of such a party, Mr. Masani said that the party in the making would work for rapid economic advancement providing incentives to hard work, individual responsibility, greater enterprise and higher production in both the agricultural and the industrial spheres. It is claimed that this party will eschew all dogma and take a pragmatic view, which, in fact, should be the approach of any political party with its feet on 'terra firma'. If existing political parties in India—even the old ones having leaders of repute at the helm—have failed to take the masses with them, it is undoubtedly because of their dogmatic adherence to certain set of pet ideologies. This perhaps also explains why even the Congress has been losing its hold, as witnessed in the recent civic elections in Madras and other Congress strongholds. We do not as yet have in this country a party which is truly representative, in the sense that it has, within its fold, a completely representative cross-section of the entire community and which has a realistic programme. It is to be hoped that the party to be formed would serve to fill this serious lacuna and thereby help strengthen parliamentary democracy in India.

A Window on the World

HOW EUROPE AIDS ITS TOURIST INDUSTRIES

By

ODYSSEUS

IN THIS ERA in which the all-powerful bureaucrat has charge of the individual citizen's happiness, properly planned in accordance with the official view of the individual's best interests, regardless of his ridiculous personal tastes, the one industry over which in all states—from China to Peru—the consumer still retains the absolute controlling power of his Demand is Tourism.

Having noted that the number of tourists crossing frontiers in Europe is on its way over the 30,000,000 mark, country after country throughout the rest of the world has decided that they must build up their own tourist industries. Most have advertised abroad those items in their countries in which they think the tourist ought to be interested and have sought to satisfy him with their existing accommodation in transport, hotels, and sightseeing. If by rare chance, their existing facilities coincide with the tastes of a fair number of tourists, they have registered a modest success. What they do not realise is that unless the tourist is satisfied, nobody can compel him to come at all, or if he ventures once, can compel him to return, nor can anyone prevent him from spreading among his friends at home gloomy stories of all that he had to put up with. The best advertisers are not pamphlets; they are satisfied customers.

The dissatisfied customer in a planned economy must buy what is graciously made available to him, but the dissatisfied foreign holiday maker immediately penalises the country or the hotel which displeases him. He boycots it.

That is why if India wants to build up the tourist traffic that her ancient culture, the beauties of her land, the interest of her historic sites, and the natural friendliness of her people, deserve, she must begin by conducting consumer research investigations, carefully thought out by those with specialist experience in this subject, in which there is no room for amateurism. These investigations would need to be continued probably over a couple of years, subsequently followed by check tests at intervals.

I offer here suggestions on points that seem worth investigation. For example, following Independence, some hotels substituted Indian for European managers. This, if you want Western tourists, was unwise, for while it is natural that Indians should have greater confidence in Indian managers, it is as natural that Western tourists should prefer Europeans. No question of national pride is at stake here. Many nations have developed special skills—the British in seamanship, the French in women's dress designing, the Americans in mass production techniques, and it happens that the Swiss and Italians have developed special skills in hotel management, so that they are in demand all over Europe in the hotel industry. British visitors, far from seeing anything derogatory to their national pride in a Swiss manager in a British hotel, feel reassured that the service and hygiene is likely to be of the highest standard.

INDIA NEEDS 9,000 BEDS

I see that Mr M. S. Oberoi says that India needs 9,000 more hotel beds, costing Rs 20 crores capital expenditure, to meet the increase in tourists hoped f It is interesting to note that this figure, which wor out to Rs 2,250 per bedroom, is less than half the capital sum currently cited for a new bedroom with bath, in London, and that almost every tourist country in Europe reports a severe shortage of modern bedrooms.

Most of Europe's 30,000,000 tourists are Europeans. Most are therefore short distance travellers, of modest means, who tour by motor coach, by the cheaper rail or air excursion fares, by motor cycle, or even by bicycle. Their aggregate constitutes the mass of tourist expenditure. Note that the wider that the tourist habit spreads in any nation, the more all the countries of Europe benefit by the rise in the volume of the trade.

Only about half a million out of the 30,000,000 are Americans. Wealthy Americans who can spend with careless abandon are few. More and more today are middle aged professional people, from the lower income groups, who need to spend carefully. The aggregate expenditure of these modest Americans in the seventeen OEEC countries in 1955 was approximately $500,000,000 and has risen every year since. It is these valuable moderate incomed Americans who are causing the European tourist trade the gravest anxiety, because it is the modern bedroom with up-to-date lighting, heating, its own bathroom, and telephone communicating not merely with the Reception but with the outside world, that is in severe short supply. The capital cost of such a room in London is estimated at Rs 40,000 by the optimists, who urge that more should be built, and at Rs 80,000 by the pessimists. The trouble is that luxury prices must not be charged for these new rooms and that they are likely to be empty for any period up to 44 weeks in the year.

Difficulties of finance apart, there is in some European countries resistance to building new hotels because the increasing tourist demand fills the existing good class hotels to bursting point and causes tourists to overflow into unsatisfactory second grade accommodation. In other words, the existing hotels enjoy charging high prices and fear competition. Any country, however, which tolerates this complacency will come up against the proposition, with which I began these reflections, that the tourist is the one outstanding consumer who can, and does, at once penalise those who don't give him what he wants. He does not come back. The OEEC reports on tourism in Europe and the reports of the British Travel and Holiday Association are unanimous on this point.

AID FOR PRIVATE ENTERPRISE

Austria, France, Germany, Greece, Ireland, Holland, and, above all, Italy, are among the countries which have initiated schemes of government aid to modernise old, or build new, hotels. In 1955, Austria granted loans of $1,886,580 at 3½ per cent (compared with 5 per cent commercial rates). France has provided loans of $9m. to 747 hotels. Loans to a maximum of $42,960 are granted providing that the borrower makes an equivalent contribution. Interest is 5 per cent. The repayment period is five years for purchases of equipment and furniture, ten to fourteen years for new buildings and

large fixed installations. In Greece, $437,270 was in 1955 loaned to 255 hotels at 7 per cent. Ireland grants reductions in local taxes for new hotels or improvements. Holland has a scheme to grant loans at 5 per cent for two thirds of the amount needed for building or improving hotels. Operating losses are guaranteed for three years for new hotels and for two years for improvements. Italy has granted loans at a low rate of interest, to a total (by 1955) of $55,472,000 to enable the hotel industry to rebuild 876 old hotels. In addition, loans have been granted at low interest rates to build 36 "Jolly Hotels" and 33 motels to the value of $12,800.000. Italy, of course, enjoys a warm climate, but there can be no doubt that her success in attracting no fewer than 11,000,000 tourists a year (cf France 6,000,000) owes much to her expenditure on accommodation. You cannot ask tourists to arrive in their millions and then offer them a ditch to sleep in—however dry and warm your climate.

It is significant that all these governments are careful to leave the ownership and management of hotels to private enterprise. The governments of Europe recognise that officials are not best adapted to handle an industy in which the consumer's controlling power of demand is absolute.

Although the UK's totals of tourist arrivals are far less than those of France and Italy, the extent to which the UK tourist industry—travel and transport organisations, hotels, restaurants, etc.—have rallied in support of the imaginative leadership of the (non-official) British Travel and Holiday Association has produced substantial, and steadily improving, results every year since the war, which shows what can be done to counteract natural disadvantages, such as those of climate, by exploiting assets. In 1947, the UK received only 396,015 visitors who spent £31 m. Of these 114,094 were Americans who spent £16 m. By 1958, this had risen to 1,258,310 visitors who spent a total of £126 m. Of these 324,940 were Americans who spent £38.5 m. I do not have the latest French figures to hand, but in 1955 France earned the total equivalent of £68 m. (of which £30 m. was in dollars), while in the same year the UK earned £100 m. (of which £37.5 m. was in dollars). So that although France attracts almost four times more tourists, the UK earns nearly twice as much in foreign currency.

Apart from her beauty spots and sites of historic interest, the UK's biggest tourist asset is the English language. For the unsophisticated lower incomed American, the prospect of battling in an unknown language with porters, waiters, cabmen, shops, and night clubs, is daunting, while the knowledge that everywhere that they go they will be able to make themselves understood is encouraging. This is priceless asset that India has shared with the UK.

I write "has" shared because I am told that since 1947 the standard of English in India's high schools and universities has fallen. If true, this is deplorable from the viewpoint of India's potential tourist trade, if from no other. That the foreigner can buy an English language newspaper is—povіding modern hotel, motel, camping, or other accommodation is available — worth several crores of tourist traffic in itself. The Germans are among the shrewdest people in Europe. It is therefore worth noting that they decided in 1946 that English should replace French as the compulsory foreign language in their schools—and so have the Russians.

WITH CONSISTENT UPWARD TRENDS

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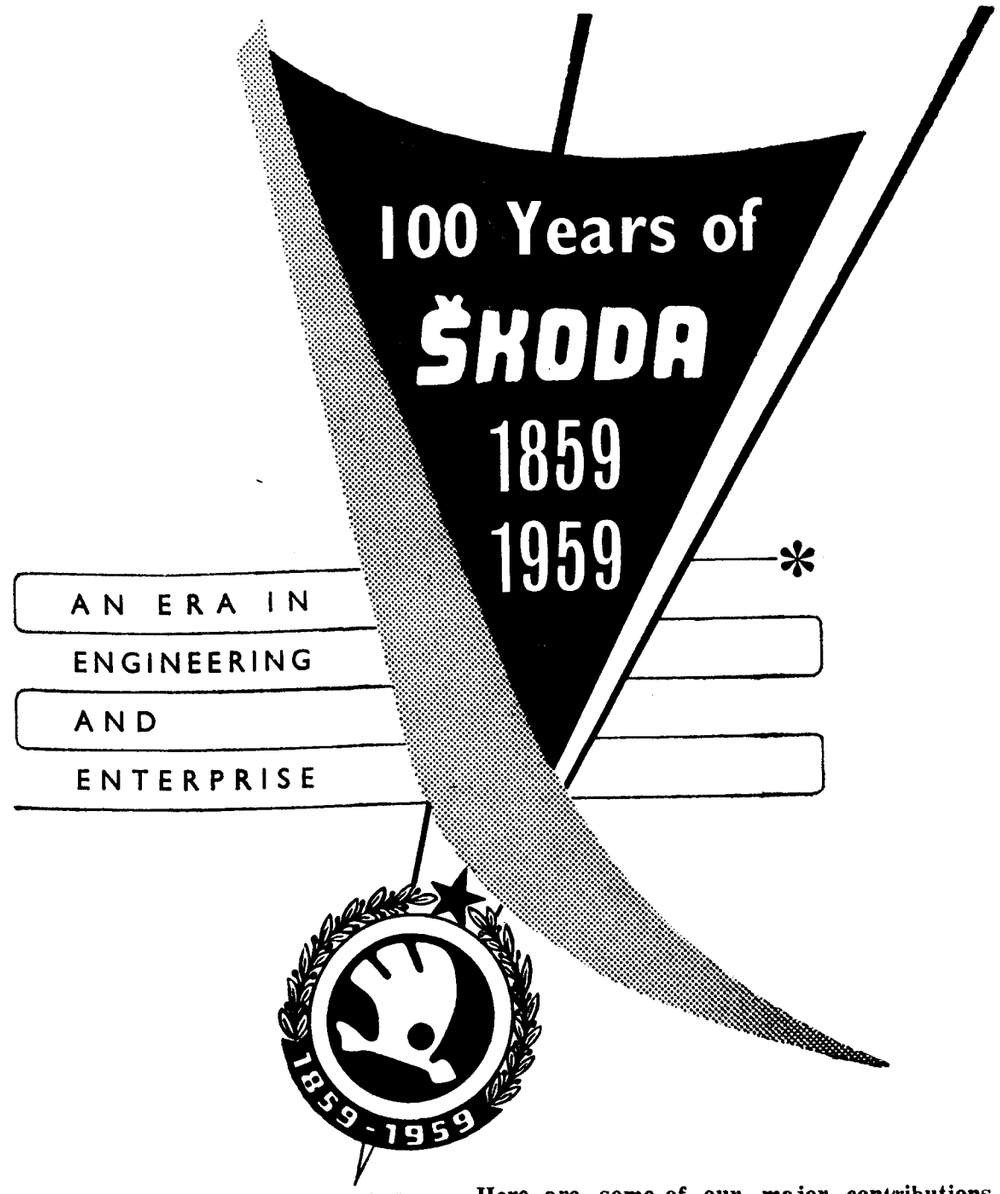
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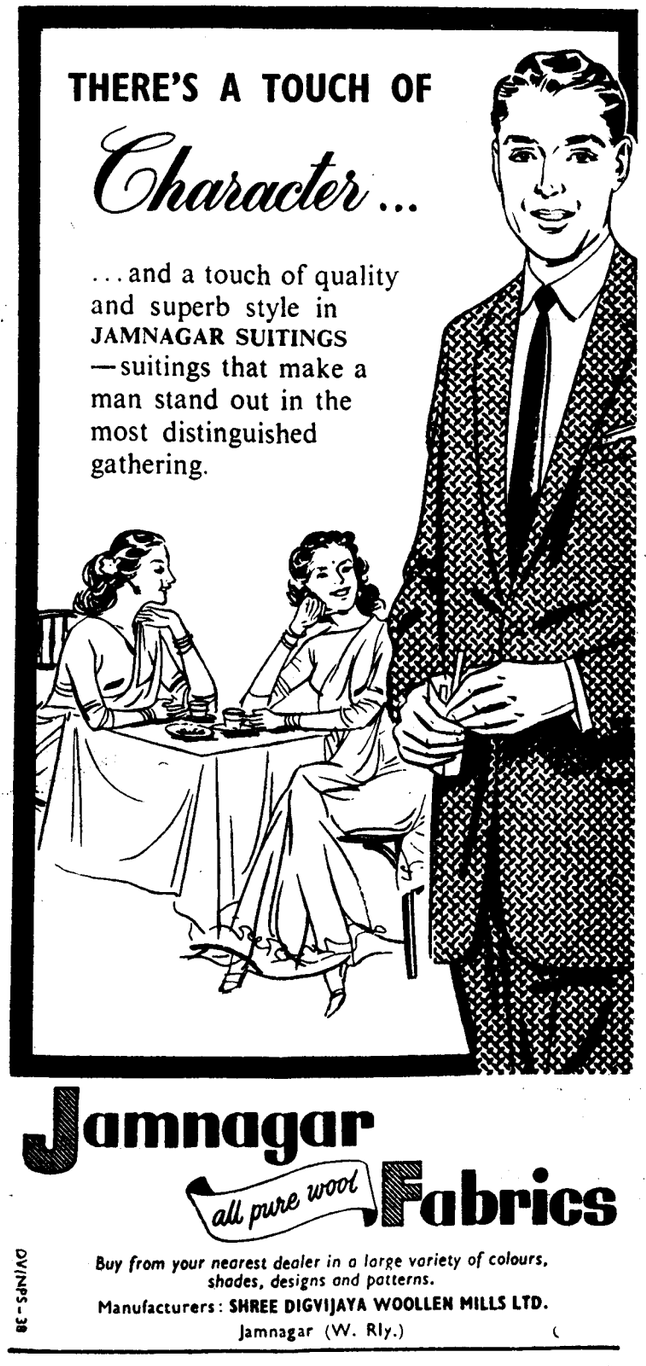
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DISCRIMINATION AGAINST DOLLAR IMPORTS

From Our Special West European Correspondent

PARIS, May 30.

THE dollar shortage no longer exists, and yet most countries — even those in West Europe that have achieved substantial increases in their reserves at the expense of the USA — maintain rigid discrimination against dollar imports. This discrimination was introduced, with the consent of the Americans, in the post-war years of the dollar shortage when the USA held the greater part of the free world's gold and its only solid currency. It is very extensive and highly damaging to US export interests; it much exceeds the small elements of discrimination implicit in the Common Market, which nevertheless caused so much indignation in Britain last year. For example, France has today liberalised her imports from EOEC countries to 90 per cent, while her imports from the USA are still fixed at 53 per cent. Similar discrimination is practised by most of the West European countries, including some that loudly denounced discrimination in the sacred name of free trade last winter. The Americans naturally overheard these European tirades against discrimination; they watched the recovery of European trade and reserves; they noticed — sometimes with a feigned anxiety — the fall in American gold stocks, the rise of US imports from Europe, the increasing competition of European industries with American all over the world. So they have raised the question of West Europe abating its discrimination against dollar imports.

Apart from the agitation of several pressure groups, the Americans have taken the matter up in a very moderate way. They have given notice of a campaign against discrimination in GATT and before the IMF, but they have indicated unofficially that they do not expect to obtain immediate satisfaction, which would be impossible. They do not intend to press their moral and legal case, which is excellent, to the uttermost but will be content for a beginning with "appreciable gestures". It was inevitable that this issue should be raised once the West European currencies become convertible to the extent they have been since last December, for these countries are bound by treaty not to discriminate against dollar imports once their currencies are strong enough to stand non-resident convertibility. But, more than the legal point, it is the evolution of the US balance of payments that has brought the matter to a head.

Last year the USA lost $2,300 million out of its gold stock and other countries increased their holdings of short-term dollar securities by $1,000 million. In sum, therefore, the USA spent abroad $3,300 million more than foreigners spent in the USA. Certain American alarmists pretend to believe that this situation is going to be permanent, that the USA is going to go on incurring an annual deficit of $3,000 million, with a consequent loss of confidence in the dollar, and there has actually been talk of the heroic measures that will be necessary when US gold reserves fall from their present level of around $20,000 million to near the minimum of $12,400 million that the Federal Reserve needs to back the currency. Such heroic measures would be the refusal to convert foreign dollar holdings into gold (i.e. non-convertibility for the dollar) or a rise in the price of gold (i.e. devaluation of the dollar). This pessimism is rather comical. Last year's deficit was actually due to special causes, and it seemed especially shocking when compared with the 1957 results which, however, reflected the strengthening of the dollar due to the Suez crisis. For the current calender year, it is more reasonably expected that the USA will lose another $1,000 million out of its gold stock, with maybe another $1,000 million Gold stocks so far this year are down $334 million; so this guess seems accurate). Even then, at the end of 1959 the USA will still be holding half the gold reserves of the free world.

The situation, then, is not alarming from the US point of view. But it is a great change from the worst years of the dollar shortage, which some Americans in their pride came to regard as the normal state of affairs. In the period 1947-49 the US trade balance showed a surplus of $8,000 million a year. Americans exports were just twice imports, whereas today US exports exceed imports by only 20 per cent. The 1958 results, being due to special causes — the US depression, the glut of coal and oil in Europe, etc — were exceptionally unfavourable to the USA, but there is no reason to believe that the conditions of 1947-49 will ever return. There has been a secular trend against the dollar, and an irreversible strengthening of the West European economies. We see this even in the case of France, whose dollar shortage used to be acute and apparently hopeless: whereas French exports to the USA covered only 30 per cent of French imports from the USA in 1957, they covered only 54 per cent in 1958 and 85 per cent in the first quarter of this year. In March, indeed, France sold the Americans more than she bought from them for the first time since 1895!

Though not dramatic, this situation obliges the Americans to scrutinise the entries in their balance of payments to see where disequilibrium can be rectified. On the debit side, attention falls first on the military aid hand-outs. But given the world political situation, no one recommends that they be cut, and if they were, an immediate result would be a fall in US exports. Some Americans would be readier to cut foreign economic aid. loans and gifts, but here again, apart from the political considerations, the first consequence would be a fall in US exports, because it is dollars given out abroad under this head that enable many foreign countries to buy American. Next there are private American investments overseas; these have increased from $800 million eleven years ago to $3,000 million today but there can be no question of reducing them. Finally on the debit side, there are US imports, which this year will beat all records at $14,000 million. It is here that the traditionally protectionist Americans are likely to think of making the first economies. The Administration is opposed, of course, but the present state of the US balance of payments puts a formidable weapon in the hands of the protectionists, and in the months ahead we must expect to see them use it.

The alternative is to increase the major entry on the credit side, the value of US exports. The present disproportion between costs in the USA and in West Europe makes it very difficult for US exporters to sell more abroad, at least for a few years until European labour costs have moved up to the American level. That is, it is difficult for them to sell more as long as existing discrimination against dollar imports continues. Hence pressure on foreign governments, especially in Europe, to mitigate discrimination. Britain has already alleviated this discrimination in some lines, at little cost to herself, as her trading position improved. M. Pinay said this week in New York that France also was considering liberalising her trade with the USA, but gave no figures. Some Americans want to see discrimination totally removed, as far as concerns West Germany, Britain and France. It is certainly too early for that. The ECE report on the European economies, published in January, forecast a return of the dollar shortage as soon as the recession had vanished in West Europe, on the grounds that the rate of expansion in Europe would thereafter be faster than in the USA. Govern-

ments will want to wait some time to see if this conclusion is justified, and meantime they will move very cautiously in dismantling dollar discrimination.

But there are excellent reasons for the West European countries — and anyone else who can afford it — taking early and appreciable measures to reduce dollar discrimination. The first, obviously, is to spike the guns of the protectionists and their Washington lobbies. One is making it altogether too easy for them if one runs a trade surplus with the USA while one maintains import quotas for dollar goods that are much lower than for goods of different origin. A concerted move by the Europeans to reduce this discrimination would change the atmosphere in the USA so that the Administration's hand would be strengthened against the special interests. Secondly, thanks to the technological revolution in Europe and to the lower level of European wages, many American goods are already priced out of foreign markets, and quota restrictions are much less necessary than they were just after the war. Thirdly, although European Governments are reluctant to jump to the conclusion that their position vis-a-vis the dollar has improved once and for all, the increased outflow of private American capital does seem to be a long-term trend, which can be relied upon to ease the dollar problem for some years ahead. By the time those investments have fructified and have to be serviced in dollars, they will themselves contribute to Europe's dollar earnings (because naturally European Governments license only those American investments that will result in export earnings or import economies). And their presence constitutes a hostage that Europe will hold against an exacerbation of American protectionism.

One way or another the Americans are going to try to balance their payments because for the first time since the 1930's the USA, like other industrial nations, has a payments problem, though not a serious or urgent one. Foreigners do not want them to do this by cutting their imports, by reducing their military and economic assistance, nor by limiting their private investment. So it is up to them to help by reducing discrimination against dollar imports. The Americans are often attacked as bad creditors and illiberal traders by the ignorant and the ungrateful who overlook the fact that the USA has long been financing nations who refuse to buy American goods. There is an opportunity now to reduce this discrimination, and even to knock a few holes in the American tariff wall as a reward.

P.S.: After the above despatch had been sent, the British Government announced new and important measures of liberalisation for dollar imports. From June 8, most consumer goods from the dollar countries will be imported into Britain without quota restrictions. Global quotas previously valid only for West Europe will be extended to the dollar countries. Quota restrictions on dollar imports remain in force for a wide variety of products, but quotas will be increased in some cases, notably for motor cars and fruit. The American campaign against dollar restrictions has, thus, already achieved its first important success, and Britain has given a lead to the other European nations. The unexpected rapidity of this British decision might not be unconnected, however, with the resentment expressed in the USA about Britain's increasing trade with Russia and East Germany, increases that were negotiated at what the Americans regarded as a diplomatically unsuitable moment — during the Geneva Conference.

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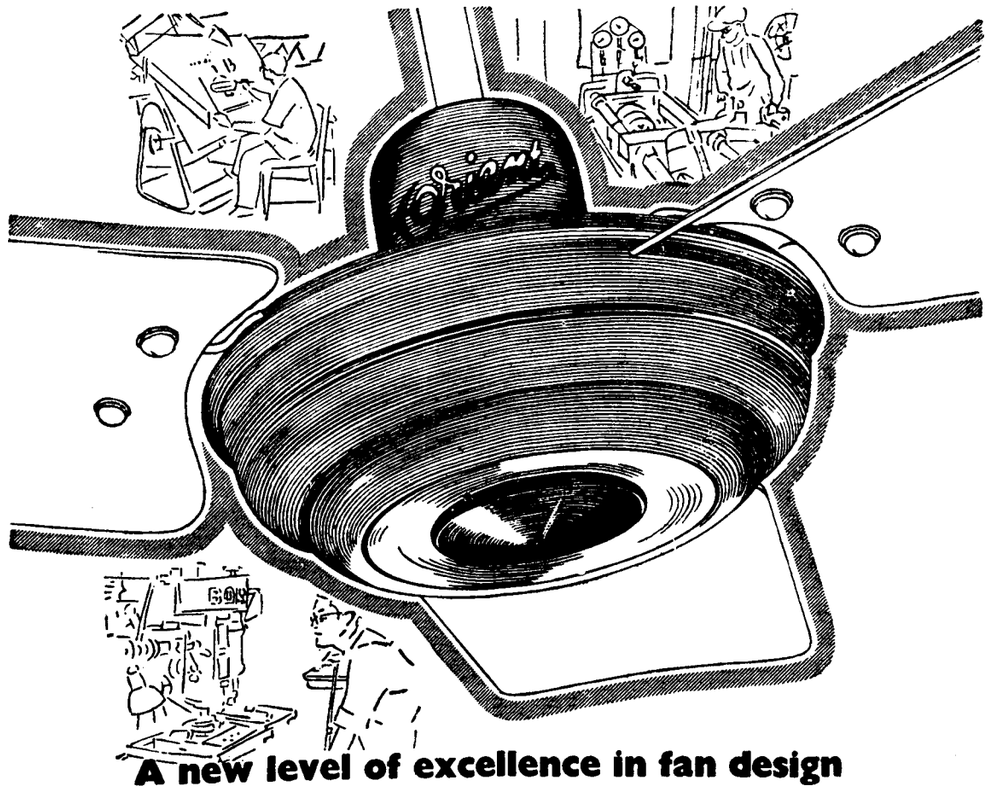
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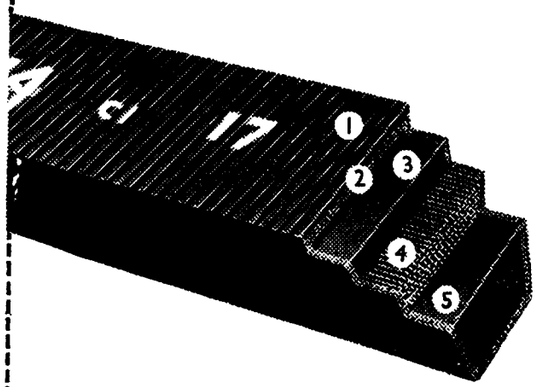
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WORLDGRAM

AGRICULTURE

Atomic Aids to UK Agriculture: British research on the use of radioisotopes in agriculture has achieved a considerable number of successes. These by-products of atomic energy have a wide range of uses, among them the development of higher-yielding and disease-resistant crops. Under the influence of high doses of radiation there is an increase in the natural genetic mutation rate in plants and animals.This can put new strains and characteristics in the hands of crop breeders. Wheats of shorter straw length have been developed, which avoids being beaten down by the weather; and a strain of oats with special resistance to disease has been evolved. By incorporating radioisotopes with fertilizers it is possible to study how the plant takes up fertilizer, how it grows, and which elements in soil and in the fertilizer are important in securing healthy crops. Irradiation by gamma rays can reduce losses in stored foods by eliminating insect infestation from grain, inhibiting sprouting in stored potatoes, and lengthening the storage life of meat.

*

Agricultural University for U.P.: Uttar Pradesh will have an agricultural university on the pattern of the US Land Grant Colleges, following an agreement signed between the Government of India and the US Technical Co-operation Mission. The agreement provides for Rs. 20.14 lakhs ($424,000) of technical assistance for the development and operation of the university which will be located at the Terai State farm, Rudrapur. Of this, Rs. 14.28 lakhs ($300,000) will be used for procuring books and scientific equipment from outside India and the remaining Rs. 5.86 lakhs ($124,000) for securing the services of American specialists and consultants and for training in the USA of 2 Indian teachers. This agreement supplements the T.C.M. Technical Assistance of about Rs. 8.5 lakhs ($147,000) provided last year, when this project was initiated. Total T.C.M. assistance for agricultural education and research so far has slightly exceeded Rs. 3.5 crores ($7,500,000). The curricula of US Land Grant Colleges, which were founded nearly 100 years ago, combine agricultural education, research, extension and allied activities.

*

Working Group on Co-operative Farming: Government of India have decided to set up a Working Group to make definite recommendations on ways and means for efficient development of co-operative farming in the country. Although co-operative farming has figured both in the first and second Five-Year Plans, there still exists a considerable vagueness and confusion about its details. Following the acceptance of joint co-operative farming on a voluntary basis as the ultimate agrarian pattern in India, the Working Group will help the Government in the formulation of an action programme based on available experiences. The Group will have a prominent person in public life as its Chairman. The membership will include a representative each of the Reserve Bank of India, the Planning Commission, the Department of Community Development and the Department of Co-operation in the Centre, a Development Commissioner and a State Registrar of Co-operative Societies. Amongst non-officials in the Group will be one M.P., and a person connected with co-operative farming. The Group will visit different parts of the country to study successful experiences as also the problems encountered in the field. It will review the work done, methods adopted and techniques evolved in co-operative farming. It will have to make specific suggestions particularly with regard to types and methods of organisation, and financial as well as administrative requirements for a countrywide programme. In order to facilitate the study of the Working Group, the Union Ministry of Community Development and Co-operation are asking the State Governments to collect and keep ready well in advance information and data relating to the existing co-operative farming societies. The Group is expected to submit its report within two months from the date it starts its work.

INDUSTRY

Central Advisory Body for Sailing Vessels Industry: The Government of India have constituted a Central Advisory Committee for the Sailing Vessels industry. The Committee will deal with all-India matters relating to the industry and advise Government on the steps to be taken for the future development of the industry, the construction of improved types of vessels on scientific lines and on the improvement of port and repair facilities where possible with special regard to the needs of sailing vessels and help in the evolution of a uniform system of trade practices, customs and usages to be observed throughout the country by those connected with the industry. The Committee will also advise Government on the rules to be framed under the provisions relating to sailing vessels in the Indian Merchant Shipping Act and on laying down the principles for the grant of financial assistance for the mechanisation of sailing vessels. It will suggest measures for the education and training of tindels and seamen under sail and for the welfare of seafarers under sail. Other functions of the Committee include advice on ways and means of checking anti-social activities in the trade, promotion of sailing vessels traffic to make the trade run on equitable lines and on other allied matters pertaining to the industry.

*

Draft Schedules for Carbon and Alloy Steels: The Indian Standards Institution has issued five draft schedules for carbon and alloy steels used in various industries. These draft schedules have been prepared by the Alloy Steels and Special Steels Sectional Committee of the institution, on which are represented the Ministries of the Government of India, important manufacturers, consumers and testing organizations in the country.

*

India to Produce High Tensile Steel Wire: The Government of India have licensed several units for the manufacture of high tensile wire for various purposes including pre-stressed concrete construction. The capacity licensed so far is about 40,000 tons. India requires about 8,000 tons of high tensile steel wire annually. The entire demand is imported. In view of the capacity already licensed, the Government of India do not propose to manufacture the same type of wire in the three steel plants in the public sector. The present production of high tensile structurals, bars and plates is about 300 to 400 tons per month. The public sector steel plants are expected to meet the demand for high tensile structurals, bars and plates in the country.

TRADE

Trade Agreement between India and China Extended: Letters were exchanged recently between Mr. K. B. Lall. Additional Secretary, Ministry of Commerce and Industry, and Mr. Tu Yu-yun, Counsellor for Com-

mercial Affairs in the Embassy of People's Republic of China in New Delhi, extending till the end of 1959 the validity of the Trade Agreement between India and China concluded in 1954. The total trade between the two countries in 1957 and 1958 amounted to Rs. 8.6 crores and Rs. 8.7 crores respectively. In 1957, imports amounted to Rs. 4.9 crores against exports of Rs. 3.7 crores. Imports during 1958 amounted to Rs. 5.3 crores against exports of Rs. 3.4 crores. The main items of imports from China are newsprint, chemicals, steel, cassia and raw silk. Important among the Indian exports to China are tobacco, raw cotton, shellac and jute manufactures.

*

Import Policy for Exposed Cinematograph Films: The Government of India have announced in an Import Trade Control Public Notice, the policy for the import of exposed cinematograph films during the licensing period April-September 1959. According to the Public Notice, exposed cinematograph films will be licensed to established importers on a quota of 10 per cent General and 10 per cent Soft during the current half year. Additional licences for the extra footage involved in importing 3-D films will be issued on application. Licences issued for exposed films will not be valid for import of films sent abroad for processing, etc. Supplementary licences will be granted to established importers under an arrangement in consultation with the Ministries concerned. The minimum value of quota licences will, where necessary, be raised, so as to enable the established importers to import at least one feature film not exceeding 12,000 ft. in length by clubbing together their quota licences for two half-yearly licensing periods. Applications from established importers for the import of educational films will be considered 'ad-hoc' on the basis of past imports of such films. The applicants are also required to produce satisfactory evidence to show that the films are educational in nature and are required for exhibition in schools and colleges and other educational institutions. Applications may be made to the licensing authorities at the ports by June 30, 1959.

*

Export of Indian Handicrafts: Indian handicrafts earned foreign exchange worth Rs. 6.36 crores during 1957. This, however, does not include handloom fabrics and hand-printed cloth as also those handicrafts sent by post parcels or purchased by foreign tourists. The United Kingdom led other countries in the imports of Indian handicrafts. The value of exports to that country was Rs. 2.52 crores. The United States of America, which came next, imported Indian handicrafts worth about Rs. 1.41 crores. Exports to Canada were worth Rs. 50 lakhs during the year. The other countries, which imported Indian handicrafts worth about Rs. 10 lakhs were Malaya and Singapore, West Germany, Australia, Hong Kong, Burma, Saudi Arabia and Kuwait. Among the handicrafts articles, numbering nearly 50, which were exported during the year, carpets and druggets led others in the earnings of foreign exchange; their value was about Rs. 4.19 crores. Brass and bronze-wares earned over Rs. 96 lakhs, synthetic stones about Rs. 17 lakhs, fabrics of textile fibres mixed with metal about Rs. 11.8 lakhs, woollen shawls Rs. 11.7 lakhs and wood carvings about Rs. 11.3 lakhs. The other handicrafts articles, which were in demand in foreign countries, included ivory manufacture, horn work, lacquerware, rugs, silk shawls and scarves, mats and mattings, fancy handbags and other articles of leather, embroidery, bangles and beads, baskets, toys, statues and busts and musical instruments. For the promotion of exports of Indian handicrafts a number of steps have been taken by the Government of India. The Indian Handicrafts Development Corporation has been set up to develop production of handicrafts and to find markets abroad. A commercial information and intelligence service has been started by the All India Handicrafts Board; publications are also issued to help exporters in India and traders abroad and advice is given on designs and business methods.

FINANCE

$12 Million Power Loan in Colombia: The World Bank has made a loan equivalent to $12 million for a hydroelectric power project which will provide 96,000 kilowatts of additional generating capacity for Medellin and neighbouring towns in west central Colombia. The Grace National Bank of New York is participating in the loan, without the World Bank's guarantee, to the extent of $100,000, representing part of the first maturity which falls due February 15, 1963. The loan is for a term of 25 years and bears interest of 6 per cent including the 1 per cent commission which is allocated to the Bank's Special Reserve. Amortization will begin February 15, 1963. The loan is guaranteed by the Government of Colombia.

*

$1,450,000 Power Loan in Honduras: The World Bank has made a loan of $1,450,000 for the expansion of electric power facilities in the metropolitan area of Tegucigalpa, the capital of Honduras. The project will provide a much needed improvement in the electricity distribution system of the city, and will increase generating capacity sufficiently to meet the need for power in the years immediately ahead. The Bank of America and the National Bank of Washington (D.C.) are participating in the loan, without the World Bank's guarantee, to the extent of $123,000 representing the first three maturities which fall due between September 1, 1962 and September 1, 1963. The loan is for a term of 15 years and bears interest of 6 per cent including the 1 per cent commission which is allocated to the Bank's Special Reserve. Amortization will begin in September 1962. The loan is guaranteed by the Government of Honduras.

GENERAL

Indianisation of Personnel in Foreign Firms in India: The progressive Indianisation in foreign firms is being done by a method considered unique in this country; by persuasion and by voluntary agreement between the foreign-controlled firms and the Government of India. Instead of the agreed 25 per cent, the overall percentage of Indian personnel in higher executive posts in foreign-owned plantations was 33.6 by the end of 1958. In 1947, when India became free, there were hardly 504 Indians in industries other than plantations. Now, the figure has gone over 6,700 Indians. The percentage of Indians in these industries is 54 and that of non-Indian 45.7. The reason why in plantations the percentage is not as high as in other industries is that the plantations require more specialised technique and Indian personnel accustomed to that type of managerial duty in far off corners of the country are not readily available. During the current year, the Government is going to have further talks with the Associated Chamber of Commerce and the Indian Tea Association to frame out a programme of progressive Indianisation in the next three to five years. In discussion with representatives of foreign firms and the Associated Chamber of Commerce, the Government will draw their attention to the point that with the breaking up of the posts into different categories, Rs. 1,000 to 1,500, Rs. 1,500 to Rs. 2,000, Rs. 2,000 to 3,000, and Rs. 3,000 and above—as drawn up in the past—not only the average should be a matter for satisfaction but in each pay group it should be seen that the percentage increases proportionately. In the last seven years there has been complete Indianisation in posts in the pay group from Rs. 500 to Rs. 1,000. During the last eighteen months the Government have not received any complaints in respect of discrimination as between an Indian employee and a foreign one. In 1956-57, however, there were a few complaints.

NEWS IN BRIEF

INDIAN

A joint UNESCO-INDIAN Trust Fund with contributions both from the Government of India and the UNESCO has been created for publishing translations of classics under the UNESCO's Major Project scheme to foster mutual appreciation of the cultural values of the Orient and Occident.

*

Prof. M. P. Gandhi has been appointed as a member of the Co-ordinating Committee of the All-India Council of Technical Education for a period of 3 years.

*

A process 'Cation Exchange Resins from Cashewnut Shell Liquid' has been worked out at National Chemical Laboratory, Poona.

*

India had a favourable trade balance of Rs. 27.9 lakhs with Egypt in February 1959, compared to a surplus of Rs. 43.28 lakhs in corresponding month of last year, according to official source.

*

Trade negotiations between Yugoslavia and India were concluded recently by the signing of a supplementary protocol to the trade pact of 1956. The additional protocol provides for payment in rupees in order to stimulate enlargement of the trade exchange.

*

It is reported the Government of India have accepted the recommendations made by an 'ad hoc' Committee that the target of production of cottonseed oil should be 70,000 tons per year.

*

An agreement is understood to have been signed in Dusseldorf between Hindustan Steel Ltd., and Mannesman of West Germany for the establishment of a pipe mill in Rourkela.

*

The total estimated expenditure on the steel plants in the public sector, including coal washeries and the fourth steel plant during 1959-60 is expected to be of the order of Rs. 122 crores.

*

Exports of mica last month are estimated to have declined to 1,613 tons from 2,037 tons in the corresponding month of last year. The earnings from mica exports, however, were higher at Rs. 89.5 lakhs in April against Rs. 76.35 lakhs in the same month last year.

*

The Joint Chief Controller of Exports clarified recently that the export of groundnut oil and salad oil against contracts concluded during the period March-May, 1959, would be allowed up to the end of June this year, and the exports of groundnut oilcake (expeller variety) against shipments of groundnut and salad oils, would be allowed up to the end of August, 1959.

*

The Government of India's contribution to the expansion programme of the Indian Iron and Steel Company which is making steady progress, is of the order of Rs. 18 crores. A loan of Rs. 7.9 crores was interest bearing whereas Rs. 10.18 crores were sanctioned as a special advance.

FOREIGN

A delegation of Yugoslav business men left for Turkey to examine the possibilities of increasing the export of Yugoslav industrial commodities to Turkey. The delegation is representative of enterprises which export products of the machine construction, electrical and metal processing industries.

*

The Bank of Greece has fixed the exchange rate of the US dollar at 29.85 drachmae buyer 30.15 seller, against 29.90—30.10 drachmae previously.

*

It is reported the US is to give Nepal $600,000 to develop air services this year.

*

The Australian oil industry is to spend about £A61 million on expansion during the next two years, the Petroleum Information Bureau of Australia announced recently.

*

France's first "heavy franc" banknotes will be put into circulation in July as the Government's initial step in replacing the present franc with new currency. It is planned to complete the changeover by February 1961.

*

West Germany produced 552,354 cars and commercial vehicles during the first four months of 1959—equivalent to a record-breaking annual rate of about 1,657,000 units.

*

Exports from the US in April were slightly higher than in March owing to increased shipments of military equipment, but they were 4 per cent lower than in April, 1958, the US Department of Commerce reported recently.

*

A contract worth about £100,000 for two Pye aircraft landing systems for installation at Moscow airport has been placed by Marshal Zhigarev, Chief of Aeroflot, Russian State airline, Pye Telecommunication stated recently.

*

French steel production of 1.3 million tons in April was the highest monthly output since October, 1958, and nearly 4 per cent above the level of April, 1958.

*

It is reported if the Spanish Government stabilised the currency and improved exports, the US Export-Import Bank, would be willing to grant financial facilities, particularly in the capital goods sector.

*

New Zealand had a surplus of £29.6 million in overseas exchange transactions for the year ended April 30, compared with a £49.7 million deficit in the previous twelve months.

*

West German industrial production last month was 4.1 per cent higher than in April, 1958, the Ministry of Economics report.

*

In Canada in April there was a small surplus of $1.4 million with revenue amounting to $300 million. In April last year there was a $10.7 million deficit. It is forecast that this year's deficit would amount to $393 million.

A DELHI NOTEBOOK

INDUSTRIES IN RURAL AREAS

THE Central Committee on Employment, at its latest session in the Capital, has recommended the development of rural industrial estates both for increasing employment opportunities and for stepping up industrial production. The Committee has also urged the necessity for the location of new factories in rural areas. These areas will have to be supplied with power, transport facilities, etc., at a reasonable cost. The Committee has also suggested that the development of small-scale and cottage industries as a source of employment should be planned on a regional basis. Such small-scale industries, in the opinion of the Committee, should serve as feeders to large-scale industries. A suggestion has also been accepted at the Committee's session for the undertaking of a pilot project at least in one district in each State to discover the employment potential. This is to be done with reference to existing development plans, financial and other resources, raw materials available, and the extent and the pattern of unemployment. An expert team has been recommended for this purpose.

The Committee has further suggested some measures to deal with the problem of closure of industrial units and the resulting retrenchment of workers. One of the suggested measures is that when a management decides to close a unit, it should give three months' notice to the Central and States Governments. Another suggestion is that where, on an investigation, it is found that the unit was closed due to lack of finances, mismanagement, etc., but could be run economically, efforts should be made to revive and run the unit concerned; here, whether the State Government or an independent corporation or any other agency should run the unit in question, should be examined.

INDUSTRIAL RELATIONS

It is learnt that the question of industrial relations is under consideration in the Ministry of Labour. The Ministry has recently collected information as to whether there has been an increasing trend of dependence by the trade unions on outsiders not belonging to the ranks of industrial workers. As compared to 1947, it is stated, the proportion of outsiders in the trade unions has shown a decline in Assam, West Bengal, Punjab, Orissa, Kerala, Mysore and Tripura; but in other States the trend has been in the opposite direction. Although the Ministry's appraisal of the recent trends is by no means complete, it is being considered whether the present statutory limits on the number of outsiders on the executive of a trade union, namely 50 per cent, should be altered; here it is considered desirable to make a distinction between outsiders who have never been workers and outsiders who have actually been workers at some time or other.

Another question that is under examination is in respect of the operation of Section 18 (1) of the Industrial Disputes Act. This Section provides that a settlement arrived at by agreement between the employer and workmen otherwise than in the course of conciliation proceeding shall be binding on the parties to the agreement. Sub-sections (1) and (2) of Section 19 of the Act prescribe the period of operation of such settlements. But the Act does not make any reference to the kind of unions with which the employer can enter into negotiations. In the result, it has been possible for one union to repudiate the agreement concluded by the employer with another union in the same concern. There have been specific cases in Delhi where such repudiation has taken place and where the Industrial Tribunal has held that such agreements could not be binding on unwilling parties. It is thought that this problem can be satisfactorily solved only when the issue of recognition is finally settled. If the managements normally conclude agreements only with the representative unions, some provisions such as the following would have to be made in the Industrial Disputes Act:—Only an agreement which is concluded between the employer and a representative union or the duly elected representatives of his employees can be registered and thereby made binding on all the employees concerned; any objections to the proposed agreement (which should be duly displayed on the notice-board of the establishment), submitted within a prescribed time limit, should be taken into account by the negotiating parties before finalising the agreement; the registering authority should issue a certificate indicating the period of validity of the agreement.

Finally the Labour Ministry is also examining a proposal made by the Government of Madras to the effect that there should be direct access by individual workers to the industrial relations machinery or other special machinery in cases of discharges and dismissals. A doubt has been raised in this connection whether such a facility to the individual workers might not undermine the influence of trade unions, lead to indiscriminate appeals and adversely affect discipline. The Madras Government do not think that any such undesirable consequences are likely to follow. But the question is still under consideration in the Ministry of Labour.

RESOURCES FOR THIRD PLAN

The question of raising resources for financing the Third Plan has come to the fore in recent weeks. Following the suggestions canvassed for raising resources through State trading in foodgrains and in petroleum products, the Deputy Minister for Planning has suggested nationalisation of the import trade. Of course, it is not inconceivable that the scope of the State Trading Corporation could be enlarged for the purpose. But any such development would mean a monopoly or near-monopoly in import trade. That this would be most undesirable is obvious.

Public enterprises are also thought of increasingly as possible sources of revenue for the Third Plan. It is learnt in this connection that Rs. 350 crores from the railways, Rs. 450 crores from the steel projects, Rs. 50 crores from the fertilizer projects and Rs. 150 crores from projects connected with coal, oil, drugs, etc.,—all accounting for a total of Rs. 1,000 crores—are expected as profits from public enterprises during the Third Plan period. Whether this expectation is likely to materialise is the question; for, it may be that when the profits of public enterprises go up, labour will step up its demands and the net revenue accruing to the Government will then diminish.

FOREIGN AID FOR SECOND PLAN

An agreement between India and the Soviet Union has just been signed in Moscow for the purpose of starting a number of pharmaceutical manufacturing units in the public sector. Soviet collaboration in these projects will be covered by a credit of 80 million roubles.

At the recent Washington meeting for aid to India, it has been settled that for the year 1959-60 the United States will provide to this country a credit of $75 million, the World Bank $65 million, the United Kingdom $53 million, West Germany $30 million, Canada $17 million and Japan $10 million—in all making up a total of $250 million.

BRIEF:

At the meeting, convened by the Labour Ministry, of representatives of colliery owners and workers it has just been agreed that the Coal Award of 1956 which gave a wage increase to colliery workers should continue to be in force till May 25, 1960.



Special Article

THE JUTE INDUSTRY IN PAKISTAN

THE quiet, nevertheless remarkable, progress that the Pakistan jute mill industry has achieved, especially during the past year, can only be explained by the complete identity of interests that subsists between the Government and the industrialists there. Contrary to popular apprehensions, the Martial Law regime in Pakistan would appear to have led to a consolidation of the position of industries generally and that of the jute industry in particular. This was publicly acknowledged by Mr. A. Jalil, President of the Pakistan Jute Mills' Association, at the last annual general meeting of that body, when he said: "The Martial Law regime, soon after assuming power, directed its attention, inter alia, to creating a healthy climate for the proper functioning of industry. The industrialists felt encouraged to play, with zeal and zest, their role in the reconstruction of the country's shattered economy. Labour was reminded of the contribution it had to make in the rebuilding activities, and the manner in which all have realised their responsibilities is reflected in the upward trend of production."

Mr. Jalil emphasises the interesting fact that the industry's endeavours to improve production have been considerably stimulated by the introduction of the Export Bonus Scheme, in spite of the very poor demand from overseas and the very large stocks accumulating in India. From his address, it is evident that the Export Bonus Scheme has not only worked well but revitalised the industry as well. As a result of the scheme, the industry expects to rehabilitate itself from past losses (it suffered a loss of Rs. 2.1 crores, against its total capital investment of Rs. 26.61 crores, during the years 1956 and 1957) and also finance further development. It is also expected that the scheme would enable the industry to pay for the balancing and other machinery required to bring down the costs of production. Besides, the Bonus Scheme is also said to hold out prospects of adequate imports of current requirements of stores and spares. It is not surprising, therefore, that the spokesmen of the industry could readily assure the Government that they would make the best possible use of the situation to place it on a sound footing.

If such an assurance was forthcoming, it was undoubtedly fortified by the fact that "the accepted policy of the present Government is to consult responsible representatives of trade and industry before formulating important policies, so that the thinking of the trade and the industry may be closely associated with Government's own thinking." It is pertinent to be told in that context that the present Pakistan Government has appointed permanent panels of advisers for important industries in the country.

It is not as though everything is smooth sailing, for the Pakistan labour is still inefficient, most of them being agriculturists who migrate to work only during the off-season. However, the Pakistan jute industry is going all out to increase productivity by offering a variety of incentives and amenities to its workers. It has requested the Government to invite an I.L.O. team of experts in productivity to visit Pakistan and to advise the mills on all matters pertaining to labour and the means for increasing productivity and efficiency. In addition to inefficient and inexperienced labour, the Pakistan industry has also to reckon with very high power costs—about four times of that in India—not to speak of inadequate supply. The other difficulties of the industry pertain to shipping facilities, particularly to the U.S.A. and Australia, but these are being slowly overcome; so also the hardships connected with coastal shipping, inland transport and communications generally. The absence of a direct telephonic connection between the jute manufacturing centres of Pakistan and Calcutta places the industry under a real handicap in regard to much-needed information about the frequent developments in prices ruling at important world centres of jute trade. Here, again, the authorities are doing their very best to help the industry.

The Pakistan jute industry is positively in a more advantageous position than the Indian jute mill industry. Even so, it is interesting to note that spokesmen of the industry—though not the Government—apprehend that Pakistan is fast losing its predominance in jute. While the interests concerned feel that this is largely due to the policy of control on acreage and Government's anxiety to ensure a definite return to the cultivator, Government feels that, while fair return to the grower must be assured, production costs could be lowered by increased output consequent on the use of fertilizers, improved methods of cultivation, better varieties of seeds, and continuous research. And the Government would appear to be no less conscious than the industry that Pakistan must supply jute and jute products to her customers at reasonable and competitive prices. The Pakistan Minister for Irrigation and Power at least is not afraid of the substitutes of jute. He attributes the development of the substitutes not so much to the rise in prices of raw jute as to the increased packaging requirements resulting from the expansion of world trade. It is a reflection of his robust optimism that he should have declared that, "if we concentrate on producing more jute per acre and increase our production with improved methods, we should be able to face the competition from substitutes with confidence." Hence his exhortation to the industry to regard the present position as a challenge to arouse the best in the industry to overcome all the difficulties.

Meanwhile, the Government's calculated policy to help the industry has gone a long way to enable it to achieve a strong position progressively. The latest production trends corroborate this fact. From 13,769 tons in July, 1958, the monthly production figure rose to 20,015 tons in January last and seems to have stabilised around 18,000 tons since then. Total production from the beginning of the season up to the end of March last was 1,48,702 tons, giving a monthly average of 16,522 tons, as against 1,57,860 tons for the whole of 1957-58, giving a monthly average of 13,155 tons, and 1,44,534 tons for 1956-57, giving a monthly average of 12,045 tons.

Export-wise also, the Pakistan jute industry has fared well. Thus, up to the end of March last, Pakistan's export of gunnies amounted to 91,699 tons, out of which South Africa's share was 23,967 tons, the U.S.A.'s 15,217 tons, Australia's 13,425 tons, Iran's 11,941 tons, Burma's 1,340 tons, and Argentina's 427 tons. These are trends which the Indian jute mill industry cannot fail to take note of.

Economic Report from the U.S.

MARKED IMPROVEMENT

By GUY SIMS FITCH

WASHINGTON, May 26

IT takes only a look at a few basic facts to get a pretty clear picture of the thriving economic situation in the U.S. The facts all but speak for themselves. More people are working today than ever before at this time of year. Even factory employment, which usually dips a little in April, scored a modest, contra-seasonal rise this year. Industrial production is at an all-time high, standing at the last (April) tabulation at 149 per cent of the 1947-49 average. This means a spectacular 18 per cent advance in just one year's time. It means, too, that output is now about 50 per cent higher than it was 10 years ago. This represents not the dollar value of production, but actual physical growth.

Total production of goods and services—the gross national product (G.N.P.)—has outrun even the more optimistic expectations. At first, when the upturn was in full swing late last year, economists hoped that in the first quarter of this year the GNP would top a $460,000 million annual rate. Then an official government estimate of $464,000 million was ventured. Soon this was raised to $465,000 million. Now the final result shows the actual first-quarter GNP at an annual rate of $467,000 million. This runs the GNP gain to better than 9 per cent over the first quarter of last year, when the brief 1957-58 recession "bottomed-out" and to 5 per cent over the third quarter of 1957, the pre-recession high. Along with the notable production and employment gains have come sizeable increases in income. Total personal income of all Americans, on a general uptrend for the past 12 months, hit a new record annual rate in April 1959—$372,700 million—as compared with a $349,700 million rate in April 1958. The average American factory worker earned a record of $89.87 a week in April, compared with $80.81 in April 1958. In addition to higher base wage rates, the lengthening of the average factory work week to 40.3 hours, compared with 38.3 in April a year ago, has played an important part in these increased earnings. This is because all work over the usual work-week (40 hours or less) is normally paid for at premium, or overtime, rates. The factory work week, of course, is one of the most consistent of business indicators, inasmuch as it reflects the current demand.

What makes the recent rise particularly significant is the fact that the number of weekly hours in manufacturing usually dips slightly in April. The rise this year represents a contra-seasonal trend, indicative of the general vigour of U.S. economic activity. With employment, production and income improving markedly, an increase in retail sales comes as something of a natural consequence. These sales have been rising steadily this year, and in April hit another new high; at $18,000 million, they were up some 9 per cent over April 1958. Significantly, practically all this sales gain is real and not merely statistical: the general level of consumer prices has changed hardly at all in the past year. It is true that the consumer price index—roughly equivalent to the cost of living—was at an all-time high in April. But it was not higher then than it was in July and November of last year, and it was only four-tenths of one per cent above the April 1958 level. In the past ten months, a period of vigorous economic advance, the index has moved within the extremely narrow range of a mere two-tenths of one per cent. Thus, the facts bear out the generally held view that the current economic rise is not only strong but sound. And evidence is rather conclusive that the American people, far from being inflation-minded, have lost none of their faith in the value of the dollar, and are not rushing to turn money into goods. So far, this year, consumer spending has been equivalent to 93.5 per cent of the total disposable (after-tax) income. This ratio is about the same as the average of 1958 and 1957, and remains well within the annual range of 92 to 94 per cent that has prevailed since 1950. As a point of comparison, it might be recalled that back in 1947 when American consumers really went on a spending spree that contributed to the post-world war II price upsurge, the ratio of spending to income was 97.2 per cent.

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The Business World

A GOODWILL JOB WELL DONE

By CROESUS

MR. MADAN MOHAN R. RUIA, President of the Federation of Indian Chamber of Commerce and Industry, and Leader of the Goodwill Trade Mission organised by the Federation, has just returned and given impressions of his recent two-months tour which included visits to Hongkong, Japan, the USA, the UK, France, Germany, Switzerland, and Italy. Headed by Mr. Ruia, the Mission included Messrs. K. P. Goenka, Bharat Ram, R. B. Amin, A. M. M. Arunachalam, A. Nagappa, T. Abdul Wahid, and P. Chentsal Rao (Secretary of the Federation). In other words, the members represented not only different industries and trade, but also came from the different parts of the country. It may be recalled that the Industrial Delegation, headed by Mr. G. D. Birla, which went in 1957, did not visit Japan, and this perhaps explains the relatively longer stay of the Ruia Mission in Japan.

Like the Industrial Delegation, the Ruia Mission also has come back convinced that co-operation among business men will go a long way towards promoting world trade and that there is today a genuine recognition, both in official and non-official circles abroad, of the problems confronting India. In fact, Mr. Ruia's impression is that there is today greater goodwill towards India and more willingness to help the economic development of this country than at any other time before. A number of favourable circumstances have conspired, as it were, towards this happy state of affairs. For one thing, the visit of the Mission was more or less in implementation of an agreement entered into between the Commerce Departments of the USA and India in February, 1958. Secondly, the visit of the Mission synchronised with the 17th Biennial Congress of the International Chamber of Commerce which enabled two members of the Mission—Messrs. Bharat Ram and Chentsal Rao—to participate in it. This went a long way towards the success of the mission, inasmuch as the theme of the I.C.C. Congress was "the business men's responsibility in domestic and world affairs." A splendid opportunity was thus provided for the Indian participants to bring home the point, which, incidentally, would also appear to have been constantly underlined by representatives of industrialised countries, that business men in developed countries should take a sympathetic and forward view of the peculiar problems confronting developing nations. The Conference on India-U.S.A. 1959 organised by the Committee for International Economic Growth, in which also Messrs. Bharat Ram and Chentsal Rao could speak for Indian business, must have helped considerably to contribute to better understanding between the peoples of the two countries. In the words of Mr. Ruia, "it was frankly and fully admitted by the representatives of the U.S. Government and U.S. Congress circles that India, which was the second largest democracy in the world, and which was making a sincere effort to build up a modern state by democratic methods, should not only be assisted, but should be assisted on a fairly long-term basis, as that alone would help the drawing out of coherent and progressive programmes." It is a matter of the utmost gratifiation that the climate of thinking in the U.S. has thus turned in favour of large-scale economic assistance.

Although the report of the mission has yet to be finalised, for being submitted to the Federation and the Government, some of the tentative suggestions of the Mission, which are being placed before the meeting of the Federation, were indicated by Mr. Ruia. Perhaps the most noteworthy of these suggestions is that no time should be lost by the Federation in establishing an investment and information centre in America in order to give the people of America, particularly the business community, first-hand information on all points of interest to prospective U.S. investors in this country. The other suggestions included 1) that goods like handicrafts which enjoyed a very good market in foreign countries should be made to suit the tastes of foreign buyers; 2) that nothing should be done either by the business men or the Government of this country to spoil the prevailing cordial and congenial climate towards India in the States; 3) that there should be no delay in Governmental procedure; 4) that there must be continuity of export policy and also that exports must be entrusted only to those who could undertake the work of supplying quality goods to the satisfaction of the importing countries. By way of illustration of some of the difficulties in building up export trade, Mr. Ruia instanced the delay on the part of the authorities in this country in satisfying the requirements of importers of lean meat in Hongkong and of meat cases in Japan. All that these people demand is a quality certificate from a responsible person, but no action seems to have been taken for the past two years or so during which our exports to these markets have stopped. Mr. Ruia also referred to the difficulty of building up our exports with highly advanced countries like West Germany and Japan consequent on the recent change that the Indian pattern of trade has been undergoing. But, even so, he was confident that, given the right approach, there was abundant scope for increasing exports of ores, hides and skins, and cotton of better staple lengths to Japan and handicrafts to almost every country. In this connection, Mr. Ruia was full of praise for the way in which our handicrafts are being publicised and displayed in Italy. If leading stores in every important country can be persuaded to follow the example of the Italian stores he said, it may became difficult for India to meet the demand. In regard to the possibilities of increasing India's exports generally, Mr. Ruia observed that both the Indian Government and the Indian business men should carefully examine the methods by which other exporting nations have developed their foreign trade and are maintaining it. It is a task requiring infinite patience, he added.

From what Mr. Ruia said at the press conference it seems that American business men generally are freely talking in terms of investing one billion dollars a year for some years to come, in order to enable this country to find the resources required for our 5-year plans Whatever may be ultimate outcome of the Mission's visit to these countries it cannot be gainsaid that such goodwill missions do contribute, in a great measure, to closer understanding between India and the countries visited. They are also helpful in making both the Government and the business community of this country aware of the trend of public opinion in the countries visited, as also the measures necessary to foster better mutual relations. As a result of the visit of the Industrial Delegation in 1957, American public opinion was certainly weaned more towards India. The report of that delegation and the action by our Government thereon must have, to some extent at least, facilitated the work of the Ruia Mission. The Ruia Mission was also fortunate, in that it visited some of the countries on its itinerary after the Finance Minister's visit who, according to Mr. Ruia, has created a very good impression abroad. Another factor that favoured the Ruia mission was that, unlike the Industrial Delegation which had to visit the foreign countries in the wake of the Suez episode, there was no such irritating issue to create any embarrassment. In fact, the presence of the Mission in America was perhaps psychologically the most propitious, in that it coincided with the Tibetan developments. India's stand on Tibet must undoubtedly have meant so much more goodwill towards the Ruia Mission.

BUSINESS NOTES

CONTROL OF SUGAR DISTRIBUTION

CLOSE ON the heels of the meeting and frank discussion between the Union Food Minister and the Chairman of the Indian Sugar Mills' Association came the announcement that the Government had taken a decision to put the distribution of the entire output of sugar mills to the wholesalers under its direct control with effect from May 28 last. The trend of the discussions between the Minister and the Chairman had created an impression that the Government seemed to be satisfied with the assurance given by the Chairman of the Association on behalf of the industry that it would take speedy action to bring down the soaring market prices of sugar. In retrospect it is clear that this impression was wrong. If there was any intention on the part of the Government to give a chance to the Association to restore prices to reasonable levels, Government would undoubtedly have allowed adequate time for the Association to take measures to hold the price line. The fact that no such time was allowed is clear proof that the Government took a serious view of the situation regarding retail sugar prices and that it was determined to clamp firm action.

Prior to the promulgation of this order, 25 per cent of the output of the sugar mills was reserved by the Government for allocations under its directions. But recent developments in the distribution and price of sugar drove the Government to the conclusion that Government control from the factory gate to the wholesaler over the residuary 75 per cent share of the output was essential in the interest of fighting back the unnecessary rise in prices. The rise appears to have been engendered by the speculation that sugar stocks during the next four or five months would fall short of the effective demand. This view is unwarranted and it would be safe to presume that no shortage would be experienced. A scare about shortage is sometimes more dangerous than actual shortage since it results in undesirable activity. The present action of the Government does not change the policy on prices which is that except in certain regions specially specified, there is no price control. The Government's latest move aims at restoring confidence that supplies of sugar would be maintained on a continuous flow at the reasonable prices prevailing before the recent scare started. The next season's cane crop is estimated to be a good one. The prospect on the whole is that there are no apprehensions of shortages of stocks.

HINDUSTAN MACHINE TOOLS

THE REPORT of the Hindustan Machine Tools Limited for the year ending March 1959 gives the same bright account that has been associated with earlier reports about the working of this factory. The factory brought out 552 machines valued at Rs. 2.2 crores during the year under review which exceeded its original planned target by 232 per cent. It may be recalled here that production during the previous year was 402 machines valued at Rs. 1.5 crores and thus the original planned target of 400 machines was achieved three years ahead of schedule. The factory, which has made progress in regard to diversification of its production, will now produce machine tools of 74 types. The profit during the year amounted to Rs. 32.98 lakhs which represents 50 per cent increase over the profit of the corresponding period of last year. The production and sales for the year under review were generally 40 per cent higher. This bright record gains added weight when considered in the background of two successive increases in the wage levels in the last two years whereby the minimum earnings of the lowest paid employee were more than doubled. Along with this, there have been two successive reductions in sales prices during the past two years.

The report also mentions how management-labour relations have been running on smooth lines during most part of the year although conditions tended to be unsettled towards the end of the year. A notable feature of the factory is the establishment of the joint council of management with an equal representation for management and labour. This council was inaugurated sometime towards the end of June last year and the Hindustan Machine Tools had the distinction of being the first unit in the public sector for the introduction on an experimental basis of workers' participation in management. Subsequently in September an agreement was signed with the Employees' Union defining the constitution of the joint council of management, its scope and functions. This experiment certainly highlights a remarkable success in India's public sector and one should await its future progress with great interest. It is also interesting to know that there is a proposal for the establishment of an ancillary unit in collaboration with the National Small Industries Corporation. The Hindustan Machine Tools are also contemplating the establishment of an industrial estate so that a large number of component parts required for machine tools could be obtained from the units located in the proposed estate.

SPECIAL UNEMPLOYMENT FUND

MR. GULZARILAL NANDA took the opportunity of the first meeting of the Central Committee on Employment, convened last week, to propagate his pet idea of a special fund for each industry threatened with closures of units. Last year he vigorously advocated the idea of this fund in the context of the closures of an abnormally large number of cotton textile mills. Although it was in this context that the Minister made his proposal, Mr. Nanda's speech last week should make it perfectly clear that this is in no sense a special fund restricted to the particular object of prevention of closures or relief against closures. The clarification which Mr. Nanda has now given shows that what he intends is a multipurpose fund to provide various types of reliefs and aids.

To begin with, the special fund as now proposed is to be directed against the contingency of an industrial establishment being closed down. Mr. Nanda has said that when it became necessary to take over any concern and find alternative management for it, it should not be delayed and postponed just for want of funds. The aims of the fund would extend into an undefined area much beyond the initial purpose. Mr. Nanda's reference to the incapacity of certain units to pay terminal benefits and even wages for some period before they are closed down suggest that the special fund would be utilised in cases where the payments of this description have not been made. Again this fund may be used for the purpose of retraining workers thrown out on closures, obviously to qualify them for other jobs. Still another object of the fund would be to facilitate mobility of labour, where there is a prospect of transferring labour from units about to be closed to industries ready to absorb such labour. Going still ahead, Mr. Nanda clarified that wherever a programme of rationalisation in any units is to be implemented on lines agreed between employers and employees, this fund could be

found of use to provide relief to labour found surplus on rationalisation.

This entire clarification, far from clarifying the issue, makes it vague and confused in the extreme. It is not possible to conceive of still other situations in which calls could be made on the fund on the plea that this is a social responsibility and it is to be borne as such, although it may not strictly pertain to requirements of business responsibility. The most crucial point about the proposal for the special fund is that the burden of establishing it is to be borne by each individual industry. One fails to understand on what hypothesis it is presumed that the responsibility lies on an industry to maintain the level of employment at a given time and to provide reliefs when employment tends to fall below that level. Obviously all these contingencies will arise only when demand for the product of the industry is depressed and the high-cost marginal units are threatened to be pushed out of production. In effect, efficient units which manage to hold down their production costs will be saddled with the burden of the contributions to this fund and, in turn, they themselves will find their selling prices difficult to be maintained in the buyers' market. That would entail financial difficulties for them which would not be of their own making at all.

This curious proposal of a social impost altogether overlooks the fact that industry is already made to bear a number of levies some of which are intended to finance welfare. To take the relevant case of the cotton textile industry, the proposed levy will be yet another unbearable burden in its present predicament. It is in times of difficulty that the need for the proposed special fund will arise. The entire proposal is improperly conceived. It would appear that at best only superficial thought has been given to the proposal, its financial implications have not been fully taken into account and last of all its possible repercussions are not foreseen. If a fund of this type is created for one industry, political pressures would compel its extension to a host of other industries irrespective of their capacity.

ASHOK LEYLAND

IN HIS address to the Annual General Meeting of Messrs Ashok Leyland Ltd., Sir A. Ramaswami Mudaliar gave a fairly good account of the progress made by the Company during 1958. The Company had succeeded in the twin objectives of continuously increasing the Indian content of the commercial vehicle chassis it produced and also improving the sale of its products so that revenue might keep pace with expenditure. Part of the 1958 achievement was the completion of practically all of the first phase of its building construction. Now, Sir Ramaswami Mudaliar said, they must redouble their efforts to ensure that by the end of 1960 their objective of making the Comet chassis including its engine and also '600' and '680' type engines, which are alternative power units in the 'Titan' and 'Tiger' chassis, not less than 75 per cent Indian in content was achieved.

Sir Ramaswami Mudaliar, however, felt that due to the foreign exchange situation, which prevented them to import all the requisite raw materials and components, they were not able to increase their output of chassis three-fold as the demand would warrant. He observed that there was a practical limit at this stage to the increase in production which would be secured by reduction of foreign content per chassis produced with a given amount of foreign exchange and beyond that limit the only solution for meeting the increased demand for motor vehicles was to increase the foreign exchange allotments to manufacturers. Looking to the future, he expressed the view that it would be bright because of the greatly increasing demand for commercial vehicle in general and for the Comet in particular. They should, therefore, continue to make satisfactory progress with their manufacturing programme and make the output of chassis equal to the demand. This involved obviously a determination to continue with rapid capital development in regard to buildings and equipment.

THREATS TO MANGANESE EXPORTS

ADDRESSING THE latest annual general meeting of the Shivrajpur Syndicate Ltd., the Chairman, Mr. A. K. Haksar, could not but draw attention to the rather bleak prospects of the manganese ore industry, thanks to the various hurdles confronting the industry. Apart from the severe restrictions, especially the latest notification which makes it obligatory for the trade to obtain the approval of the Export Trade Controller before firm price commitments are made, the international situation also is far from favourable to manganese. As Mr. Haksar said, despite the sharply improved steel output in the United States—currently. it is running around 90 per cent of its capacity—"there is virtually no demand for ore in the U.S.A., due mainly to the fact that there are large accumulated stocks of manganese ore as well as ferro-manganese."

Another serious threat to India's export of manganese ore is the emergence of Russia as a powerful competitor. "The trade," said Shivrajpur's Chairman, "is deeply concerned over a possible setback to this country's manganese ore exports as a result of Russia, probably the world's largest producer, entering the world market as a supplier of this strategic mineral, since it is reported that she is trying to interest U.S. consumers in large quantities of both manganese and ferro-manganese." It is reported that Russia has already loosened the hold we had on one of our traditional markets — Japan — by delivering substantial quantities to that country. As the future of manganese exports depends largely, if not wholly, upon the world steel industry and other uncertain international factors, the authorities should view the problem of this industry very sympathetically and provide incentives and reliefs, especially by reducing the freight rates. It is a pity, however, that, despite a number of representations, the authorities have unfortunately treated this matter in a very dilatory manner.

FINANCE FOR OIL MILLING INDUSTRY

IN HIS last week's annual speech, the Chairman of the East India Oil Millers Association, Rai Bahadur G. V. Swaika, made a special plea, among others, for government assistance to facilitate the provision of the finance for plant modernisation and procurement of other capital equipment as well as raw materials. He has urged that the case of this industry should be treated on a special basis because it is facing acute financial difficulties. The general plea for finance is to the effect that the Reserve Bank should enable the commercial banks to liberalise their terms of loans for periods of sufficient length at moderate rates of interest for modernization of plant and purchase of other equipment, land, raw materials, etc.

But the most pressing difficulty of this industry is about the grant of import licences and adequate foreign exchange to purchase specific types of plants. In particular there is a bad need to import solvent extraction plants. The Chairman has pointed out that solvent extraction plants fabricated in India are defective and their use would involve very heavy financial losses to the mills. This is a risk which the industry is unable to take. He has, therefore, strongly urged that import licences should be granted immediately at least to cover about 70 per cent requirements of this particular plant and accessories and spares.

BOOK REVIEWS

TIBET TODAY

"Survey on Tibet": A "United Asia" publication, 12, Rampart Row, Bombay—1. Editor: G. S. Pohekar. Price Rs. 2.

CONFUSING controversies and political campaigns have added to complexities of the situation in Tibet, complicated as it was even without these. A comprehensive appraisal of the happenings in Tibet which have raised problems of international ethics and survival of human values under communist dictatorship can only follow a thorough understanding of the historical background of the Tibetans, their geographical position as a buffer state and their age-old cultural pattern, which has lately clashed with the crusading, reformist zeal of the Chinese who seem to have conveniently ignored the international status of Tibet evolved through a succession of treaties and agreements.

The Editor of "United Asia," therefore, deserves to be congratulated upon the timely publication of this "Survey on Tibet" Number, which should lead to a clearer and unbiassed understanding of the realities involved in this hotly discussed and passionately argued "Roof of the World" uprising, especially by Indian readers to whom the human and political problems involved have begun to unfold themselves in all their reality and concreteness, demanding a statesmanlike handling of the situation by our leaders. The challenge to them is all the more crucial, since the avowed principles of "Panchsheela" and neutralism have been put to an acid test, as it were, in the wake of the recent happenings in Tibet. By invoking only the first and third principles of Panchsheela in support of their demand for non-interference in their so-called internal problem, however, the Chinese have relegated the other three principles to the background. As the Editor rightly remarks, "if Asian Unity is to survive, 'Panchsheela' in all its implications must be preserved and upheld."

The Survey is a dispassionate account of the Tibetan situation and throws a flood of light on the stands taken up by rival political parties and the reactions of the Indian and Asian Press. By presenting, in a nutshell, all the documents relating to Tibet and also appending a bibliography to the Study, the Editor has made it possible for interested readers to pursue the study further, if they are so inclined.

SURVEY OF RURAL CREDIT

All India Rural Credit Survey; District Monograph for Akola: Published by the Reserve Bank of India. Price Rs. 8|-: Pp. 174.

The Reserve Bank of India completed its All-India Rural Credit Survey in 1951-52 covering 1,30,000 families spread over 600 villages; 75 districts were studied closely. In every district, 3 villages were selected; while a general schedule was completed in respect of each family in these villages, an intensive survey was also conducted covering a small sub-sample of 15 families in each village, thus making a total of 120 families in the district. The Rural Economics Division of the Bank has thoroughly analysed the findings of the survey for a few districts and has by now produced 10 District Monographs. In addition to the one under review for the district of Akola, the Bank has already published District Monographs for West Khandesh, Sorath, Deoria, Quilon, Barmer, Monghyr, Burdwan and Jullundur. The reports make an interesting study of the credit structure at the village level.

The district of Akola lies in the South-West corner of the pre-re-organisation Madhya Pradesh. Now it forms a part of the Bombay State. The monograph deals exhaustively with indebtedness, borrowings, repayments, family expenditure, capital expenditure and current family operations in the eight villages of the district.

Even though the results of the survey relate to a period which is almost eight years old, some of the conclusions are full of interest and have not lost their significance. Family expenditure, for instance, shows no marked seasonality in the rural areas of this district. It is incurred continuously throughout the year and in case of a gap due to a shortfall in income, borrowing is resorted to. This district has very likely witnessed prosperity during the last eight years, but the pattern of income, expenditure, borrowing etc. does not appear to have changed significantly.

In this district, a fairly large number of villages were covered by co-operatives but most of them were very small institutions. The amount of deposits with them was meagre and the volume of their share capital and owned funds was small. Also, the scale of finance was inadequate as compared with the total cultivation expenditure.

With the publication of these District Monographs, the Reserve Bank is providing the student of agricultural economics with valuable material for further research.

PLANS UNDER SCRUTINY

Planning in India: By Dr. G. P. Khare: Published by Kitab Mahal, Allahabad: Price Rs. 3.75: Pp. 148.

The story of planing in India, as described in this small book by Dr. Khare, starts with Government of India's "Grow More Food Campaign" and after touching upon the Bombay Plan, the Gandhian Plan, the People's Plan etc., passes on to the Planning Commission and two Five-Year Plans formulated by it.

The first 58 pages are rather prosaic and non-elevating because they set out a long introduction to apprise the reader of the problems facing this country. Direct analysis is contained in Chapter IV which examines the first Five-Year Plan by employing a high mathematical technique, namely, linear programming. Starting with the fundamental objective of the first Five-Year Plan to increase the national income of the country, the author has taken up the problem of allocation of resources so as to maximise the national income. In an effort to determine the priority between agriculture, industry and transport, he has spelt out the whole problem in mathematical terms and has arrived at the conclusion (after a lot of mathematical calculation) that "if the maximisation of the national income were the sole criterion, all available resources should have been utilised for the development of agricultural sector alone." One may ask, why was it necessary for Dr. Khare to go through the labyrinth of linear programming to arrive at such an obvious conclusion. Even a casual study of capital-output ratios for the various sectors during the first Five-Year Plan would have clearly brought out this fact.

Continuing, Dr. Khare sets out the conclusion: "But the precedence which the Planning Commission has given to transport and communications over industries cannot be justified on the principles of maximising the national income, because applying the same principles of linear programming we find that industries add more to the national income than transport and communications." Merely because investment in industries yields national income of a higher order as compared to transport and communications does not justify that transport should have been allotted a lower place. There are numerous other factors which have to be taken into consideration before finally deciding the priorities. It is patent, therefore, that the linear programming technique as employed by the author has failed to throw any new light on the subject.

The author has also analysed the first Plan by studying long-term trends of yields in the agricultural and industrial sectors. He has, however, not made use of his long-term trends in order to forecast future

demands for various commodities. The analysis looks like an academic exercise rather than a purposeful demonstration of a new technique as a useful aid for the future.

PROBLEMS OF THE SUGAR INDUSTRY

Indian Sugar: Annual Number, published by the Indian Sugar Mills Association, India Exchange, Calcutta: Edited by Mr. J. S. Metha: Price Rs. 3|-.

In line with its tradition, the annual number of "Indian Sugar" throws a flood of light on the problems facing the industry. In a special article, Mr. P. Hadfield, President, Indian Sugar Mills Association, deals exhaustively and in a forthright manner with such problems as price control on sugar, the unhealthy growth of khandsari, co-operatives versus joint stock companies, exports of sugar, cane strike, modernisation of plant and machinery and land ceilings. Mr. Jagdish Prasad, Vice-President, I.S.M.A., (and President for the current year) in his brief but brilliant article, has focused attention on the problems of finance and has put forward the following suggestions:

(a) The provision of a suitable rehabilitation margin in the price structure of sugar.

(b) The lowering of bank margin for advances against sugar. In a commodity which is virtually under control and where the price fluctuation is not expected ever to exceed 5 per cent, a bank margin of 10 per cent should be considered more than adequate and safe for advances against sugar.

(c) The linking of the payment on cess on cane with sugar releases and not with supplies of cane.

(d) The provision of easier and cheaper credit to private limited companies on their block, or to their shareholders on their shares.

In addition to these two illuminating articles, the Annual Number also contains valuable contributions on sugar technology, sugar cane and its problems, suger confectionery, subsidiary industries and problems of particular States such as the Punjab and Andhra Pradesh. This number has a statistical section containing up-to-date statistics in regard to production, consumption, recovery etc. For those looking for a guide in Indian sugar problems illustrated with facts and figures, the Annual Number will prove very valuable.

CO-OPERATIVE FARMING

Co-operative Farming in Bulgaria: By Gursharan Singh: Indian Farm Mechanization, D-46, Hauz Khas Enclave, New Delhi-16: Price Rs. 6.00.

Whether co-operative farming provides an answer to India's agrarian problem is a matter of opinion, but its study has become almost a necessity in view of the controversial resolution adopted on the subject by the Congress Party at its Nagpur session early this year. In this background, Mr. Gursharan Singh's study, "Co-operative Farming in Bulgaria", assumes importance.

The author, who is the editor of a monthly, "Indian Farm Mechanization", has apparently studied with care the working of some of the Bulgarian co-operative farms and has largely succeeded in faithfully portraying them. Mr. Singh has critically noted some of the evils that attended its implementation in that country. Of special interest is the problem which is created when a member wants to withdraw from the co-operative. This, the author has stressed, causes tension. The problem of building up a huge administrative machinery that is required to make co-operative farming a success is also discussed at length. A critical study of the progress of co-operatives in Bulgaria leads one to the irresistible conclusion that its success is largely to be traced to the totalitarian technique.

However controversial the subject and its treatment, the book is an important addition to the literature on this subject.

ADMINISTRATION OF DISCIPLINE

Principles and Practices Relating to Punishments and Disciplinary Action in Private Industry. By V. P. Arya. Published by Bhushan Prakashan, Calcutta. Pp. 45. Price Rs. 12.

The volume of decisions emanating from labour courts and industrial tribunals in recent years has made it necessary to deduce a body of principles and procedural formalities governing industrial disputes. Managements have been charged with special responsibility of following correct formalities and procedure in dealing with matters of discipline. This book attempts to explain the procedures to be observed in proceedings of discipline in a simple and non-technical language. The publication is a useful addition to the scanty literature available to the employer on the subject of disciplinary action.

It contains an exhaustive analysis of various classes of punishments, such as, warning, withholding of increment, fine, suspension, demotion, discharge, dismissal and so forth. It indicates the circumstances in which different kinds of punishments can be awarded under the existing law. A noteworthy feature of this book is that it contains model specimens of charge letters, notices of holding enquiries, warning letters, dismissal orders, discharge orders, and so on. The price of the book is fixed at Rs. 12 which is undoubtedly too high. The title of the book is very lengthy and perhaps it matches the price. In the next edition it can be reduced to an appropriate length.

A CORRECTION

In the issue of this journal dated May 15, 1959, in the review of Mr. F. R. Ginwalla's "Company Law and Problems of Corporate Enterprise", at page 945, the author has been described, at the end of the first paragraph, by an oversight, as "a noted chartered accountant of Bombay". The correct description should be "a critical student of company law". The error is regretted. — Ed.

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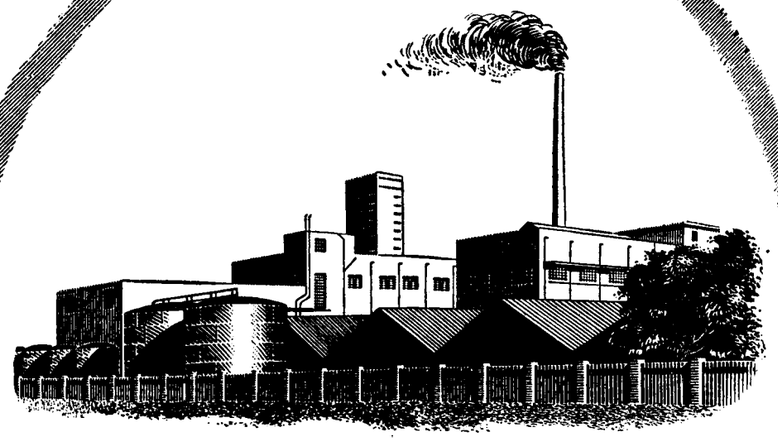
Authorised Capital	..	Rs. 8,00,00,000
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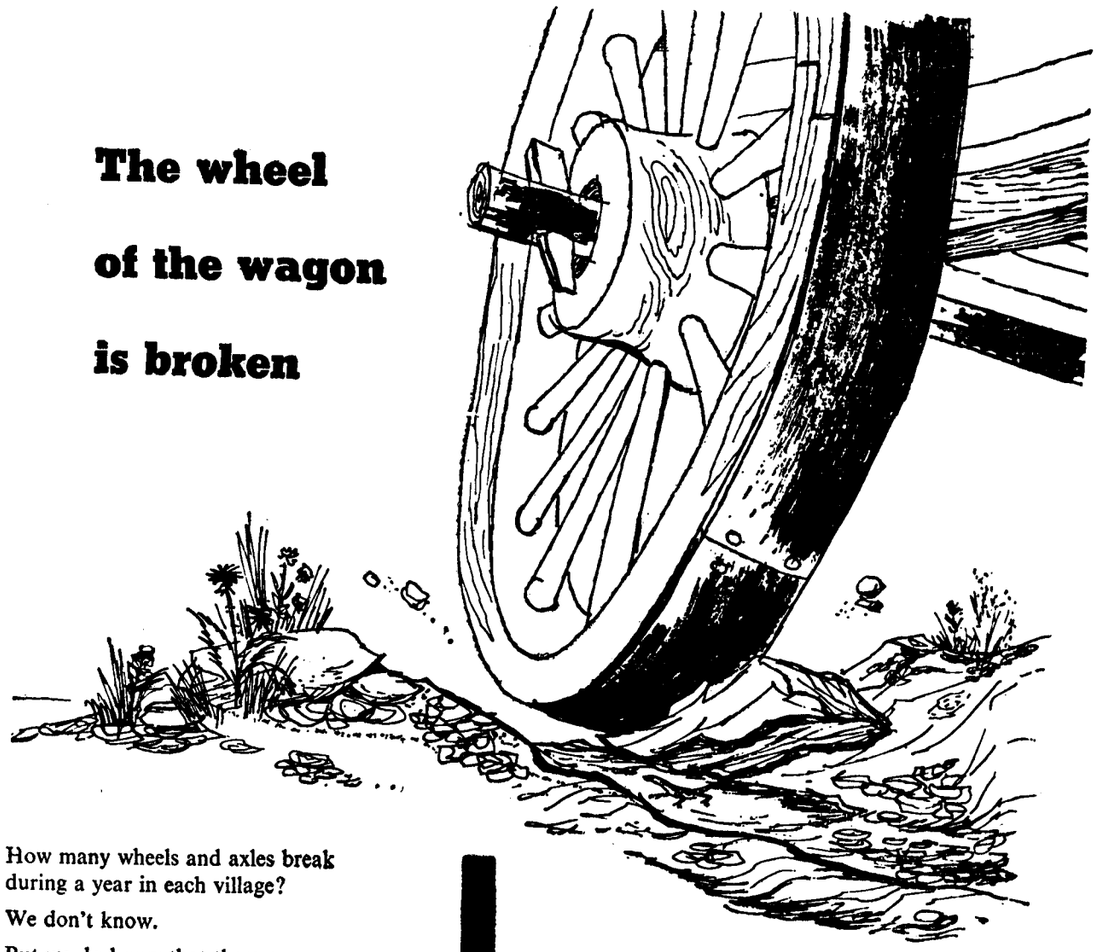
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Company Meeting

ASHOK LEYLAND LIMITED

Speech delivered by Sir A. Ramaswami Mudaliar at the 10th Annual General Meeting of Messrs Ashok Leyland Limited on 22nd May, 1959.

Ladies and Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Tenth Annual General Meeting of your Company.

The Directors' Report, Audited Balance Sheet and Profit and Loss Account for the year ended 31st December, 1958, have been circulated to you and, with your permission, I shall take them as read.

PROGRESS IN 1958

During the year we continued to make steady progress in our twin objectives of continuously increasing the Indian content of the commercial vehicle chassis we produce and, at the same time, so improving the sale of our products that our revenue shall keep pace with expenditure. The latter must necessarily increase as buildings continue to be constructed, plant and machinery is installed in them and labour to operate the machines recruited. Your Directors were pleased to find that the financial result of these endeavours during 1958 justified their recommending the payment of a dividend at the rate of 6 per cent per annum free of income-tax.

FURTHER EXPANSION

I have referred to the continuous expenditure on buildings, plant and machinery. The phased Manufacturing Programmes in which we are engaged require that your Factory shall continue to expand for some considerable time. We have to provide not only for a substantial increase in the output of Comet chassis but also for the addition of other models to our range of products. We, therefore, applied in 1957 for Government's approval to the inclusion of the Leyland 'Tiger' and 'Titan' chassis in our Manufacturing activities; and we received a Licence to do so in March 1958. During the year we applied for a licence to produce the industrial versions of the three Leyland Diesel engines which are now included in our Manufacturing range.

Part of the 1958 achievement was the completion of practically all of the first phase of our building construction. It is, therefore, appropriate to review the financial implication of this work. When the Manufacturing Programme was commenced in 1956, it was immediately obvious that buildings then in existence, which covered about 3 acres, would be inadequate. Plans were made to add a total of 125,000 square feet as the first phase of a long term building programme. This first phase has been completed at a total cost of Rs. 29.03 lakhs; and of this amount Rs. 21.22 lakhs was spent in 1958. During the year plant and machinery to a total value of Rs. 46.55 lakhs were installed, bringing the total for the three years 1956 to 1958 inclusive to Rs. 101.5 lakhs.

The completion of the first phase of a building programme and the installation of plant and machinery as Workshops became available to house it, does not mean that we can slacken in our endeavours. On the contrary we must redouble our efforts to ensure that by the end of 1960 we achieve our objective of making the Comet chassis including its engine and also the '600' and '680' type engines, which are alternative power units in the 'Titan' and 'Tiger' chassis, not less than 75 per cent Indian in content. This remains a formidable task in relation to the amount of foreign exchange available for allotment to the automobile industry.

EXCHANGE SHORTAGE

It is unfortunate that at the time when the demand for our products has increased so greatly that we ought to increase our output of chassis three-fold, the foreign exchange made available to us for the import of raw materials and components made it impossible to do so. Nevertheless, as the figures in the Directors' Report indicate, a substantial improvement in the sales volume took place. It must be our constant endeavour in the future so to progress with manufacture that we shall be able to meet the full demand for our products, making output from the Factory keep pace with our sales so that all those who desire to operate Leyland vehicles may be satisfied. I am certain that there is increasing recognition by the Government of India that if the country's urgent need for road transport vehicles is to be met, automobile manufacturers should be allotted adequate foreign exchange for such raw materials, components and finished materials as must be imported at this stage of the country's development. There is a practical limit at this stage to the increase in production which can be secured by reduction of foreign content per chassis produced, with a given amount of foreign exchange. Beyond that limit the only solution to meeting a rapidly increasing demand for motor vehicles is to increase the foreign exchange allotments to manufacturers.

ENGINE PRODUCTION

Another important development in 1958 was the beginning of Engine production in your Factory. It will probably be the end of 1959 before the 'Comet' engine can be considered made in India but 1958 saw the installation of all the plant and equipment needed for the manufacture of the cylinder head and most of that required for the cylinder block. Recruitment of labour and supervisory staff to provide for the efficient operation of the machine tools and other equipment has presented some difficulties. Man competent to do such highly skilled work are not readily available. It has, therefore, been necessary to augment training schemes and to take other steps to ensure a supply of skilled workmen. We hape the results of those actions will bear fruit in 1959 and onwards.

HIGH QUALITY CASTINGS

Reference to the beginning of engine manufacture brings to mind the very important issue of the production of the high quality iron castings for the cylinder blocks and heads. If these were to be machined only, the castings being imported indefinitely, the net saving in foreign exchange would not be appreciable. Your Directors, therefore, decided to request Messrs. Leyland Motors, who include in their Group the West Yorkshire Foundries, well-known specialists in the production of high quality castings for the automobile and other industries, to advise them on this important question. In December, 1958, Mr. W. West, Chairman of West York-

shire Foundries and Vice-Chairman of Leyland Motors, visited India and as a result of this visit a proposal has been submitted to Government for the erection at Ennore of a modern Foundry capable of producing all types of quality castings required by the Automobile Industry. We confidently expect that Government will be pleased to approve this scheme.

AXLE WEIGHT THE BASIS

Last year I referred to difficulties experienced by your Company on account of restrictions on the gross laden weights of motor vehicles. Some States have removed restrictions which hamper the sale of 'Comet' goods vehicles, which are designed for 12 tons gross vehicle weight. But there are still a majority of States in which this vehicle cannot be utilised with its full load capacity as a carrier of goods. Moreover, the habit continues of making restrictions on gross weights instead of on axle weights although the latter being a more scientific basis, was proposed by the Indian Roads Congress long ago. We shall continue our efforts to secure the removal of these difficulties.

Looking forward, much remains to be done but we shall strive to achieve our goals. The greatly increased demand for commercial vehicles in general, and for the 'Comet' in particular, offers a bright future if we can continue to make satisfactory progress with our Manufacturing Programmes, and make our output of chassis equal to the demand for them. This involves the courage to continue with out rapid capital development in regard to buildings and equipment, confident that we can increase our resources to meet the inevitable and continuous rise in expenditure.

THANKS

Once again I must express our gratitude to Messrs. Leyland Motors who have assisted us to the maximum possible extent. I am sure it will be your wish that I shall convey to Sir Henry Spurrier, Mr. W. West and Mr. D. G. Stokes our thanks for their personal help and guidance. I shall also like to compliment the executives and staff and all the employees of the Company for their good work and loyal 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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COMPANY AFFAIRS

SIRSILK LTD.

The profit and loss account of the Company for the year ended 30th September, 1958, after providing a sum of Rs. 15,18,551 being interest on loans, Rs. 10,00,000 towards depreciation, Rs. 2,00,000 towards provision for contingencies, Rs. 8,332 towards preliminary expenses, Rs. 38,571 for prospecting and investigation and Rs. 2,89,985 towards brokerage on shares, shows a surplus of Rs. 5,00,540 which has been adjusted against the loss brought forward. Only a part provision for depreciation could be made on account of inadequacy of profits.

During the year under review, the production of yarn and fabrics almost reached to its full capacity as a result of the steps taken by the management in improving the working and efficiency of the various plants, by effecting repairs and renovations of the chemicals and cellulose and acetate sections of the factory.

An application was made to the Government of India for fixation of fair selling price of yarn produced by the Company. The Government of India after examining Company's cost of production have permitted an increase in the selling price of yarn by 10 annas per lb. only, which is much less than that requested for. This increase was effected in the month of June 1958, i.e., only three months prior to the closing of the financial year under review. This has resulted in a slight improvement in the financial results of the Company. On further representations by the Company the Government of India referred the matter of fixation of fair price of the yarn to the Tariff Commission, who have gone into the question. It is expected that the Commission would take a fair view in the matter and thus help the Company in improving its working results for the current year.

During the year under report the cost of raw materials, chemicals and stores materials, etc., have recorded a further rise. According to the new Budget proposals of the Government of India, the duty on art silk fabrics is being raised from 6 pies per square yard to 6 naye paise.

KIRLAMPUDI SUGAR MILLS LTD.

This year's (ended June 30, 1958) working has resulted in a profit of Rs. 6,24,485 and after providing Rs. 4,02,832 for depreciation on the assets, the net profit earned for the year is Rs. 2,21,653. This profit has to be set apart for debenture sinking fund as per the Trust deeds.

During the crushing season for 1957-58, 1,51,044.25 tons of cane were crushed at a recovery of 8.68 per cent, yielding 13,095.1 tons of sugar. The quality of cane delivered to the Factory deteriorated considerably from the middle of March 1958, and the Mills' crushing season had to be prolonged to June 1958 in order to take up all the cane that was offered. Steps have now been taken to restrict the quantity of cane crushed, so that the season is not prolonged into the dry hot months of May and June when the sugar content in cane falls down appreciably and the Mills' working is uneconomical. The results of season 1958-59 appear to be good.

The excise duty on sugar was further raised from Rs. 225 per ton to Rs 291.20 per ton from 14th December 1957 and cane cess was also raised from Rs. 3 per ton to Rs. 5 per ton of cane crushed with effect from 1st November 1957. These imposts took away most of the profits of the Company. Cane cess alone accounted for a reduction of the Company's profit by Rs. 3 lakhs.

Capital expenditure on plant and machinery to the extent of Rs. 12.53 lakhs incurred in the previous years and this year up to 15th November 1957 (the date on which the new units were put into commission) was brought into account, and this expenditure balances the plant to crush upto 900 tons of cane per day.

UNITED FLOUR MILLS CO., LTD.

The Company's profit for the year ended 30th November 1958, is Rs. 4,75,072. And after providing taxation on profits for the year of Rs. 2,73,442 there remains a balance of Rs. 2,01,630. To this amount is to be added provision for development reserve no longer required Rs. 3,370 and amount brought forward from the previous year of Rs. 22,031 making a total of Rs. 2,27,031.

Out of this the directors have declared an interim dividend of 22½ per cent. (already paid) absorbing Rs. 1,12,500 and they now recommend a dividend of 15 per cent. payable without any deduction for income-tax paid by the Company absorbing Rs. 75,000 leaving a balance of Rs. 39,531. After deducting transfer to development rebate reserve of Rs. 20,186 there is a credit balance to be carried forward of Rs. 19,345.

The prices of wheat products continued to be controlled, and the Government of India remained the only source of supply for wheat, which on the whole was received quite regularly throughout the year There was keen demand for the Company's products, enabling production to be maintained at a high level.

In addition to supplies being made available to Government nominated fair price shops, the Company's products reached the public through a large number of retail shops throughout Calcutta and this arrangement is still in force.

Production during the year was 5,86,613 maunds as compared with 5,52,344 maunds during the year ended 30th November 1957.

B. I. C.

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COMMODITY NEWS AND NOTES

PRODUCTION OF MINERALS

The value of mineral production during the last 10 years after India attained independence has nearly doubled, according to the latest publication brought out by the Indian Bureau of Mines. Their value in 1957 was Rs. 1,237 million representing an increase of 19 per cent over that of 1956. Coal, with an output of 43.5 million tons, was valued at Rs. 814 million in 1957. The production of metallic minerals was at Rs. 287 million and of non-metallic minerals at Rs. 119 million. The building material accounted for the remaining Rs. 53 million in the total value. The quantity index of mineral production stood at 123.6 (1951 = 100 being base). The index figure during the preceding year, in 1956, was 116.8. The last 10 years of independence have shown marked increase in mining activity, says Mr. H. R. Dewan, Director of the Indian Bureau of Mines, in his preface to the volume. Divided into four parts, 'The Mineral Production in India 1957' is the third publication of the series by the Indian Bureau of Mines and provides a comprehensive reference summary of the mineral industry in India.

BIG RELEASE OF SUGAR

The Government of India have released 1,90,000 tons of sugar for sale. This quantity is appreciably higher than that released last month. In the case of sugar factories situated in U.P., North Bihar and the Punjab, sales are to be effected at prices not higher than the ex-factory price fixed by the Government of India on December 22, 1958.

PRODUCTION OF JOWAR

The 1958-59 production of jowar, next in importance to rice and wheat as a food crop, was 8,689,000 tons as against 8,246,000 tons in 1957-58. This shows an increase of 443,000 tons or 5.4 per cent. The current year's area under jowar also shows an increase as compared with last year. In 1958-59 the area was 42,608,000 acres as against 42,203,000 acres in 1957-58. The per acre yield in 1958-59 works out to 457 lbs. as against 438 lbs. in 1957-58 — an increase of over 4 per cent. According to the All-India Final Estimate of Jowar for 1958-59, issued by the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the increase in production was shared mainly by Bombay, Andhra Pradesh and U.P. The intensive rabi campaign is reported to have contributed to a substantial rise in production, particularly in Bombay. The States mainly responsible for the higher acreage were Bombay, U.P., Mysore and Rajasthan.

RAISINGS AND DESPATCHES OF COAL DURING MARCH 1959

The production of coal during March 1959 from all fields in India was 3,955,143 tons. The amount of coal despatched was 3,487,375 tons. The comparative figures for the preceding month were 3,845,860 and 3,044,583 tons respectively. The average daily loading for the month of April from the West Bengal and Bihar fields was 4,114 wagons as against 4,052 wagons in the month of March 1959. The highest loading on any day during the month of April 1959, was 4,703 wagons. The approximate tonnage shipped during April was 1,52,730 tons in 25 ships, out of which coastal shipping accounted for 89,011 tons in 15 ships, whereas foreign accounted for 63,719 tons in 10 ships. A daily average of 203 wagons was allotted for shipment traffic during April 1959, as against 240 in March 1959. About 87,186 tons of coal were despatched to Pakistan in April 1959. A daily average allotment of 132.10 wagons was made during the period, for export to Pakistan.

GYPSUM IN KASHMIR

Vast reserves of gypsum in Kashmir State have been traced by the Geological Survey of India. The reserves, which contain 91.75 per cent of gypsum, lie in the hill ranges traversed by numerous nalas on the northern side of Jhelum river in the Baramullah district. The deposits can yield gross reserves of 25.51 million tons for a depth of 100 ft. and a workable reserve of 15,31 million tons for the same depth. The deposits can be economically used as raw material for portland cement manufacture and in the preparation of plaster of paris. At present the gypsum deposits of Kashmir do not find any major use in the State and only a few tons are excavated for purposes of white washing and other minor local use from a quarry half a mile north of Bambyar. The mineral is worked out by open quarrying process and transported to the nearest town of Baramullah on mules. The Geological Survey of India has recommended that the present investigations should be continued westward beyond Islamabad Nala in the area. They have also recommended detailed investigation of the deposits along with the graphite deposits in the area.



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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
November 1958	..	118.0	96.0	115.1	113.2	110.0	108.6	108.8	114.0
December ,,	..	113.3	96.4	115.1	112.6	110.3	108.0	108.3	111.4
January 1959	..	114.3	103.6	114.9	114.1	110.5	108.0	109.4	112.4
February ,,	..	115.7	104.4	115.1	115.5	110.6	108.0	108.4	113.3
March ,,	..	113.8	100.3	115.6*	116.2	109 4	108.9	108.2	112.3
April ,,	..	113.1	97.5	115.6	116.2	108.4	108.1	108.1	111.9
Week Ended									
18-4-1959	..	113.0*	97.5*	115.6*	116.6	108.6	108.1	108.1	111.9*
25-4-1959	..	112.2	97.5	115.6	117.6	107.9	108.0	108.0	111.6
2-5-1959	..	113.3*	98.1	115.5	118.1	108.2	108.0	108.1	112.3
9-5-1959	..	115.4	99.0	115.6	118.8*	107.8	108 0	108.0	113.4*
16-5-1959	..	117.2	99.0	115.8	120.2	108.5	108.5	108.5	114.7

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
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	142	347	424	397	151	356	152	146	145
1956	336	352	244	150	364	448	422	162	375	157	158	152
1957	352	368	259	150	384	468	447	165	401	157	169	161
1958	376	394	274	142	368	427	435	159	385	151	164	152
1958 June	376	394	273	146	378	468	442	171	390	156	166	160
July	388	407	285	153	392	483	445	172	404	161	168	164
August	385	404	288	154	403	494	445	168	407	161	173	166
September	385	404	289	155	406	499	452	163	409	162	181	167
October	386	405	290	157	406	514	459	170	419	162	180	170
November	383	402	292	159	399	505	466	170	425	162	177	168
December	379	398	290	156	385	485	473	168	430	164*	167	164
1959 January	377	396	301	161	368	493	478	165	419	174*	159	157
February	380	399	300	167	364	492	485	—	408	—	165	163
March	382	401	290	164	364	—	—	—	408*	—	—	161
April	381	400	296	156	—	—	—	—	—	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 22-5-1959 High	22-5-1959 Low	22-5-1959 Average	15-5-1959 High	15-5-1959 Low	15-5-1959 Average	8-5-1959 High	8-5-1959 Low	8-5-1959 Average	1-5-1959 High	1-5-1959 Low	1-5-1959 Average
Gold [per fine tola] —	122.00	118.12	120.44	120 56	116.50	118.47	125.94	121.81	124.25	125.81	123 62	124.6
Silver (per 100 fine tolas)	196.62	192.56	194.21	196.00	191.87	194.10	203.69	198.00	201.21	203.37	201.37	202.4

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
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	564,49	604,02	52.89	80,22	458,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	545,61	595,63 (663,37)	39.95 (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 1958 ..	1,540,32	21,67	1,561,99	117,76	178,68	296,44	18.98	136,26	1,129,29	1,561,99
September ,, ..	1,532,47	22,38	1,554,85	117,76	169,68	287,44	18.49	138,03	1,129,38	1,554,85
October ,, ..	1,539,36	16,65	1,556,01	117,76	166,68	284,44	18.28	139,14	1,132,43	1,556,01
November ,, ..	1,569,09	22,76	1,591,84	117,76	164,68	282,44	17.74	810,31	1,172,23	1,591,84
December ,, ..	1 589,09	11,82	1,600,91	117,76	164,68	282,44	17.64	136,22	1,182,26	1,600,91
January 1959 ..	1 621,47	10,46	1,631,93	117,76	164,68	282,44	17.31	134,70	1,21'480	1,631,93
February ,, ..	1,660,09	16,85	1,676 94	117,76	174,68	292,44	17.44	132,22	1,252,28	1,676,94
March ,, ..	1,694,62	12,38	1,707,00	117,76	178,01	295,77	17.34	129,88	1,281,37	1,707,00
April ,, ..	1,756,36	17,83	1,774,19	117,76	178,01	295,77	16.67	132,26	1,346,16	1,774,19
Week-Ending										
24-4-1959 ..	1,751,46	28,14	1,779,60	117,76	178,01	295,77	16.62	132,80	1,351,04	1,779,60
1-5-1959 ..	1,751,11	27,53	1,778,64	117,76	178,91	295,77	16.63	132,06	1,350,81	1,778,64
8-5-1959 ..	1,774,72	11,51	1,786,23	117,76	178,01	295,77	16.56	129,69	1,360,77	1,786,23
15-5-1959	1,765,98	19.97	1,785,95	117,76	178,01	295,77	16 56	129,40	1,360,77	1,785,95

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									
1950-51* ..	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5.06
1951-52* ..	181,30	15,95	58,68	69,22	325,15	16,62	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	5,69	64,77	4,89	85,34	51,82	13,60
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 1958 ..	64,88	20,61	101,47	131,40	318,38	49,44	452,79	21,73	2,49	12,20	13,51	52,08	341,14	9,66
September ,, ..	53,63	18,17	97,09	113,57	282,46	52,04	419,50	22,44	3,62	14,48	14,66	52,62	302,62	9,07
October ,, ..	56,53	27,27	110,02	114,24	307,06	63,55	455,61	16,71	2,61	13,91	16,72	52,67	343,33	9,66
November ,, ..	59,29	21,55	88,21	115,15	284,20	63,44	432,64	22,82	3,48	16,34	21,34	55,92	302,51	10,24
December ,, ..	60,44	14,40	76,33	116,55	267,72	69,19	421,91	11,88	9,55	21,61	24,31	62,45	281,37	10,73
January 1959 ..	56,88	29,42	72,41	116,16	274,88	80,27	440,15	10,52	12,68	28,85	26,49	88,18	262,21	11,20
February ,, ..	58,62	21,88	72,09	115,27	267,86	85,17	438,02	16,90	6,18	30,14	25 02	89,41	258,69	11,68
March ,, ..	55,77	24,51	68,84	117,72	266,92	102,90	447,82	12,47	7,22	34,98	23,79	104,20	253,15	12,00
April ,, ..	53,36	19,26	83,53	118,28	274,43	94,16	453,62	17,90	22,96	33,95	37,34	84,95	241,14	15,38
Week Ending														
24-4-1959 ..	53,63	32.97	91,60	117,94	296,14	90,37	471,50	28,21	7,06	30,68	43,95	73,44	275.51	12,66
1-5-1959 ..	53,28	22,44	83,70	118,06	277,48	88,76	451,24	27 63	5,10	25,21	39,39	75,97	264,98	12.96
8-5-1959 ..	51,75	16,44	68,67	117,95	254,82	89,83	429,64	11,56	5,36	25,73	41,39	87,68	244,81	13 11
15-5-1959 ..	52,97	9,73	72 32	118,72	253,73	96,55	435,29	20,02	14,35	24,61	43,53	74,79	244,83	13.16

* 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 of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

INDUSTRIAL CAPACITY AND PRODUCTION IN 1957 AND 1958

CHEMICAL INDUSTRIES

	1957			1958			
	No. of Units	Installed Capacity	Actual Production	No. of Units	Installed Capacity	Estimated Production*	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PAINTS & VARNISHES							
Alkyd Resins (Tons)	8	2,372	1,776	8	2,372	2,270	
Aluminium Paste (Tons)	1	500	452	1	500	310	Production linked with demand.
Chrome Colours (Tons)	10	—	750	10	—	850	
Nitrocellulose Lacquers (Lakh Galls) ..	7	8	2.7	7	8	2.9	
Paints (Tons)	48	65,000	42,271	49	65,000	50,000	
Phthalocyanine Blue (Lbs.) ..	1	—	35,594	1	—	49,000	
Red Lead (Tons)	3	5,100	4,116	3	5,100	4,750	
Titanium Dioxide (Anatase) (Tons) ..	1	1,800	1,671	1	1,800	1,675	
White Lead (Tons)	2	3,720	1.018	2	3,720	1,030	
Zinc Oxide (Tons)	4	12,360	5,447	4	12,360	6,210	
MINERAL INDUSTRIES							
Abrasive Grains (Tons)	1	864	655	1	864	827	Better utilisation of capacity.
Asbestos Cement Sheets (Tons)	6	210,000	157,577	6	210,000	184,395	
Ceramics —							
Glazed Tiles (Dozens) ..	4	559,392	520,473	4	559,392	527,278	
Stonewares (other kinds) (Tons) ..	24	11,520	8,105	24	11,520	8,426	
Whitewares (Tons) ..	37	20,880	15,811	42	29,724	17,940	Five more units came into production.
Sanitarywares (Tons) ..	16	4,464	3,528	18	8,484	4,408	
H. T. Insulators (Nos.) ..	6	2,089,272	192,933	6	2,089,272	1,454,905	Materialisation of expansion scheme of a major unit.
L. T. Insulators (Nos.) ..	12	12,076,320	4,685,415	12	12,076,320	5,254,977	

* Based on actuals for the first 9 months and estimated production for October, November and December.

INDUSTRIAL CAPACITY AND PRODUCTION IN 1957 AND 1958

MINERAL INDUSTRIES — (Contd.)

(1)	1957 No. of Units (2)	1957 Installed Capacity (3)	1957 Actual Production (4)	1958 No. of Units (5)	1958 Installed Capacity (6)	1958 Estimated Production* (7)	Remarks (8)
Cement (Tons)	28	6,332,000	5,601,140	29	6,832,500	6,380,503	One more unit came into production and materialisation of expansion scheme of one of the existing units.
Enamelware (Mill. pcs.)	22	30.0	14.11	22	30.0	17.0	Idle capacity commissioned due to increased demand.
Graphite Crucibles (Nos.) ..	15	800,000	400,000	15	1,000,000	1,000,000	Increased demand and restriction of imports.
Glass Industry —							
(i) Sheet Glass (Mill. Sq. ft.) ..	4	106.6	54.22	4	106.6	70.0	Increase in demand.
(ii) Glass Shells (Mill. pcs.) ..	3	27.37	39.09	3	27.37	30.0	
(iii) Laboratory Glassware (Tons)	12	6,024	3,115	15	6,744	4,000	Better utilization of capacity.
(iv) Thermos Flasks (Dozens) ..	3	107,304	53,368	3	107,304	65,000	Increase in demand.
(v) Bottlewares (Tons) ..	92	43,500	70,235	92	163,240	80,000	) Implementations
(vi) Table and Pressed wares (Tons)	79	46,446	31,769	80	63,846	34,000	) of expansion
(vii) Lampwares (Tons) ..	82	34,700	17,890	62	34,700	18,500	) schemes in the
(viii) Mis. Glassware (Tons) ..	29	21,386	3,637	29	21,386	4,000	) existing units.
Pencils (Gross)	13	330,200	715,103	14	1,570,200	716,915	
Refractories (Tons)	33	464,400	366,683	35	579,160	425,610	Two more units came into production.

TIMBER AND CELLULOSE INDUSTRIES

RAYON

Continuous Filament Acetate Rayon Yarn (Tons)	1	1,800	1,606	1	1,800	1,739	Better utilisation of capacity.
Continuous Filament Viscose Rayon Yarn (Tons)	3	12,800	9,403	3	16,200	11,901	Increased capacity.
Viscose Staple Fibre (Tons) ..	1	14,400	8,009	1	21,600	12,609	Better utilization of capacity.

PAPER & PAPER BOARD

Printing & Writing)			126,514			155,000)	
Craft Paper)			23,756			22,000)	Higher capacity
Other Wrapping Paper) (Tons)	19	250,000	14,257	19	268,600	16,000)	and expansion of
Miscellaneous Varieties)			7,189			7,000)	existing units.
Pulp and Paper Board)			38,410			50,000)	
Total (Tons) ..	19	250,000	210,126	19	268,600	250,000	
Newsprint (Tons)	1	30,000	14,515	1	30,000	20,000	

INDUSTRIAL CAPACITY AND PRODUCTION IN 1957 AND 1958

TIMBER AND CELLULOSE INDUSTRIES — (Contd.)

(1)	1957 No. of Units (2)	1957 Installed Capacity (3)	1957 Actual Production (4)	1958 No. of Units (5)	1958 Installed Capacity (6)	1958 Estimated Production* (7)	Remarks (8)
Cork —							
(i) Stoppers (Gross))		1,200,000	638,078		1,200,000	1,249,610	Higher demand.
(ii) Discs (Gross))	2	3,000,000	2,425,700	2	3,000,000	1,992,956	
(iii) Sheets** (Sq. ft.))		11,500,000	—		11,500,000	1,665,533	
Plywood —							
(i) Teachest (Sq. ft.)	67)	Over 150) Mill sq. ft.	95,016,131	70)	Over 250) Mill sq. ft.	87,636,469	Shortfall in orders rceeived from Tea
(ii) Commercial (Sq. ft.)	67)	(Single shift basis).	31,636,806	70)	(3 shift bases)	38,437,216	Gardens.
Matches (Cases of 50 Gross boxes of 60 sticks each) ..	65	Not assessed	577,934	65	996,800	633,077	

LEATHER AND RUBBER INDUSTRIES

LEATHER

Vegetable Tanning of Hides by Organised units — (expressed in terms of cow hides — one buff. hide — two cow hides). (In terms of cow hides) ..	23	3,179,400	1,791,855	29	3,856,920	2,000,000	Six more units have come into production.
Chrome Tanning of hides by organised units (Hides)	12	1,643,400	630,462	13	1,579,800	714,117	One more unit has come into production. Capacity for 1957 has been revised.
Western Type of Leather Footwear by organised units (Pairs)	12	5,974,800	4,369,650	12	6,687,600	4,467,259	
Indigenous Type of Leather Footwear by organised units. (Pairs)	12	$	3,038,124	12	$	3,389,035	Increase in demand and better utilisation of existing idle capacity.
Glue (Cwts.)	9	48,960	25,813	8	37,080	23,230	Two unregistered units have been excluded and one more registered unit has been included with effect from 1-1-58.

* Based on actuals for the first 9 months and estimated production for October, November and December.
**Production started only in 1958.

Source: Annual Report of the Ministry of Commerce and Industry.

ATUL

DYES

CHEMICALS

PHARMACEUTICALS



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CONTENTS

	Page
Leading Articles:	
A HAPPY ASSESSMENT	201
SURPLUS IN STEEL?	202
SCIENCE AND SOCIETY	203
A DELHI DIARY	204
THE WEEK'S NOTES — Andhra; Ministers' Conduct; Cricket; Africa; Housing; Sugar Industry.	205
A WINDOW ON THE WORLD: Odysseus on "The 'Hong Kong Miracle"	209
THE EUROPEAN SCENE: 1960 in West Europe	213
ECONOMIC REPORT FROM THE U.S.: Business Trends: Past, Present and Future	217
Special Article: THE MAN IN THE STREET AND HIS RUPEE	218
The Business World: POLICY FOR LABOUR	220
BUSINESS NOTES — Industry; Foreign Trade.	221
A DELHI NOTEBOOK	223
WORLDGRAM AND NEWS IN BRIEF	224
COMMODITY NEWS AND NOTES	228
COMPANY AFFAIRS	232
CURRENT STATISTICS	237

A Happy Assessment

PROFESSOR J. J. ANJARIA, President of the forty-second session of the All-India Economic ference, did well to choose as the theme for his al address, 'Problems of Economic Deve- This obviously is the central theme for ny generations to come. It does not tral even when the border situation is at the present time. This is the Prime Minister has constant- base of industrial production is ence. But, irrespective of De- of Employment and Welfare roblems of the Indian people can now go. It was good, obtained from an economist, practical experience derived nce in the Reserve Bank and thority as Economic Adviser nce, an answer as to where al challenge which we face f this century.

's facts were as welcome as dly, he has shown that the m, which from time to time der-estimated, accomplished per cent in national income. llities in the future greater evement in the last year. t the rate of investment in the economy is around 11 per cent; and since the rate of saving was only 8 per cent, there were necessarily inflationary pressures but these had been well contained. Not, indeed, that the gap between investment and saving can proceed indefinitely. In time taxation must rise, and we need not dispute, in particular, the need to raise total taxation from about 8.3 per cent of income to somewhere between 10 and 11 per cent. The resort to indirect taxation is not necessarily, he pointed out, inflationary. And monetary control must be exercised with a view to preventing the misdirection of expenditure no less than the misdirection of investment resources. Here was a broad pattern of thinking in which practical economists, business men and Governments, both at home and abroad, who are interested in the Indian adventure might find common agreement. Indeed, it is remarkable how in an address which lasted over an hour there were so few points which could be disputed. There seems to be at long last a meeting of the ways; economics is ceasing to be the dismal science it once was and, perhaps, economic discourses have lost their arid content.

Largely because this address met the present practical challenge squarely with no attempt to escape by political slogans or by economic theorems, it has raised hopes that India's economists

have now turned the corner of ineffectiveness and are now harnessing their talents to the nation's practical duties. It is true that one swallow does not make a summer, but there is at least hope that our economists can become refreshingly practical in an age which demands realism above brilliance, and earthiness above the pleasures of philosophical debate.

If realism is the dominant note of Professor Anjaria's address, it is its other noteworthy feature that it is forthright in its conclusions regarding the imperatives of the Third Plan. The scale of investment essential for the Third Plan must necessarily be higher than in the Second Plan even if progress is to be maintained and consolidated. But a dynamic economy which is on the threshhold of take-off must give suitable acceleration to the tempo of development. One of the major challenges of the Third Plan is to mobilise internal resources of the requisite order on which alone will depend the response of external resources. This problem is undoubtedly of great dimensions and a determined approach is required to meet it. Whatever the pattern of the economy, the resources for future development are t same. They are, in the main, the surpluses cre ed by investment and their conscious direction ploughing back for expansion.

This task devolves upon the State in a socia economy for the obvious reason that it takes ov a substantial part of the productive sector. Th is true, although in a lesser degree, of our mix economy too. A substantial part of the investme in the public sector in India has gone towar the building up of State enterprises, which are no sense public utilities but commercial under takings. The most efficient techniques must be brought to bear upon their management and their results must be reflected in profits for re-invest ment. The State's increasing participation in the productive sector ceases to have any meaning at all if it fails in this primary obligation. Professor Anjaria was frank in reminding the apologists of the State sector at any cost that the conception of looking upon public investment in State enterprises as essential expenditure was thoroughly outmoded and that such investment must meet the test of the normal return.

Surplus in Steel?

THE opening of the first of the three blast furnaces at the Durgapur Steel Works on December 29 last marked the completion of the first phase in the construction of this third steel plant in the public sector. The entire plant will go into full production next year. The Durgapur plant undoubtedly enjoys superiority of location over the other two State plants at Rourkela and Bhilai in respect of proximity to raw materials, availability of skilled labour and accessibility to means of transport. In course of time these factors will be exploited to the full and Durgapur will make its solid contribution to the nation's steel output. If the tenor of the construction of the works was marred somewhat and genuine concern was felt over the defect in its foundation, all this is now past history. The defect has been fully removed and ISCON's ten-year guarantee has effectively served to restore complete confidence in regard to structural soundness. Evidence of renewed confidence is provided by the eloquent acclamation of the Durgapur plant as a monument to Indo-British collaboration in building the economic prosperity of a New India.

Inaugurating the blast furnace, Dr. Rajendra Prasad said: "With the completion of the three steel plants, in course of time, we hope not only to meet the internal requirements of steel but also to be able to lay aside a part of the output for export. It may now be said that the foundations of India's industrialisation have been truly and firmly laid." This is in no sense an exaggerated expression of a feeling of accomplishment for a country which had to wait more than half a century for the realisation of its aspirations of expanding its steel industry on a reasonably adequate scale since Jamsetji Tata laid its foundation against all manner of odds as far back as 1907. Domestic self-sufficiency and surplus for export is the traditional two-tier structure of the development of any industry. Dr. Rajendra Prasad's reference to export was apparently meant in this context.

But indications seem to point out to the possibility that the emergence of the stage of export may not have to wait over time. This contingency may materialise in the short run. In that event it will assume the proportion of an emergency and not of natural growth. A debate has been going on, in quarters which are qualified to take an objective view of the situation, whether we will not be proceeding rather fast if we go on accelerating the expansion of steel output and whether a respite is not necessary to consolidate the progress achieved. This debate is raised strictly in the context of the projected target of an output of 10 million tons of ingots at the end of the Third Plan. The contention underlying this controversy is that our steel industry may have to face the challenge of surplus production temporarily in the very near future.

In sounding this warning, Sir Jehangir Ghandy has cautioned the country against taking a complacent view of the export market. There is a steadily increasing world surplus in steel, e porting countries are expanding their producti capacity, some importing countries are setting their own plants, twenty-five countries are mated to make their debut in steel manufa by 1961 and three more by 1965. If India fronted with the challenge of surp Jehangir has advocated that among courses open to her, namely, e exporting the products of the tries, the latter should be chose would seem to lack cogency engineering products are esti ed the very modest figure perhaps to be over-optimis new line of exports can be period on a sizeable scale t get rid of the surplus in objective choice appears with an element of subsi que employed by Japan. levies on home steel—t of Rs. 110 per ton and per ton—which provide export.

But efforts can be di action. Their success w on the adoption of a corr that the glut of steel fo gency cannot be ruled th emergency it may bec back the output. This volve a drain on the re try. The Tariff

steel is based on the assumption of hundred per cent utilization of capacity. If partial under-utilization is forced on the industry and the assumption is knocked out, relief becomes incumbent. This relief can take the form of an increase in the retention price of steel—which is now uniform for Jamshedpur and Burnpur—without necessitating an increase in the selling price.

On the contrary, positive preventive action lies in reducing the selling price of steel. This course will not only satisfy the pent-up demand of the engineering industries (which are now oppressed with sizeable idle capacity for want of steel) but stimulate it. The entire range of steel-consuming secondary industries will reap the benefit of this disinflationary impetus. Reduction in selling price will be procured at the cost of the Equalisation Fund which should cause no concern in view of suspension of imports that must follow the surplus in home output. In fact, the equalisation surcharge on domestically produced steel will need to be reduced progressively with the elimination of imports.

Science and Society

THOUGH the address of the Prime Minister to the Indian Science Congress this year was unusually brief, he managed to pin-point the relevant issues facing science vis-a-vis society and especially in the Indian context. He devoted the major portion to the question of the social responsibility of the scientist. Science has now advanced to such a stage that it has brought promise of enormous good to humanity and also fear of disaster. In fact, the difficulties, which are now shaking loose the old framework of civilized life, are the results of technological changes. With the tremendous growth of science having a powerful effect on human beings, the big question is what part science is likely to play in the domain of human life. As a corollary and in view of its immense potentialities for doing good as well as inflicting harm arises the need for caution about the direction of its use.

It is, therefore, obvious that it is no more possible for scientists to work in a detached way unconcerned with the fate of the people and they should naturally pay attention to the consequences of their work for human beings. The old notion that science must withdraw into the purely technical sphere was supported by the argument that science must be ethically neutral. But as Prof. C. H. Waddington has pointed out, this is no more valid today. For instance, science cannot allow its estimate of the relative food values of animal and vegetable foodstuffs to be influenced by the ethical arguments for vegetarianism. But, at the same time, he has pointed out it is stultifying and misleading to state that science can merely measure the advantages of the different animal proteins over the vegetable ones and must then leave the ethical question entirely on one side, to be decided by others. The point is the food values of various kinds of nourishment are an essential part of the whole situation on which an ethical judgment has to be made, and here without the aid of science we should remain ignorant.

Another striking example in recent years came over the problem of the atomic bomb. Here, the responsibility of the scientists is very large because they alone are in possession of the information and theoretical understanding which can make it possible to decide on a system of control which conflicts as little as possible with other legitimate social values. Thus, though in the past, science was comparatively a minor activity of man, today it is no longer passive and has attained a momentum and strength of its own. Far from being content merely to accept the problems society suggested, it now finds that it must itself pose problems to society. It is obvious that science and technology have become an integral part of the national economy and the impact of science particularly on an under-developed country like India launched on ambitious planning is very great. Not only in the social and economic problems but also over problems connected with defence, science has to play a vital role. That is why Mr. Nehru has observed that science meant today power in the widest sense of the term and not merely the power of mind. And it is this power potential that has given science a great status that it now enjoys.

While all this is generally true, since India has been a late-comer in the field of science, she has to make up an enormous leeway. Prof. P. Parija in his illuminating presidential address explained the reasons why countries like India and China lagged behind in the matter of scientific advancement in the historical perspective. The main reason, he stressed, seemed to be that the social organisation and the economic system were such that the incentive for revolutionary changes did not exist. He also gave a warning that even today though scientific discoveries in various directions have been utilized extensively, one should not overlook the restraining influence society had on science which often finds its manifestation in the imposition of doctrinal dogmas on men's mind. Coupled with this is the spread of narrow group consciousness which is so inimical to free thinking and scientific development.

Some of these inhibiting influences of society have to be taken into account while one considers the future of science in India. It is evident that the numerous problems facing the country cannot be solved without taking recourse to science and its application and there is a good deal of substance in Mr. Nehru's plea that science should change the entire meaning of living in India, especially the rural areas. It was hence that he was "hurt" to know that some of our best scientists prefer to remain abroad and even settle down in foreign countries because they provide them "inducements" and better scientific facilities for work. He, however, pleaded that Indian scientists cannot set aside "certain bonds, responsibilities and obligations" to the country. The Prime Minister's appeal, however, is no solution to the problem. In an article in "The Eastern Economist" of September 25 last, the entire issue has been brought to focus. The difficulties arise not only because of certain tangible factors like material inducements but also because of certain intangible factors that act as deterrents and make the climate for scientists here far from hospitable. How powerfully these cumulative factors operate can be seen over the recent incident relating to the tragic death of a Delhi scientist. This may be an extreme case but it affords ample testimony to the galling conditions which, unless arrested in time, will lead to considerable wastage of scientific talent. While, undoubtedly, scientists owe a duty to society, the latter for its part cannot forget its own to the scientists.

A DELHI DIARY

THE DISTRACTING PRESENCE

AWAKING like Abou Ben Adhem from a deep dream of peace (I have been out of circulation for three weeks), my attention has been caught not by an angel in my room, but the massive Annual Number of "The Eastern Economist" purporting to deal with 'India and Europe' in what it is fashionable to call now a challenging light. Much of the distraction noticeable in this Diary is due to the fact that this unusual presence in my room demands some occupation by one whose religious duties include that of ritual readership on these occasions. What am I to make of it all? The question, it seems, is not the old one of "to be or not to be" but "to take-off or not to take-off", or perhaps more important "with whom do we take-off and when?" It now appears that, culturally, we took-off with Greece over two thousand years ago and that economically we are to "take-off" with Western and Eastern Europe together in a passionate revulsion from our recent past — Colonialism, Colour, etc. I can say no more at this stage than this that, if the essay is as was once defined, "an irregular undigested piece", this is one such; at least I am suffering from indigestion and I can only assume that this is because the assimilation has been irregular. After which let me withdraw to the New Year by wishing all readers of this Diary the warmest of welcomes into what every one tells me is to be historic year. Which year that we have lived in has not been historic?

The New Year certainly has started with a bang. Rumour has it that the Chinese Ambassador, a reticent character of all times, has been in and out of the Ministry of External Affairs. Mr. G. Parathasarathi, our Ambassador in Peking, is here, but is also extremely reticent. The Prime Minister is holding his Press Conference but again (alas!) it is on Friday and, therefore, for reasons previously given, will be excluded by editorial decree. May I earnestly beg the Prime Minister to change his Press Conferences to Thursday, as he did for two generous months. They are inescapable now; the diplomatic front is heavily charged and there are excursions and alarums with many opportunities for journalists. One particular member of our happy profession actually informed me that he was invited to be at four places at the same time of which the central points were Bangalore, Calcutta, Rourkela and Assam. Earnestly, he sought advice as to how ubiquity could be achieved with modern instruments of space travel. I regret to say that I had no enlightenment to provide.

PERSONALITIES

Quite apart from the comings in and goings out on the impersonal political front, there have been interesting personalities of which two have struck the headlines. The visit of Alfred Krupp von Bohlen und Halbach, the great owner of the Krupp Empire has awakened special interest, not because of the tremendous empire which alone produces four million tons of finished steel(twice our own), but because of Mr. Krupp's extraordinary interest in Indian art and his persistent request that the travelling exhibition in Europe should be allowed to continue over a longer period and carry through the cultural message which Europeans are eagerly seeking at this time. I have no doubt in view of its Annual Number, "The Eastern Economist" will eagerly say 'Amen'. The other figure of interest is none other than Field-Marshal Montgomery, who, having reached neutral territory in New Delhi, has been negotiating for his next point of call which is either Peking or some spot in China from which a point of vantage can be obtained. What people have been asking me is "What is Field Marshal Montgomery doing?" The answer (or is this a question?) is—What?

P. C. MUKHERJEE

The death on Tuesday of Mr. P. C. Mukherjee, formerly Chairman of the Railway Board, is an incident which I cannot refrain from mentioning with some deep feeling. Those of us who have known Mr. Mukherjee over the years, first as General Manager of the Chittaranjan Locomotive Works whose building he inspired from the word "go", through the period when he was Member for Engineering and, then Chairman of the Railway Board, know well the tragedy of his last two years and how it seems to have eclipsed the glory of the five preceding years. I remember well seeing him at work for two hours at Chittaranjan giving orders on the telephone to a hundred different sections at a time of extreme difficulty. I remember his wonderful calm, his extraordinary capacity for organisation and the compelling loyalty which he created there. I have seen him, after his first serious operation which might well have killed a man with less determination to live and with less spiritual courage to sustain, an almost incredible come-back. For over a year under conditions which were physically unbelievably hard, he fought his malady with a heroism which moved those of us who were privileged to see it. When it was known three months ago that he had a recrudescence of his malady and had retired from the Chairmanship of the Railway Board, we knew that even the highest courage does not prevail; for death is always in the end a victor. But we did know that the story of individual character has received one more sublime addition by the manner in which the losing battle was fought. So long as India can produce in each generation men such as these, her future will be always assured. Will she be able to produce them in numbers enough to leaven the lump? Being in an optimistic mood at this moment in this first week of the New Year, I say, "Yes—and More than Enough". Proof? The proof of the pudding is in the eating. For the eating I prescribe an auspicious year —2000 A.D. My little girl and little boy are full of confidence, and, after all, it is they and not their parents who will do the fasting. Let us then wait, for a report in 'A Delhi Diary' to be written in the second week of January 2000 by ARGUS II?

A CHEERFUL CRASH

For those who can hold their drink as gentlemen there has been a welcome news of, I hope, a sustained character. This is that the price of Scotch whisky which, for reasons ostensibly connected with the laws of supply and demand, was Rs. 55 in the Old Year, suddenly slumped on New Year's Day to Rs. 44 thereby registering, my statisticians say, a drop of 20 per cent. Since sudden drops of this character had never occurred in the Indian economy at any time, I thought, perhaps, that apart from the aforesaid "privileged few" and the unfortunate people with expensive tastes not so privileged, there would be general interest in at least one particular commodity behaving as we sincerely hope the General Index will do one fine day. If, people are asking me, a crash can be induced in an item wholly imported (or is Scotch now being manufactured illicitly in the country?) why cannot something effective be done on matters of more domestic interest? Surely, the prospect of crashing prices such as those of whisky should raise hopes which spring eternal in the human breast. For my part, I am now awaiting the Budget with the anxious interest of one who has seen magic being performed without a magician. People tell me that Mr. Morarji Desai has now actually acquired a rabbit in his hat; and Budget Day is approaching!

ARGUS.

THE WEEK'S NOTES

Andhra

MANTLE OF CHIEF MINISTERSHIP

SINCE THE elevation of Mr. N. Sanjiva Reddy to the Presidentship of the Congress, there has been much speculation over his successor for the Chief Ministership of Andhra. Though a number of names have been mentioned in this connection, till recently, it was taken for granted that the present General Secretary of the Congress, Mr. A. S. Raju, will be the obvious choice. It has, however, now turned out that the young Labour Minister of Andhra, Mr. D. Sanjivayya, will be elected unanimously as the leader of the State Legislature Congress Party. It was Mahatma Gandhi's wish that the President of India should be a Harijan and Andhra can legitimately take pride in having for the first time in India of any States a Harijan as Chief Minister. While all this is gratifying, it is permissible to recall here a small detail since public memory is proverbially short. A few months back, when there was need for election of the President of the Andhra Pradesh Congress Committee, Mr. Sanjivayya's name was proposed. He then declined the offer and the reason given was that he was diffident of shouldering the responsibilities of the Presidentship of the Pradesh Congress Committee. It is not known whether the office of Chief Minister is less arduous than that of the Presidentship of the Pradesh Congress Committee. If it is proved so, it will be a contribution to political thought and practice. Politics is after all a strange game and perhaps its fascination lies in the fact that one should not place all his cards on the table!

Ministers' Conduct

NEED FOR HEALTHY CONVENTIONS

AT ITS recent meeting, the Congress Working Committee is reported to have considered the question of setting up high-powered committees or tribunals to inquire into charges of misconduct and misbehaviour on the part of men in authority such as Chief Ministers and Ministers. It would appear that there was a consensus of opinion among the Committee members that while there was no need to set up a permanent committee or tribunal, such bodies might be appointed from time to time as and when the need arose to deal with specific cases and persons. It is, however, assuring to be told that the Committee felt that the Congress had to deal with the question of holding enquiry into the conduct of Ministers and other men in power in a more dynamic way and that it was not to be treated with any sense of complacency. All this seems to be a sequel to the letter recently written by the President to the Prime Minister on the subject. But even the President seems to have written the letter only after Mr. C. D. Deshmukh's proposal made in the course of his Srinivasa Sastri's Memorial Address in Madras in October last. Mr. Deshmukh had then said if a high-level judicial tribunal was established to investigate and report on complaints or laying of information, he would himself make a beginning by lodging half a dozen "informations." The question whether a tribunal is to be set up on a permanent or an 'ad hoc' basis is of great importance and naturally it has to be gone into carefully. But all the same, it is necessary that the conduct of Ministers should not escape scrutiny.

A different aspect of this question recently came up over the controversy raised by the Union Deputy Minister, Mr. S. V. Ramaswamy, over certain incidents connected with his visit to certain temples in the South. He is reported to have drawn the attention of the Minister for Religious Endowments of Madras State that the way temple offerings were distributed to him amounted to an "insult" and has asked for punishment of the offending priest. This is indeed an extraordinary demand coming from a Union Minister. In an effective answer, the Madras Minister has stated that "temples are there for those who have faith in them and the way of proper administration of these institutions should be to adhere to the established usages and customs so far as these are not repugnant to any sense of equality or decency". He has also put the nail on the head when he points out that "the idea of equality should not be extended to the extent that if a priest enters the 'sanctum sanctorum', any other worshipper should also be enabled to enter it." It is regrettable that this elementary fact should have escaped the notice of Union Deputy Minister who, without much provocation, has chosen to make a mountain of a molehill. Can dignity and smallness ever go together?

Cricket

AN IGNOBLE ACT

ACCORDING TO a report this week, the Indian Skipper, Ramchand, has received a notice from his employers terminating his services. It is not known under what circumstances this step has been taken and hence it will be premature to go into the merits of this case. But this incident raises some wider issues pertaining to not only the future of cricket but also sports in general in this country. It is particularly regrettable that the notice of termination should have been given on the eve of the third Test which makes this act more detestable. Any organization that has a person like Ramchand in its employ should be proud of him and the normal regulations pertaining to conditions of service should be relaxed as a gesture to the promotion of sports. In a telling speech the other day at a function arranged in honour of Krishnan, India's Davis Cup player, Mr. H. V. R. Iengar, Governor of the Reserve Bank, regretted that neither the business houses nor big employers in India encouraged tennis players by providing them with jobs so that they may play and work, play being the primary duty. This is in fact what obtains elsewhere in the world and it is a slur on society that while it derives satisfaction from the services of its outstanding players it does not do anything to safeguard their livelihood. Mr. Iengar quoted how Sedgman got a job with a famous firm of stockbrokers to remain on their staff as a salesman though playing was his main job. This is an example that can be emulated not only by our private organizations but even the public enterprises. There need be no controversy over this unlike in the suggestion made by Mr. K. K. Shah, the outgoing President of the Bombay City Congress Committee, who has urged that business organizations must also encourage able workers to enter public life by supporting them but without strings. It will be reprehensible to leave the lot of the sportsmen uncertain even while they are in their heyday, let alone what happens after their retirement. If the incident pertaining to Ramchand stirs the conscience of society to do its duty by the assets it has in her sportsmen, it would not have gone in vain.

Africa

THE RISE OF A NEW STATE

THE NEW YEAR has seen the emergence into freedom of a former French Colony in Africa, the Cameroons. The Cameroons was, in fact, a German protectorate from 1884 till 1914. At the end of World War I, it was divided between France and Britain (the former taking four-fifths of the area and the latter retaining the remaining one-fifth). However, it was decided that the two powers should administer their respective territories under a mandate of the League of Nations. After World War II, in conformity with the Charter of the United Nations, it was placed under the International Trusteeship system. During the past few years, the United Nations which has been seized with the problem of Trust territories has taken note of the conditions in the Cameroons and India has taken a good deal of interest in their affairs. The Indian delegate had often criticized French

policy and administration in the Cameroons and had particularly drawn attention to the fact that the economic position of the territory was regrettable and did not show an advance "consistent either with the purposes of the Trusteeship Agreement or the Constitution of the (then) French Union."

Throughout the past year, the Cameroons were very much in the news since both France and Britain have decided to grant independence to their respective territories. In preparation for independence, the French granted autonomy to the Cameroons about a year ago and placed a northern Muslim, Mr. Ahidjo, as the Head of the Government. However, he was not popular with the Opposition parties lead by the CPU (the Cameroonian People's Union), who considered him a French puppet and demanded that elections should be held under the supervision of the United Nations if they were to be free and fair. India was one of those countries which took the stand that there was no need for fresh elections since one had taken place in 1957 and fresh elections would only have the effect of delaying the dawn of independence. Now, the trusteeship status has been terminated and the Colony has been proclaimed independent, the question to be faced is whether the new State will settle down peacefully or be caught up in internal strife. This has become urgent because even the independence celebrations have been marred by widespread outbreaks of terrorism. These do not augur well for the future of the State and unless violence is eschewed and a suitable atmosphere for stabilizing democratic traditions are created, it will be difficult to hold fresh elections in the country on an orderly basis. Apart from the question of elections, there is another issue to be faced, namely, the demand of the people for the unification of British and French Cameroons. No decision has yet been taken of the future of the British Cameroons but it is obvious that the artificial and arbitrary line that divides the people is to be removed sooner or later. In the meantime, the addition of another African personality into independent nationhood is a matter of gratification and joy to the Africans who have already seen a number of countries coming into freedom during the last few years like the Sudan, Guinea and Ghana. It is not a matter for small joy that in the New Year, apart from the French Cameroons, three more territories are to achieve independence, Togoland, Somaliland and Nigeria.

Housing

L.I.C.'s SCHEME

THE LIFE INSURANCE CORPORATION has at long last come out with its proposals regarding grant of loans for house-building activity. It has decided to extend this facility — so far confined to State Governments only—to co-operative societies, public limited companies and individual policy-holders. The scheme, which will be implemented in a month or two, will obviously go some way in relieving acute housing shortage in urban areas, besides enabling L.I.C. to diversify its investments and earn more. The average yield L.I.C. has been receiving on its investments lately has tended to decline due to compulsion to invest more in low-yielding gilt-edged securities and the diminishing of the floating stock of first class equities on the stock market.

But the L.I.C. plan, if it is to be of real assistance in fostering house-building activity, needs some modifications. Conditions laid down for the grant of loans, especially to policy-holders, are rather too rigorous and may stand in the way of the full benefit being derived out of the facility. Interest charges, both for loans to public limited companies and individual policy-holders, could have been lower around 6 per cent, the rate charged by L.I.C. for ordinary loans, for the risk involved—the basic principle for fixation of interest—is not so much; loans are twice covered under the scheme by the mortgage of property and the insurance policies. Besides urban properties are appreciating in value. The minimum amount of loan to a policy-holder (R 20,000) should also have been fixed lower around R 10,000 or Rs. 15,000. Only a few middle class policy holders in these days of high cost of living can affor to go in for insurance policies of the face value of abou Rs. 20,000. Similarly, the stipulation that a polic against which loans for housing can be sanctioned shoul have been kept alive for at least five years could hav been made more liberal; three years' running should b sufficient for entitlement to a loan under the schem

More objectionable part of the scheme, howeve is the limiting of the grant of loans to policy-holde for construction of houses only in the five cities Delhi, Bombay, Madras, Calcutta and Hyderabad. Th is discriminatory inasmuch as any policy-holders, esp cially those who may prefer building a house in Sta capitals or industrial towns like Ahmedabad and Kanpu and the new townships where mighty public sector ente prises are coming up, are debarred from availing then selves of the facility, though otherwise they may b fully qualified for it. It is hoped that a national inst tution like the Life Insurance Corporation will be mo liberal in its assistance for fostering the house-buildir activity than its predecessors whose conditions for suc loans have been more or less adopted by it.

Sugar Industry

NEED TO DECONTROL PRICES

SUGAR IS making news again. A controversy has arisen on the question whether this commodity should be controlled or not. Mr. S. K. Patil soon after he took charge of the Food and Agriculture portfolio at the Centre, expressed his preference for a free market in sugar and initiated measures to increase its output. Informed sources, however, suggest that the proposal to decontrol sugar has now met with some opposition in the Ministry and a decision on this has been postponed for some time. The precise reasons for shelving the proposal are not available, but presumably it has been done due to fears of output not reaching the required minimum of 22.5 lakh tons.

As argued in "The Eastern Economist" of October 30, 1959, the various incentives to boost sugar output announced in October last will not go far enough. Though production up to December 31 has shown distinct improvement over the previous year's figure, the total output during the current season at the present rate of production is not expected to exceed 21 lakh tons. The industry has been able to push up production to some extent due to the rebate of 5 annas a maund in the excise duty on the early crush in U.P. and Bihar and raising of cane prices by three annas per maund and correspondingly increasing of the ex-factory price of sugar. But, it is felt, it will not be able to derive much benefit out of the concession of 50 per cent rebate on the basic excise duty for production in excess of the 1957-58 and 1958-59 average.

Raising of output to about 22.5 lakh tons during the current season is the only remedy for safeguarding against undue prices of sugar later during the year. Production so far has progressed well; about 1.5 lakh tons more sugar has already been produced compared to last year. If sizable releases are arranged and the commodity is decontrolled, there appears to be little chance of any undue rise in prices. The decontrol, on the other hand, should help in boosting output further as it will enable the industry to attract more cane by paying to the cane-grower a price higher than the minimum fixed by the Government, out of the concession it will get on excise duty. By this strategy, output can be raised to about 22.5 lakh tons and through competition the price can be stabilised at a reasonable level. Sugar control last year succeeded only partially, thanks to defective system of distribution through Government nominees.

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A Window on the World

THE "HONG KONG MIRACLE"

By

ODYSSEUS

N a Free Economy, man's ingenuity knows no bounds. The industrial expansion and high living standards f the United States are testimony to what individual nterprise can accomplish. But elsewhere as well we ınd striking examples of what men can achieve when eft to solve their own problems: In Europe, during the 'ears just after World War II, many governments ex- ıerimented with state planning and economic controls. Over the past decade these have been progressively ıbandoned or modified. The unleashing of private initi- ıtive has enabled Western Europe to forge ahead with 'enewed vigour. On the other side of the globe is Japan whose remarkable postwar comeback has been due to he hard work and resourcefulness of its people and an economic climate which encourages their energies.

But while some Asians are ready to admit that free enterprise produces results in the West, most argue that it will not work under Asian conditions. I was therefore interested to see that the December Monthly Letter of the First National City Bank of New York draws attention to an outstanding free enterprise success story on Asian soil. Hong Kong's recent economic growth is the result of private enterprise operating within a free market economy. There has been little government intervention in the Colony's affairs. This is the more significant in view of the challenge to its very existence posed by postwar events.

A great seaport and commercial centre, Hong Kong grew to prosperity on the entrepot trade with China, but when the mainland fell to the Communists, and the Korean war brought a United Nations embargo on trade with China, Hong Kong faced ruin. As exports to China dropped from nearly 40 percent of the total in 1950-51 to a mere 4 percent, and a million refugees nearly doubled its population, Hong Kong sought other means of livelihood. Instead of massive programmes of government spending or cries for foreign aid, reliance was placed on private initiative.

It was natural for Hong Kong to look to its businessmen in time of crisis. The island was barren, uninhabited rock when the British acquired it by Treaty in 1841 as a trading settlement. Lacking resources, tillable land, or even adequate water supply, its chief asset is a sheltered deepwater harbour, but it grew and attracted the commerce of all nations because it offered businessmen—Chinese and Western alike—stable government, the rule of law, low taxes, and a minimum of official interference.

ENTERPRISE SECURES IMPRESSIVE RESULTS

When fate compelled Hong Kong to replace the lost China trade, its resourceful businessmen wasted no time. New opportunities were vigorously sought out in South-West Asia. To the newly independent countries of that region Hong Kong offered not merely trade but its mercantile experience. With stocks of imported goods warehoused locally, Hong Kong merchants were able to make rapid deliveries to neighbouring countries. Hong Kong's free money market eased the payments problem for many buyers, and its wide range of commercial facilities and duty-free port encouraged foreign companies of all nations to maintain regional sales offices there.

Attracted by Asian markets for consumer goods, Hong Kong businessmen tackled manufacturing as well as trading. Although shipbuilding and some small amount of light industry were already established, expansion was difficult because of lack of fuel, scarcity of industrial sites, and competition from well established foreign producers, not to mention the ever present possibility that the Chinese Communists might some day choose to swallow up the little island.

But skilled labour and investible funds were increased by an influx of refugee workers and capital from the mainland. Above all, the economic climate encouraged enterprise. The colonial government consistently kept its accounts in balance with a standard tax rate of only 12½ per cent on personal and company income, and thus gave businessmen opportunities to create, to produce, and to enjoy the fruits of their labour. Industry was expanded and, at the same time, energetic efforts were made to develop export markets. New products were introduced, old ones adapted to consumer needs in different countries. The astonishing fourfold growth of Hong Kong's textile industry, for example, has been largely due to skilled marketing—sarongs for the South Seas, woollen gloves for European buyers, cheap print cloth for Africa, drip-dry shirts for the USA, cotton knitwear for Southeast Asia, and even made-to-measure suits by mail order.

In the past decade employment in factories has tripled. Despite fluctuations in over-all trade, exports of Hong Kong manufactures have climbed from 10 per cent of total export sales in 1947 to nearly 70 per cent in 1959, a rise in value from about £14 m. to £140 m. of which more than half are textiles and apparel. Other inexpensive consumer goods make up the balance —kitchen utensils, rubber footwear, flashlights, thermos jugs, and plastic articles. Production for the local market has grown apace with exports. Food processing and the manufacture of housewares and building materials have increased rapidly. Handicrafts and art objects for the growing tourist trade are another source of income. Hotel and office construction account for a good part of the building boom.

Hong Kong's achievement is all the more impressive because its largest industry—textiles—meets the stiffest competition in world markets. Hong Kong can compete because its production costs are low. Unhampered by exchange controls, its businessmen can buy raw materials in the cheapest market, and because they do not rely on government for expensive services, they pay low taxes. Local workers are industrious and quick to learn. Little time has been lost in industrial disputes. Although competition has kept wage rates low, the forces at work in a free economy have kept down living costs.

Hong Kong's striking sales gains overseas have brought protests from established suppliers elsewhere. Several nations have placed import quotas on Hong Kong goods. China is reported to have been undercutting Hong Kong sales in some markets by dumping. Despite these difficulties, Hong Kong businessmen, confident that they can compete if given a chance, seek no subsidies or special favours. They know that their future is tied to the healthy growth of world trade based on mutually advantageous international trade. I suggest that countries which restrict imports from Hong Kong might reflect that freedom to trade is vital not only to Hong Kong but to their own future prosperity, and that if labour costs were the same in all

countries, international trade would come to a full stop. To refuse to buy Hong Kong goods on the ground that they are made by "cheap labour" is like saying to a beggar: "I won't buy a box of matches from you because I believe in trading with rich men only. It is true that by buying from you I would both get the matches cheaper and help you, but I prefer to pay more, thus preventing myself from becoming richer while helping other rich men to become richer still." If that sounds nonsense to you, it is because it is nonsense.

LESSON FOR UNDERDEVELOPED COUNTRIES

In many parts of the world governments are seeking to raise living standards through industrialisation. To attain this goal, they have indulged heavily in state planning and other forms of government intervention in economic life. Indeed, not to have a development plan in these days is to risk the charge of being either backward or reactionary. In seeking to industrialize, many governments have burdened their fledgling economies with controls, and have allocated limited resources to ill-conceived projects with resulting inefficiency and waste. Impatient to get ahead, they have fed inflation with money from the printing press. Exchange allocations, import licensing, and arbitrary taxation have been used to subsidize uneconomic enterprise, to eliminate competition, and to conceal planning blunders.

For such progress as this, the First National City Bank of New York stresses that the consumer pays a heavy price. Goods are more costly, choice limited. Foreign investment and private initiative are discouraged. The range of opportunity for local funds is narrowed. The final irony is often the flight of sorely needed domestic capital to more hospitable countries, Hong Kong's postwar industrialization, for example, has benefited not only from refugee capital fleeing from China, but also from non-communist neighbouring countries that could ill afford to lose it.

The First National City Bank suggests that some of the nations now bent on economic advance might ponder the lesson of Hong Kong's operation bootstrap. Hong Kong's success also demonstrates that foreign aid is not essential to a development plan. As the Hong Kong Government states in its latest annual report: "The predominant theme in international discussions about Asia in recent years has been the urgent need for outside assistance..... to promote..... economic development and to raise the standard of living..... Hong Kong, however, has (been)..... the exception..... This small Colony, almost entirely lacking in natural resources other than the indomitable will and enterprise of its people, has not only belied all prophesies of economic disaster, but also established itself as a vigorous industrial power..... This development has been achieved without major recourse to outside economic assistance..... and despite formidable obstacles arising from political circumstances beyond its control."

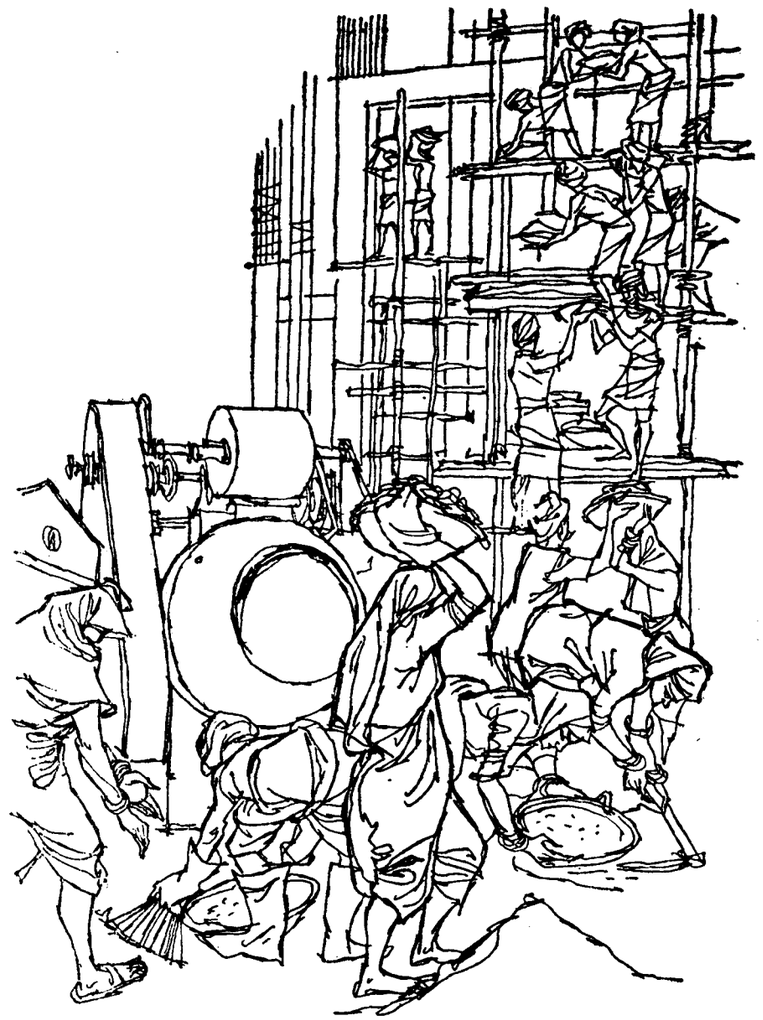
To the "German miracle" in Europe we must, in fairness, add the "Hong Kong miracle" in Asia. Germany offers businessmen greater freedom from bureaucratic controls than any other government in Europe, and Hong Kong than any other government in Asia. Perhaps that is one reason why Germany has the highest rate of economic expansion in Europe, and Hong Kong in Asia. Or am I being "doctrinaire neo-liberal"?

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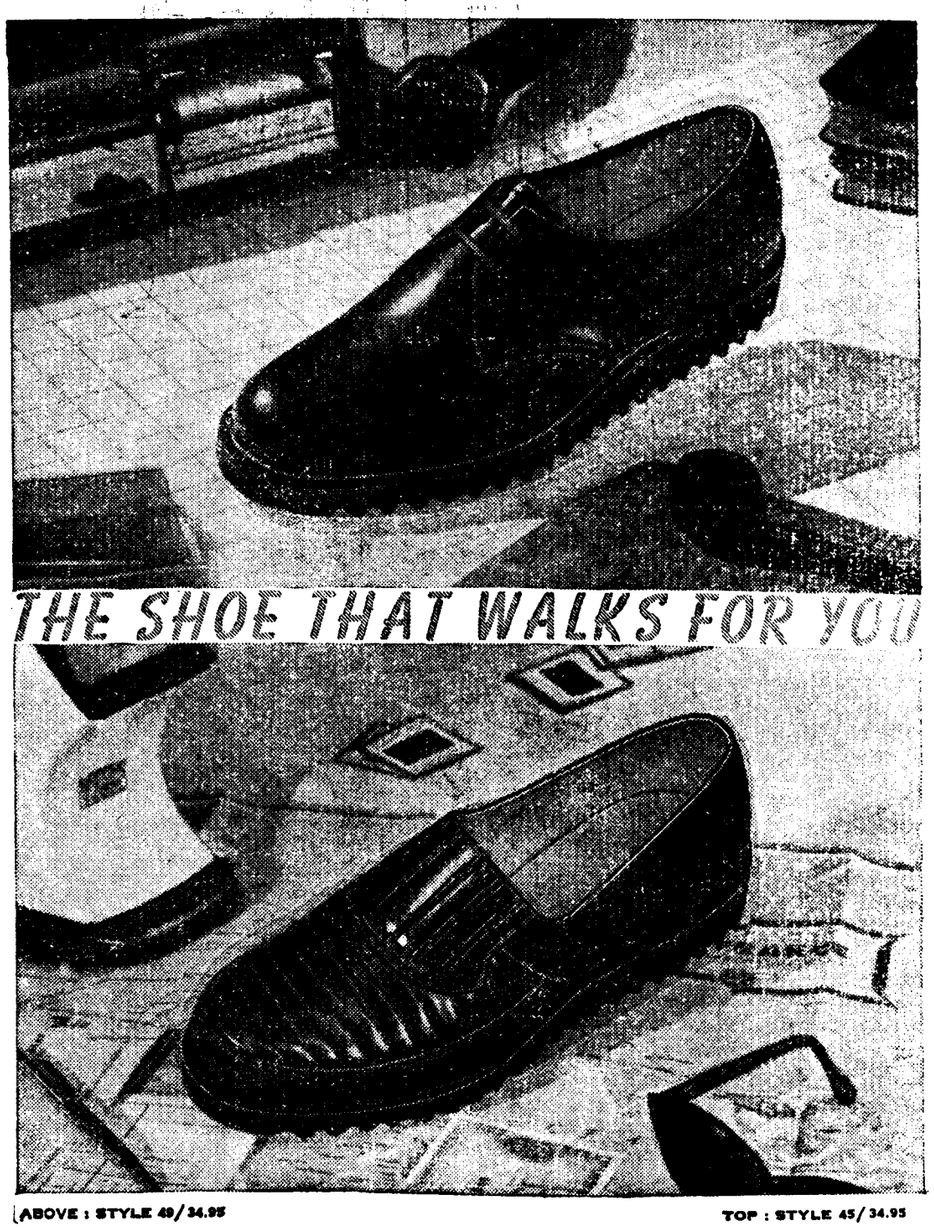
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The European Scene

1960 IN WEST EUROPE

From Our Special West European Correspondent

PARIS, January 1, 1960.

THE New Year opens very favourably for the economies of West Europe. Activity was already at a high level at the end of 1959, and in most countries of this region the early months of 1960 are expected to see further increases in total investment, in incomes and in consumption. Such increases, coming at a time when the recession is already a memory, naturally awaken fears of a new inflationary danger. But the situation of West Europe is today very different from that of other postwar periods of expansion, and different in a way that makes inflationary pressure much less threatening. Fairly rapid and sustained rises in output are now possible without touching off wage demands, and in fact moderate increases in wages are possible without forcing up prices and living costs. The main reason for this is the much improved balance of payments position and the healthy level of currency reserves, which will enable increased imports to soak up any excess demand that appears. The gold and dollar reserves of West Europe taken together are now about $20,000 million, which is the same as those of the United States. The liberalisation of trade that went on throughout 1959, the enlargement or abolition of import quotas, the reduction of customs tariffs and the continuing removal of discrimination against dollar goods all combine to make the use of the shock-import weapon more effective against any sign of localised price pressure.

This was demonstrated in the recent shortage of dairy produce and other perishable foodstuffs in several parts of West Europe, after the long summer drought. The consequent price rises could have been embarrassing for some governments, particularly because they would have been instantly reflected in cost of living index numbers and hence in wage demands. But the lowering of trade barriers throughout the region and, above all, the easier exchange position enabled those governments to import freely; the result was that available supplies were spread much more evenly over the region; no shortage-pockets appeared which would have generated, thanks to the rigid mechanism of index-linked wages, widespread cost increases.

This was a striking example of how freer trade and healthier reserves wipe out bottlenecks—and in an economy where all sorts of wages and prices are automatically connected by contract rather than by free-market forces, bottlenecks are often a more potent source of inflation than a global increase in demand such as is referred to in the popular definition of inflation ("too much money chasing too few goods"). Apart from the temporary effects of the U.S. steel strike, no other bottlenecks are in sight. All raw materials are in easy supply, coal and oil are only too plentiful and shipping space largely in excess. If localised shortages show up, the further liberalisation of intra-European trade, which will make new progress in 1960, will look after them. As for shortages that might affect the whole region simultaneously, these are quite improbable in the months ahead. Raw material prices in Asia, Africa and America have firmed up lately but no general price rise is possible as long as there exist large stocks of agricultural produce and much unused capacity in the mineral-extraction industries. Shipping was already no problem, and the bumper wheat harvest on the Continent combined with reduction of overseas coal imports and the opening of new oil pipelines, means that freights cannot rise in the foreseeable future. The record wheat crop is especially useful in a disinflationary sense, apart from the burden it takes off transport capacity; the 1959 harvest was 65 per cent up on 1958 in Yugoslavia, while France will have 2 million tons free for export in 1960.

Manpower is the factor on which there could be pressure in some countries, notably West Germany. Unemployment was at a low level at the end of 1959, and the freer movement of workers will only begin at a later stage of the Common Market. But migrant labour from Italy and North Africa eases the strain in many fields, notably house-building where demand has been concentrated lately; and of course it has long looked after temporary demand in seasonal occupations such as agriculture. It does less to meet the need for skilled industrial labour and it is here that there has been most anxiety for 1960. But, although prophesy is dangerous, a reasonable opinion is that the rate of expansion will have to be much higher than expected before the labour shortage becomes awkward, even in West Germany. This is because industrial investment has been sustained over the past two years, and it has been directed toward rationalisation and productivity-increases. Output per man-hour increased last year throughout most of West Europe, but the full measure of the advance that has been made will not be taken until all the workers on the payroll are fully employed and until the numerous new factories planned for 1960 come into operation. It will then be found, I believe, that West European industry has acquired unsuspected reserves of productivity in the last two years, so that substantial increases in output will be possible with very little extra manpower. The larger gross profit per unit of output will permit many moderate rises in money wages without harmful effect, either on production costs or on the price of consumer goods. The danger of a pressure on labour costs is greatest in West Germany, but it is also in that country that the most notable advances have been made in rationalisation and productivity; one will have to wait to see the upshot in the course of this year. First signs of tension will be in a lengthening of delivery delays, rather than in higher prices, and the authorities in Bonn have again demonstrated lately that they will take all timely measures to prevent price rises.

The large volume of exports was a major factor in the 1959 recovery, and was the most important single cause of the complete transformation of the French situation. The role of exports in sustaining activity during 1960 will continue to be substantial if the liberalisation of trade maintains its present impetus; and this seems assured as far as concerns the Common Market and the Little Free-Trade Area. But as far as concerns West Europe's exports overseas, mainly to the developing countries, the situation must change. The U.S.A. has had enough of subsidising developing countries, to the point of jeopardising the dollar, so that they can buy more West European exports. The West Europeans will have to increase their aid effort and at the same time trade more equally with the U.S.A. There is nothing in that to cause a reduction of the activity of the export industries—the contrary rather—but there will be a reduction in the rate of accumulation of cash export-surpluses. The West European nations are now strong enough to stand that, especially West Germany, of whom the greatest extra effort will be demanded.

Under U.S. pressure, great plans are afoot in this department, and it is naturally impossible to predict the course of export earnings in 1960. But it is clear that the redistribution of burdens desired by the U.S.A.

can be arranged without any decline in the contribution that export industries make to the level of economic activity. That is to say, no one is being asked to export less; it is the financing of exports that is under discussion. The commercial aspect of exporting causes the European countries no worry; their goods are now competitive with American in most parts of the world, including America. Their steel, for example, is being exported cheaper and with shorter delivery dates than American; they have won new markets during the long U.S. strike, and whatever the outcome of that dispute, it will be to the disadvantage of American exporters. In most other industries, West German and French manufacturers report long export order books and are full of confidence for the coming year.

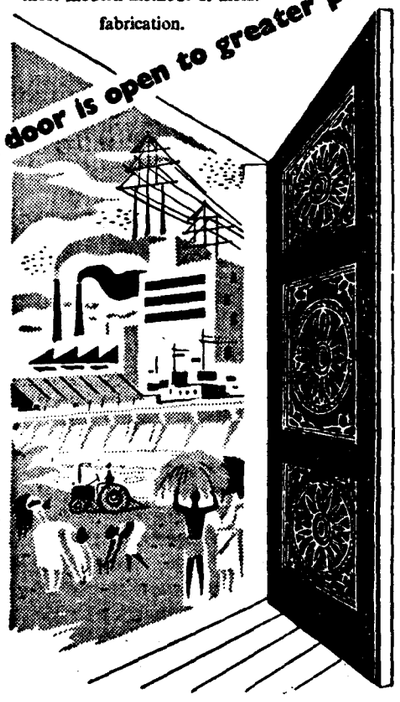
The prospect of a prosperous 1960 in West Europe is of course encouraging for the primary producers, for this is the world's biggest group of importers. But, as has frequently been mentioned on this page, economic expansion in the West is increasingly self-centred and there is no guarantee that extra-European countries will benefit from it in proportion. Thus a recent E.C.E. review of West European economies said, "Although the industrial countries bought more from extra-European primary poducers during 1959, the principal characteristic of the renewed expansion of world trade was the ever-greater increase in trade in manufactures compared with trade in primary produce and, as a corollary, the faster growth of trade between the industrial countries than of trade between the industrial countries and the primary producers. That it why the primary producers have seen their export position—which was already weakened in 1957-58—deteriorate instead of improve during this phase of economic expansion". In the normal course of events, the expansion foreseen for 1960 in West Europe would have the same results, exacerbated by the factors I have mentioned: independence in food and fuel supplies, new industries, etc.

But the saving factor for the raw-material producers is that the U.S.A. is in the same boat with them. It is not commonly realised that, when it comes to trade with West Europe, the mighty American economy is nowadays on the same footing as the poor developing countries of Africa, Asia and (even more exactly) Australasia: the U.S.A., like them, is mainly a source of raw materials for West Europe. Her principal exports across the Atlantic are no longer machines and manufactures but cotton, tobacco, oil, coal, minerals and other industrial raw materials. Like the developing countries, U.S.A. has been one of the main sufferers from European protectionism in foodstuffs, cereals, coal and minerals. So the relative disadvantage that the primary producers suffer from self-centred European expansion affects the U.S.A. too, and although she has less reason to be anxious about it she has more means of protecting herself—witness the methods Washington is using to scotch the British project for an 18-nation West European free-trade zone which would have had damaging consequences for North America and the developing nations. In the near future the U.S.A. is not likely to press for bigger European imports of her own primary produce, but for greater Euopean aid to the developing counties which will have the three results of lightening the payments burden of the U.S.A., assisting the economies of the developing countries (thus compensating for their relative loss in export earnings), and maintaining their industrialisation (thus sustaining their demand for American, and European, machinery).

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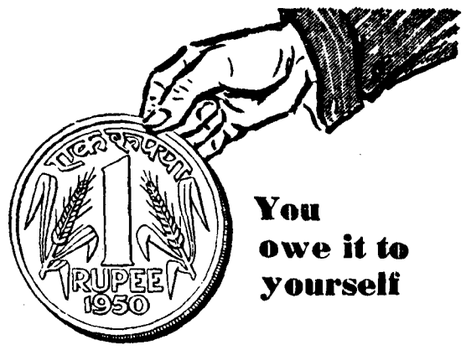
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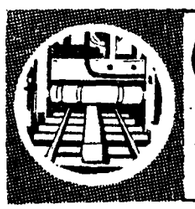
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Economic Report from the U.S.

BUSINESS TRENDS: PAST, PRESENT AND FUTURE

By GUY SIMS FITCH

WASHINGTON, Dec. 29.

ABOUT 7,000 economists and statisticians from all parts of the United States are converging on Washington this week. They are attending the joint meetings of the American Economic Association, the American Statistical Association and ten other allied social science organizations—an annual event that usually shapes up as the year's most ambitious examination of business trends, past, present and future. This year's gathering is, if anything, even more momentous than others of recent years. For it takes place not only when a year is ending, but also when an entire decade is drawing to a close and is giving way to another. How do the assembled experts see the dominant trends at this point in history? In general, as one observer has put it, they view the past with satisfaction, the present with equanimity, and the future with confidence.

The decade of the 1950's has been the most prosperous the United States has yet known. The gross national product (GNP), or total output of goods and services—the best measurement available of over-all economic activity—has risen some 10 per cent. From $285,000 million in 1950 to an estimated $480,000 million in 1959. Personal income of all Americans also has soared 70 per cent, from 1950's $229,000 million to 1959's $380,000 million. Industrial production has risen 35 per cent. The number of gainfully employed has increased from less than 60 million to more than 66 million. As for the present, there is close to unanimous agreement here that the upsurge of the past year and a half will continue through 1960, with record achievements in prospect. Economic activity is seen surpassing the once-fabled $500,000 million mark. New highs are anticipated in production, income and employment and in many individual industries. As for the decade that lies ahead, few experts are willing to set any detailed statistical limits to their projections. There seems to be widespread expectation, however, that the rate of economic growth may well rise to better than four per cent a year from the 1950's highly respectable three per cent a year—certainly a remarkable enough growth rate for an economy as large as that of the United States. And the factors that have done much to add the ingredient of stability to the element of growth are expected to continue into the future.

Cited among these are improved investment planing by business, the high personal incomes of the consuming public, social security protection and unemployment insurance by government, pension programmes and supplemental lap-off benefits by industry, and the gradual shift to more salaried and professional jobs. As seen by Dr Arthur F. Burns, former Chairman of President Eisenhower's Council of Economic Advisers and an acknowledged authority on economic trends, all this means that the "business cycle is unlikely to be as disturbing to our children as it once was to us or to our fathers."

Perhaps, the best outline of the kind of economic society that lies ahead in the 1960's and beyond is found in a little-noticed study by the U.S. Department of Labour. This comprehensive, 800-page "occupational outlook handbook" heralds another big increase in the number of skilled and salaried workers in the wake of the growing trend toward automation as the world advances further into this exciting age of scientific and technological development. Employment in unskilled categories, on the other hand, is expected to show little or no change. The number of farm workers, meanwhile, can be expected to decline further in the 1960's. But this would only mark the continuation of a long-term trend, for it is on the farm that one of the most significant of all technological revolutions has taken place. Less than a century ago, one-half of all people in the United States who worked for a living were employed in agriculture, where today only one in ten is so employed. But one farmer now supplies the food needs of 30 persons, whereas in 1870 he met the needs of only six. One of the important by-products of this urbanization of society, with its growing emphasis on such service fields as clerical work, selling and teaching, has been the rise of women in the labour force. The number of women in the labour force has increased from one in five early in this century to one in three today.

Men under 65 years of age, however, will continue to make up the bulk of the labour force. But the proportion of young employed people has been dropping and may continue to drop, largely because of the longer schooling required to absorb the training and the skills demanded by modern industrial society. The experts also foresee a possible continuation of the trend toward fewer employed persons aged 65 and over—a trend attributed mainly to the extension and improvement of public and private pension and retirement systems. All in all, between 1960 and 1970, the total labour force of the United States is expected to increase by some 13.5 million to nearly 80 million gainfully employed persons, under the combined influences of population growth and economic expansion. There are some experts who believe that by 1975, the labour force will approach the 90 million mark. Thus are the "fabulous fifties," as they have been called, giving way to what some people already are hailing as the "golden sixties" or, more alliteratively, the "sizzling sixties." Perhaps, one should add, also alliteratively, that the next decade promises to be no less sound than sizzling, with the American economy continuing to manifest, in marked measure its underlying stability as well as its expansive growth.

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Special Article

THE MAN IN THE STREET AND HIS RUPEE

By P. C. CHAUDHURI

THERE is bound to be some controversy over the question whether the internal value of the rupee has declined by 29 per cent since 1947, as recently declared by the Governor of the Reserve Bank, for the first time, in Bombay, or whether the rupee has continued to maintain its stability, as in fact being "stronger than many currencies of the world," as the then Finance Minister, assured Parliament during the general debate on the Budget for 1957-58, a statement which was repeated by the Governor himself in even more emphatic terms in June last year. The trouble with most controversies, however, is that in the maze of discussions which follow, one is inclined to lose sight of the problems and give little thought to their solution. It is therefore useful to consider, at this stage, what are the serious problems which require attention and what are the means of ensuring that the rupee retains its strength so that any danger to the country's economy and any further hardship to the middle classes, whose importance in capital formation as investors is often overlooked, may be obviated.

The suggestion for a devaluation of the rupee, which has appeared in this country, has been effectively answered by Mr. C. D. Deshmukh. He has pointed out that devaluation can be a useful corrective only if some of the glaring disequilibrium in the national economy — especially the food scarcities and the excess of imports over exports — is eliminated. The crux of the problem is to improve agricultural production, assist industry to develop, and correct the balance of payments by a carefully planned export drive. Devaluation by itself is not a solution of the problem. Now there is a growing awareness that currency devaluation, even if it stimulates some exports, would stimulate more the cycle of inflationary pressure and that a better developmental strategy would be to readjust import licensing and investment policy and place production on lines that would reduce the relative high costs.

While stating that the real worth of the rupee had declined by 29 per cent, the Governor of the Reserve Bank had explained that the task of maintaining the stability of the currency was beyond the sole competence of the Reserve Bank. There is some force in this view. Modern economic thinking has moved far from the original Keynesian assumption that a central bank could cure everything and that the job of economic reform was simply to educate central bankers. Mr. Deshmukh has observed that the traditional Keynesian techniques — to stimulate demand, encourage investments and raise the national income through increase in employment — cannot be effectively applied in a country like India where a persistent shortage of many essential goods has continued to exist. For a country with mounting debts, on which the annual interest alone is now estimated at Rs. 150 crores, and a continued need to import large quantities of machinery and stores for its development projects, any suggestion for devaluing its currency is fraught with serious danger to its entire economy and must be firmly resisted.

The Governor of the Reserve Bank had also referred to deficit financing and his statement implied that the Government's attitude in this regard should be reconsidered. Views differ on the application and extent of deficit financing which an economy can bear. In a country racing against time to complete its development plan, the budgetary gap can be a useful instrument of fiscal technique. Mr. Deshmukh had placed the matter in the right perspective when he said at the time of the Budget in 1953 that "so long as the domestic price situation is well in hand, and there are external reserves which can be drawn upon in the case of need, deficit financing for development involves very little risk" and that "deficit financing, subject to safeguards, has a definite part to play in bringing into use the unutilised resources in the system". In the context of our developmental needs, it was important "not merely to live within our means but also live up to our means". Instead of sniping at deficit financing as such, a better course, in the public interest is to concentrate no the means of ensuring monetary stability in the country for which the Reserve Bank has a statutory responsibility.

An essential purpose of central banking is to exercise general supervision on the volume of credit and to control its supply, both by making it cheaper or dearer and by restricting or increasing the lending power of the banks. In this the regulation of interest rates has a wide significance. The Radcliffe Committee has also confirmed that "the movement of interest rates has significant effects on the entire liquidity structure." In this country, although the Reserve Bank is in a position to determine the direction, and influence the extent, of interest rate movements, there has been a marked tendency towards a rapid conservative attitude. Holding on to a low Bank rate may in some circumstances have its own justification, but there would appear to be some ground for the impression that in the peculiar conditions of a developing economy in the Plan periods a little less timidity, and a little more imaginative approach, might have been all to the good.

To the man in the street, there has been little relief. An inter-bank agreement on rates of interest on deposits, after earlier efforts in that direction by the Reserve Bank had failed, came into operation a year ago. It fixed the ceiling, for rates of interest on time deposits at the level of 3⅞ to 4 per cent with the object of eliminating competition amongst the banks for securing deposits on which interest of 4½ per cent and more was being offered; the leading banks now allow interest of 2¾ per cent on time deposits up to Rs. 1 lakh, whereas the interest charged by them on secured advances continues at the rate of 7 per cent. Even such bodies under public ownership as the Life Insurance Corporation, who participate in the operation of the money market, charge a high rate of interest, 7½ per cent for instance on mortgage loans. The disadvantageous position in which the small entrepreneurs from the middle classes are placed is thus obvious.

There has been an extraordinary increase in money supply with the public, expanding by Rs. 152 crores to Rs. 2,531 crores in 1958 as compared to an expansion of only Rs. 36 crores in the previous year. According to the Reserve Bank, the expansion was almost entirely in currency with the public, the bulk of expansion

of bank deposits being in time deposits (which are not included in computing money supply). It is difficult to understand the ambivalence of the Reserve Bank in its assessment of monetary policy and in particular its failure to take remedial measures in regard to time deposits which now exceed Rs. 1,000 crores. It has been pointed out that the ratio of advances to deposits being 53.4 per cent, business enterprises are obviously not able to use the funds. The suggestion has been made that some of these idle funds, which are surplus to current business needs, could be easily siphoned off from the public into Government securities by floating more loans, the recent loans of the Central and State Governments having been all over-subscribed. While the question as to whether Government securities are necessarily the best choice in a developing economy may be a moot one, particularly when it is found that the investments of the scheduled banks in Government securities rose from Rs. 447 crores at the end of 1957 to Rs. 663 crores last year, the accumulation of such a substantial volume of deposits should have called forth some intiative from the central banking organisation of the country.

There is also lack of progress in the matter of medium and long term credit for which the industries have been pressing for years. There has been little evidence of a practical response so far. The explanation given by the Reserve Bank recently was that generally speaking the banks in India have continued to function on traditional lines advancing credit mainly on short terms. The problem of long-term finance for the industry, and especially for the small scale industries in which the middle classes, containing some of the most energetic entrepreneurial elements, can play a definite role, requires urgent attention. The commercial banks, it has been pointed out by a leading banker, lack the necessary credit base to carry the load of medium term finance; in 1957, for instance, 60 per cent of bank deposits were repayable on demand, another 30 per cent within 3 to 6 months, and only about 10 per cent of the deposits had a year to run. If adequate steps can be taken to provide funds to the commercial banks, there is no reason why they should not be able to meet some of the needs of the industries for medium and long term credit.

For this, however, prompt and effective action is necessary. In the tea industry, there has been, for a considerable time now, an urgent demand for finance on medium and long term basis for the renovation and construction of factory buildings, the replacement of machinery and the purchase of other fixed assets required for the production of tea, one of our most valuable foreign exchange earners. The Tea Board and representatives of tea interests had approached the Reserve Bank, but instead of making a speedy and practical arrangement for such vital needs of the industry, the Bank seems to have followed the time-consuming technique of Government departments by circulating to the banks a long proforma, asking for an immense amount of statistics for every tea estate financed by each bank in each year from 1951, including such data as the area under cultivation and the amount of tea produced each year in each estate, though these details could have been, if at all necessary, obtained from the industry itself or its well-organised Board.

The most staggering of our national failures has been in agriculture and animal husbandry and for this the man in the street has now to pay a heavy price. It would probably have been more appropriate to designate the Minister in charge of the portfolio as the Minister of Agriculture, and provide him with a Deputy Minister for Animal Husbandry, if only to focus attention on the more important part of his responsibility. As it is, the Food Minister's interest, so far as it can be gleaned from his recent speeches, seem to be centred, perhaps not unnaturally in the present exigencies more on food procurement than on the more enduring, if less spectacular, work of increasing agricultural production and milk and other essential supplies in the country itself.

The man in the street cannot help noticing that there is no longer much talk of Grow More Food campaigns, of tractors and tube-wells, and the reclamation schemes. He finds, that if he were to cultivate land in his ancestral village, his chances of getting low-interest credit for seasonal and long-term requiremets are scarce; on the other hand, he can get better value for his rupee if he sells or leases his rural property and moves to a town and invests in real estate which has acquired an amazing liquidity in larger cities like Delhi where building plots, allotted on premia of Rs. 10,000 to Rs. 20,000 an acre barely ten years ago, are now being offered, and actually sold, at Rs. 70 to Rs. 80, and in the more fashionable areas, at Rs. 100 to Rs. 125 per square yard! He is also pleasantly surprised to find that he can easily get a bank advance or loan on his urban land—albeit at a very high rate of interest—to build a set of flats and then, in the absence of any rent control, obtain a return, in rental and capital appreciation, many times his original investment.

(To be concluded)

KAMARHATTY COMPANY, LTD.

NOTICE

The Board of Directors have today declared the following Interim Dividends in respect of the year ending 31st December, 1959:

(1) **On the Preference Shares — @ 3% of Income-tax but subject to the provisions of Section 18 (3E) of the Indian Income-tax Act.**

(2) **On the Ordinary and 'B' Ordinary Shares — @ Rs. 5/- per share less Income-tax & Super-tax at the prescribed rates.**

These dividends will be payable to those members whose names are registered in the Books of the Company on 29th January, 1960 or to their Mandatees.

The Share Transfer Books of the Company will be closed from 19th January, 1960 to 29th January, 1960, both days inclusive.

By Order of the Board,
JARDINE HENDERSON, LIMITED

4, Clive Row,
Calcutta — 1.

D. FORDWOOD,
18th December, 1959. Secretary,
Managing Agents.

THE BUSINESS WORLD

Policy for Labour

By CROESUS

AT the third All-India Labour Economics Conference, held in Madras last week, one had the unique opportunity of listening to the views of two eminent persons on labour matters, one a seasoned trade unionist —Mr V. V. Giri, Governor of Uttar Pradesh, and an eminent theoretician—Prof. P. C. Mahalanobis, Director, Indian Statistical Institute, Calcutta. It is significant that both Mr Giri, who claimed to have "some knowledge of labour and industrial problems for many decades" and Prof. Mahalanobis, whose views are particularly known to influence thinking among our planners, touched on productivity and stressed the need for paying greater attention to it than it had received so far. Mr. Giri also made a few notable suggestions in this context. First, he wanted the problem to be handled scientifically; secondly, he wanted both workers and employers to effect a complete change in their outlook and attitude so as to increase production both quantitatively and qualitatively; and, thirdly, he emphasised the need to remember that the results accruing from increased productivity could not be appropriated either by labour or by capital or by labour and capital only but also by the general consumer, a point which is often forgotten. These are like axioms with which few can take exception.

Prof. Mahalanobis also placed his finger on the place of the country's productivity problem, when he stated that labour productivity was stagnant, if not decreasing, and that there was a good deal of general slackness and disinclination for hard work. But it is not clear from his reported speech whether he attributed this to the general preference of labour in India for wages on a time scale—he drew pointed attention to this and to the tendency of trade unions in India to imitate the methods of the highly developed countries without proper appreciation of the interests of labour. The Calcutta Professor further drew attention to the tendency, under conditions of chronic unemployment and underemployment, to use two or three workmen to do the work of one, thereby raising the total labour cost per unit of the end-product so high as to hamper exports. He heartily disapproved of the argument in justification of this practice that, in an underdeveloped country with much unemployment or underemployment, it was justifiable to spread out the employment in this way.

After posing the problems, both Mr Giri and Prof. Mahalanobis went on to offer solutions. Consistent with his known stand on labour legislation—a stand which, although it cost him his place in the Union Cabinet, has lately come to be recognised and accepted even by his staunchest critics—Mr Giri pleaded for a permanent joint standing machinery at all levels and in each unit of the industry to go into and settle every issue likely to lead to strikes or lockouts. The Indian Statistical Institute Chief, on the other hand, pleaded for a complete re-orientation of our labour policy. "Labour policy and legislation in India," he said, "must promote the maximum rate of economic growth and the maximum utilisation of unemployed labour." There can be no disputing either this desideratum or the Professor's stress on the highest possible efficiency of labour and increasing productivity. But how can this be brought about? It is a pity that Prof. Mahalanobis left his audience none the wiser for listening to him with wrapt attention. All that he could tell them was that there was no ready-made solution to copy, that the attempt to introduce institutional forms well suited to advanced capitalist countries would defeat its own purpose and that it was impossible to introduce methods in operation in socialist countries either for lack of necessary political sanctions. Some might draw from this the inference that, if left to himself, Prof. Mahalanobis would rather ask for these political sanctions and follow the totalitarian approach. Probably anticipating this, he was content to dispose of the question with this observation: "It seems essential to evolve a labour policy suited to Indian conditions and needs."

While everyone would welcome such a labour policy, many will doubt if there can be any place in it for a Labour Reserve service which, incidentally, is a new suggestion that he has made. Prima facie, the suggestion appears quite attractive. The proposed LR is intended, we are told, "to absorb such industrial workers as may be considered surplus and be laid off" by existing industrial enterprises at their discretion and also to serve as a pool for other enterprises to draw upon, again, at their own discretion. The Labour Reserve service (LR) would then act as a buffer against unemployment and would serve as a (perhaps socially more useful and psychologically more preferable) form of, or substitute for, unemployment insurance, limited, however, in the first instance, to persons who are already factory workers. The responsibility would rest on Government to make the best use of the Labour Reserve. The workers admitted into the Labour Reserve would receive, not the full, but a suitable part (say, between a half and three quarters) of the emoluments they were receiving in their original posts; they would also be bound to take up whatever work they were offered by the LR authorities and, if they refused, they would have to leave the LR. It should be possible to recover an increasing part of the expenses out of productive work taken up by the L.R. The balance of the cost may be met partly by a comparatively small (LR or unemployment insurance) levy on enterprises, partly by direct contribution for each worker sent to LR by an enterprise, and partly by Government out of its general income. An enterprise would send an employee to the LR only when the benefits accruing would be considered to be commensurate with the direct contribution. The LR would provide training of various kinds and would continually try to use the men for productive purposes. Workers in the LR would have an incentive to find better jobs at the earliest opportunity. In this way, conditions in at least an important part of the labour market, that is, among the factory workers, would approximate to labour conditions in the most advanced economies in both capitalist and socialist countries."

In the first place, it is strange that, after pleading that India should evolve its own labour policy and not attempt to introduce forms suited to advanced countries, capitalist or socialist, Prof. Mahalanobis should himself advocate a reform that "would approximate to labour conditions in the most advanced countries in the capitalist and socialist countries." Secondly, the suggestion presupposes the availability of productive work which today is going abegging for workers. Surely this is not the prevailing situation. On the other hand, the modus operandi for dealing with surplus labour that the present tripartite machinery in the country has evolved is not only more practicable but also more acceptable to all the interests concerned. In any case, if one more levy is called for from industry, labour and the Exchequer alike for the purpose, the L.R.S. is sure to be rejected as a luxury which India can well afford to do without.

Business Notes

Industry

RAYON'S REMARKABLE RISE

THE STEADILY growing rate of internal 'per capita' consumption and export demand of art silk fabrics has enabled the rayon industry to establish itself firmly in the country. According to recent estimates, the 'per capita' consumption of art silk fabrics, which is currently placed at around 0.75 yard, is expected to go up to nearly two yards during the Third Five-Year Plan. Likewise, exports of rayon and synthetic fabrics, which stood at just Rs. 49,97,513 in 1957, went up during the first eleven months of 1959 to Rs. 3,54,96,088. That the industry should have registered such an impressive record in the face of growing international competition and the temporary "discontinuance of the Export Promotion Scheme in early March, 1959" is noteworthy. Anyway, consequent upon the increasing domestic and external demands, the production curve also has been upward, and it is the anticipation of the industry that it would attain the target of about 880 million yards during the Third Plan period. In the other branches of the industry, such as viscose yarn and staple fibre, too, production has been equally encouraging. According to Mr. D. N. Shroff, Chairman of the Silk and Art Silk Mills' Association, while the expansion programme of viscose yarn to attain a total capacity of filament yarn of 120 million lbs. (including Acetate, cuprammonium and synthetic yarn) is expected to be completed by 1960-61, production of staple fibre, placed at present at around 35 million lbs., is expected to go up to 75 million lbs. during the same period.

But two important problems seem to be hindering the smooth and steady progress of the industry. In the first place, the industry is being put into great difficulty for want of yarn, thanks to the fluctuating policy in respect of yarn distribution. Secondly, exports are adversely affected by the none too satisfactory Export Promotion Scheme. Mr. Shroff complained, at the recent annual meeting of the Association, held in Bombay that "the incentives are insufficient in many varieties of viscose fabrics, which are manufactured in large quantities by the industry. The industry has a potentiality of exporting these fabrics to the tune of Rs. six crores to Rs. eight crores if the incentives are revised and adequate facilities are given." He also drew attention to other points such as the capital of the mills being blocked up, and contracts having to be cancelled because of time lag, etc. It seems imparative, therefore, that an integrated policy, including a scheme of rehabilitation and modernisation of machinery, is evolved soon, after mutual consultation between the Government and the industry, so that an important industry which earns for the Exchequer a sum of as much as Rs. ten crores a year and employs nearly a lakh of persons may progress along sound and healthy lines.

LOCATING CHEMICAL INSTALLATIONS

WITH THE introduction of modern high explosives, propellants, gases and numerous other synthetic organo-chemical compounds, the importance of chemical engineers—whose role as providers of fertilizers for agriculture, for example, has already been established—has acquired a new dimension in the sphere of national defence. National defence itself has undergone a significant change since the first World War, and even more so since the Second World War. It has now been accepted—and rightly—that "development in the civil sector is the correct solution to several of our national defence problems, particularly where large requirements arise at short notice." Dr. G. S. Kasbekar, President of the Indian Institute of Chemical Engineers, and Officer on Special Duty, Directorate-General of Ordnance Factories, Ministry of Finance, did well, therefore, to stress this aspect in his presidential address to the 12th annual session of the Institute, held in Bombay recently.

Although a lot has been done since Independence, it cannot be said that adequate efforts have been made to take cognisance of the emergency requirements of national defence. It is true that, during normal times, the requirements of chemicals are not very large, but, at times of emergency, they go up tremendously. Consequently, it is imperative, as Dr. Kasbekar urged, that national defence should be established on a sound footing by bringing together all the productive scientific and technical resources of the country. Defence problems are very peculiar requiring special types of planning. As the I.I.C.E. Chief emphasised, "special provision is needed either to instal and leave idle certain capacity or to divert the product from some other usage. In certain cases, plans will have to be kept ready for expansion in capacity from indigenous resources at short notice. All these aspects need careful examination and decision and one cannot expect the Development Wing or the Planning Commission on its own to tackle such a problem." Looked at from this angle, it is doubtful whether the recent decisions of the Defence Ministry to take to manufacture of trucks, etc. are well-advised.

Another important point made by Dr. Kasbeker relates to the location of some of the major chemical installations in our country. He urged that some of the chemical installations now located within fifty to hundred miles of India's borders are very vulnerable at times of emergency. The present location policy is, according to Dr. Kasbekar, "a direct consequence of either raw materials, or consumers or similar other facilities, such as water availability, vicinity to other industries and townships, labour potential of an area, etc." In normal circumstances, this pattern of location is more or less suitable, but "under the searchlight of national defence", these locations will be very unsatisfactory and undependable. Hence the imperative need of examining, at the highest quarters, the location of at least some of the major industries in safer zones.

Foreign Trade

EARNINGS FROM FILMS

IT GOES to the credit of Indian film industry that in spite of various failings and drawbacks, it has proved to be a source of much needed foreign exchange at a time when India's trade gap is widening every year. This again is in spite of the fact that Indian languages are not understood abroad. On the other hand many filmgoers in India understand English and therefore British and American films are quite popular in India. If under these conditions Indian films earned during the first nine months of 1959 more than Rs. one crore, it is really encouraging. During the same period payments were made on imported films amounting to less than Rs. 80 lakhs. In 1958 also, our earnings on ac-

count of film exports exceeded our payments on this account, the respective figures being Rs. 96 lakhs and Rs. 32 lakhs. While import of foreign films are mostly on rental basis, exports of Indian films are both on rental and outright sale basis. Indian films are now exported to more than 60 foreign countries. Apart from traditional impoters of Indian films like Ceylon and Singapore, other countries importing films from India now include the UK, the USSR, France, USA and Canada.

Indian films, apart from earning some foreign exchange, serve as a very important medium for the spread of Indian culture abroad and thus increase the interest of foreigners in India, which ultimately helps in the tourist trade. Government of India have, therefore, taken a number of steps to develop overseas markets for Indian films. On the recommendations of the Export Promotion Committee for Films, it has been decided to encourage production of pictures in cinemascope and facilitate the import of sub-titling machines. The Committee has also undertaken a survey of foreign markets for Indian films. Regional Committees have been set up at port towns of Bombay, Calcutta and Madras for advising exporters about the prospects in individual markets and generally about developing exports on a long-term basis. Facilities for sub-titling of motion pictures in all foreign languages are now available in the country. Lack of this facility had proved a great handicap in the past. Provision has also been made in the current import policy for import of raw films against export of motion pictures. Exporters are allowed to import raw films equal to 2 per cent of the F.O.B. value of exports of feature films. It is hoped that the earnings on account of exports of Indian films abroad will rise further as a result of those measures.

INDO-IRANIAN TRADE

DISUCSSIONS BETWEEN the Iranian Trade Delegation and the team of Indian officials for expanding trade between the two countries concluded recently in New Delhi. The five-member Iranian Trade Delegation, which visited India from December 10, 1959, to January 6, 1960, was led by Mr. Agha Ali Asghar Peerzad, Adviser to the Ministry of Commerce, Government of Iran. The two delegations exchanged views on ways and means to ensure smooth flow of trade between the two countries and closer trade and economic relations. It may be pointed out that India has a deficit balance of trade with Iran. During the first eight months of 1959 the imports from Iran amounted to Rs. 14.82 crores against exports of Rs. 2.17 crores. In the previous year imports were higher and in the corresponding period of 1958 the total came to the extent of Rs. 20.98 crores. The imports were again quite low — Rs. 2.74 crores. Indian imports are constituted mostly of mineral oils and the exports to Iran consist generally of tea and textile fabrics.

It was felt that there was considerable scope for expanding beyond the present level of trade in traditional items and also of extending the trade to new items, like sulphur, zinc, lead and copper ore, cotton and hides and skins, etc. from Iran and light engineering goods, rayon piecegoods, diesel engines, bicycles, drugs and medicines, chemicals and pharmaceuticals from India. The two delegations also discussed the question of adding a suitable Protocol to the Treaty of Commerce and Navigation between the Government of India and the Imperial Government of Iran. It can be expected that as a result of these talks the volume of trade between the two countries will increase.



A DELHI NOTEBOOK

OIL PRODUCTS: CHANGING OUTPUT PATTERN

THE Government of India has initiated some measures to meet the deficit of kerosene and diesel oil. At the instance of the Government, the existing refineries have adjusted their production pattern; production of motor spirit has been reduced to the absolute minimum and that of kerosene and diesel oil, particularly high speed diesel oil, has been stepped up. The two public sector refineries are also being designed according to the new pattern of consumption. High speed diesel oil specification has been amended; flash point of HSD has been lowered from the present 150°F to 131°F. This will enable the refineries to divert a part of the neptha now being absorbed in motor spirit production to high speed diesel oil.

Besides, the Government, it is understood, is considering import of kerosene. According to knowledgable circles, there should not be any difficulty in importing this commodity on barter basis, particularly in view of the trade offensive by USSR. Russia recently agreed to buy from Brazil 18 million dollars worth of coffee in return for crude oil, refined oil products, oil testing equipment and wheat under a trade agreement providing for exchange of goods worth 200 million dollars over the next three years. Japan has also shown interest in Baku oil and according to Kyodo News Agency, Toa Oil Company of Tokyo is to import 19,000 tons of good quality oil from Russia. If the quality is found to be satisfactory, this Japanese concern may enter into a long-term contract with Russia for the supply of oil. Another Japanese firm, Idemitsu Kosan Company, last month contracted to import 33,500 tons of oil from Russia. Soviet oil prices are said to be 10 per cent lower than world prices.

LUBRICATING OIL PLANT

An aide memoire circulated by the Government of India to foreign Governments on the establishment of a lubricating oil plant in India in the public sector says: "The Goverment of India wish to establish facilities for the production of lubricating oils at a suitable location in India. This project will be owned and managed by the Government of India and/or by an organisation set up by it specially for the purpose. The plant and equipment should be so designed as to process suitable imported 'reduced' crude oil, and should be such that they could be switched over to process indigenous crude oil of more or less identical characteristics if and when available. In preparing the design data, etc., it has to be ensured that the plant and equipment would be capable of yielding approximately 100,000 tons of HVI lubricating oil, in addition to such other products as may become available.

"The Government of India would like to have technical and other assistance from parties interested in this project with a view to establishing the project in the public sector. The scope of this enquiry includes: (1) preparation of a detailed project report which should specifically cover (a) a techno-economic study of the type and size of the plant to be installed, the type and quantities of crude oil to be processed, the grades and quantities of lubricating oil to be produced and the varieties and quantities of other products that may be available, (b) an appreciation, based on technical as well as economic considerations, whether it would be economical to have a separate plant for the purpose or it could much more economically be added to a major sized refinery, (c) process techniques that might be adopted to obtain products suitable to meet the requirements of the Indian market; at least two or three alternative processing schemes may be discussed detailing the broad technical and economic features with a view to selecting the most suitable scheme for adoption, (d) an estimate of investment cost and operating cost in Indian rupees with a break-up of cost of plant, equipment and materials to be imported c.i.f. Bombay and the cost of ancillary expenditure to be incurred in India, (e) complete specifications for the proposed design of the plant and equipment, including its off-site facilities, (f) recommendations as to the location of the project with reference to imported or indigenous crude oil to be processed, the proximity to areas of consumption and availability of such facilities as electricity, water supply, land, transport facilities, etc., (g) an approximate time schedule for the various phases of work upto the date of the commissioning of the plant; (2) proposals for technical and other assistance in the selection of a suitable site, construction/erection/commissioning of the plant and for training facilities for Indian nationals both in India and overseas; and (3) proposals, if the principle is acceptable, for the full foreign exchange component of the cost of the project to be met on the basis of long-term credit or on deferred payment."

SMALL CAR

The Union Government is planning to place the small car on the market by the middle of the Third Five-Year Plan. The Jha Committee, in the interim report submitted to the Government, is understood to have said that it would be impractical for it to recommend specific car or cars which should be manufactured in India. It is for the Government to enter into negotiations with firm or firms to manufacture small cars in this country for it is only the Government that can determine how much foreign exchange could be allocated for the import of car components till the time they are manufactured indigenously.

The Government will also have to examine the durability and performance of the various cars, the degree of know-how and financial collaboration the foreign manufacturers were prepared to offer to their counterparts in India and the service that can be organised for the car users. As recommended by the Committee, extensive trials of the various small cars are now being carried out both by the Armed Forces and the civilian organisations in order to test their suitability to Indian conditions. Trial report in respect of one car has already been received by the Government.

MANUFACTURE OF RAW FILMS

The offer of the French firm, Bauchet, to collaborate in the setting up of a raw film manufacturing unit in the public sector has been accepted by the Government of India. The factory, which is estimated to cost nearly Rs. 6 crores, will be located at Ooty and will produce cine and photographic films for which there is a large and growing market in this country. Production is expected to start by 1962. The agreement with the French firm was necessitated by the withdrawal of the East German offer.

BASIC CHEMICALS

The representatives of Bayers, of West Germany, are expected to visit India this month to finalise the agreement with the Government for the production of basic chemicals and intermediates. Almost all the intermediate chemicals required for the manufacture of drugs and pharmaceuticals are proposed to be produced at the public sector factory to be located at Apta Kharpada, near Pauval, in Bombay State. The capital investment on this project is placed at Rs. 12 crores. The undertaking will produce basic chemicals worth Rs. 9 crores a year.

BRIEFS

The Government of India has permitted the import of a limited number of low-priced swiss watches, actual quota being 2.5 per cent of the basic year's imports and prices being upto Rs 50 per watch.

*

The State Trading Corporation is negotiating the import of writing and printing paper from some of the East European countries.

WORLDGRAM

India

Tax Agreement with Japan: India and Japan have concluded an agreement on avoidance of double taxation between the two countries. An important feature of the Agreement is the provision for a tax-sparing scheme, analogous to that in the Indo-US double taxation avoidance treaty. Under this scheme, the amount by which the Indian tax has been reduced by certain special incentives designed to promote economic development in India, shall be deemed to have been paid by the taxpayer and for that amount a credit against Japanese tax will be allowed in Japan. The new provision, it is hoped, will lead to a considerable increase in the business and investment activities of Japanese enterprises in India.

*

Co-ordinating Committee for Public Sector Steel Plants: The Government of India have decided to set up a committee to co-ordinate the work of various organizations engaged in the detailed planning of the expansion of the three steel works in the public sector. The committee will consist of the General Managers of the three steel plants at Rourkela, Bhilai and Durgapur and a representative each of the Department of Mines and Fuel and Department of Iron and Steel of the Ministry of Steel, Mines and Fuel. The General Manager (Construction Division) of the Hindustan Steel Ltd., and the Iron and Steel Controller of Government of India will also be members of the committee. The representative of the Department of Iron and Steel will be the convener of the commitee. The committee has been set up to plan the economic expansion of the three steel works with a view to securing the timely production of various categories of steel for which additional demands are likely to arise during and immediately following the third Five-Year Plan.

*

New Cheap Building Material: A new type of building material has been developed by the Central Building Research Institute, Roorkee, as a result of which cement and steel requirements are reduced by about half. Known as "precast doubly curved shell element," it will bring about a saving of 25 per cent in cost, 49 per cent in cement and 46 per cent in steel. It can be utilized for roofs, floors and panel-walls. Its use will benefit the low-cost housing programme.

*

Edible Oil from Rice Bran: The Central Food Technological Research Institute has developed a process for the recovery of high-grade edible oil from rice bran obtained from mills and hand-pounding. Bran forms about 6 to 13 per cent of rice with an oil content of 10 to 22 per cent. The cost of production of rice bran oil is estimated at 50 nP per pound. Rice oil is rich in vitamins and is suitable both as a cooking and salad oil. The oil can also be hydrogenated to produce vanaspati.

*

First Agricultural University to be Set Up: The Government of India has approved an expenditure of Rs. 1.90 crores for the establishment of an Agricultural University at Rudrapur in Uttar Pradesh. To be set up by the State Government on the model of the Land Grant Colleges of U.S.A., the University will aim at developing rural leadership and competence. The 16,000-acre Tarai State Farm will be attached to it for use as laboratory for research and experiment. The University, which will be the first of its kind in the country, will have three constituent colleges — an agricultural college, a college of animal husbandry and veterinary sciences and a college of agricultural engineering and technology — besides a science block. It will provide comprehensive education on agriculture and allied subjects on the basis of an "integrated system of teaching". It will have a capacity to train 325 candidates per year — 25 per cent of the seats being specifically reserved for students from outside the State.

United Kingdom

Soviet Contract for Sugar-beet Factories: A contract for the supply of two complete beet-sugar factories for the USSR has been signed in London by representatives of Techmash import of Moscow and by Vickers and Bookers Ltd., a British joint company recently formed for developing the sales and supply of machinery for beet-sugar factories to the USSR, China and other East European and Far Eastern countries. The value of the order is about £8 million. The new contract is for the supply of two factories, one in the Moscow region and the other in the Ukraine. It is being designed to incorporate the latest ideas on process automation and each will have a daily capacity of 5,000 tons of sugar beet.

U.S.A.

Tour of American Trade Mission: Early this year, India, Pakistan, the United Arab Republic and four countries of West Africa will be visited by four American Trade Missions, according to an announcement made by the US Commerce Department. Each of the trade mission members will carry business proposals submitted by American firms for dissemination in the host country. These proposals, which any American firm is invited to submit, are advertised abroad. They will be used by mission members to initiate negotiations between American and foreign firms interested in exporting, importing, investing, forming agency arrangements, or engaging in joint ventures.

*

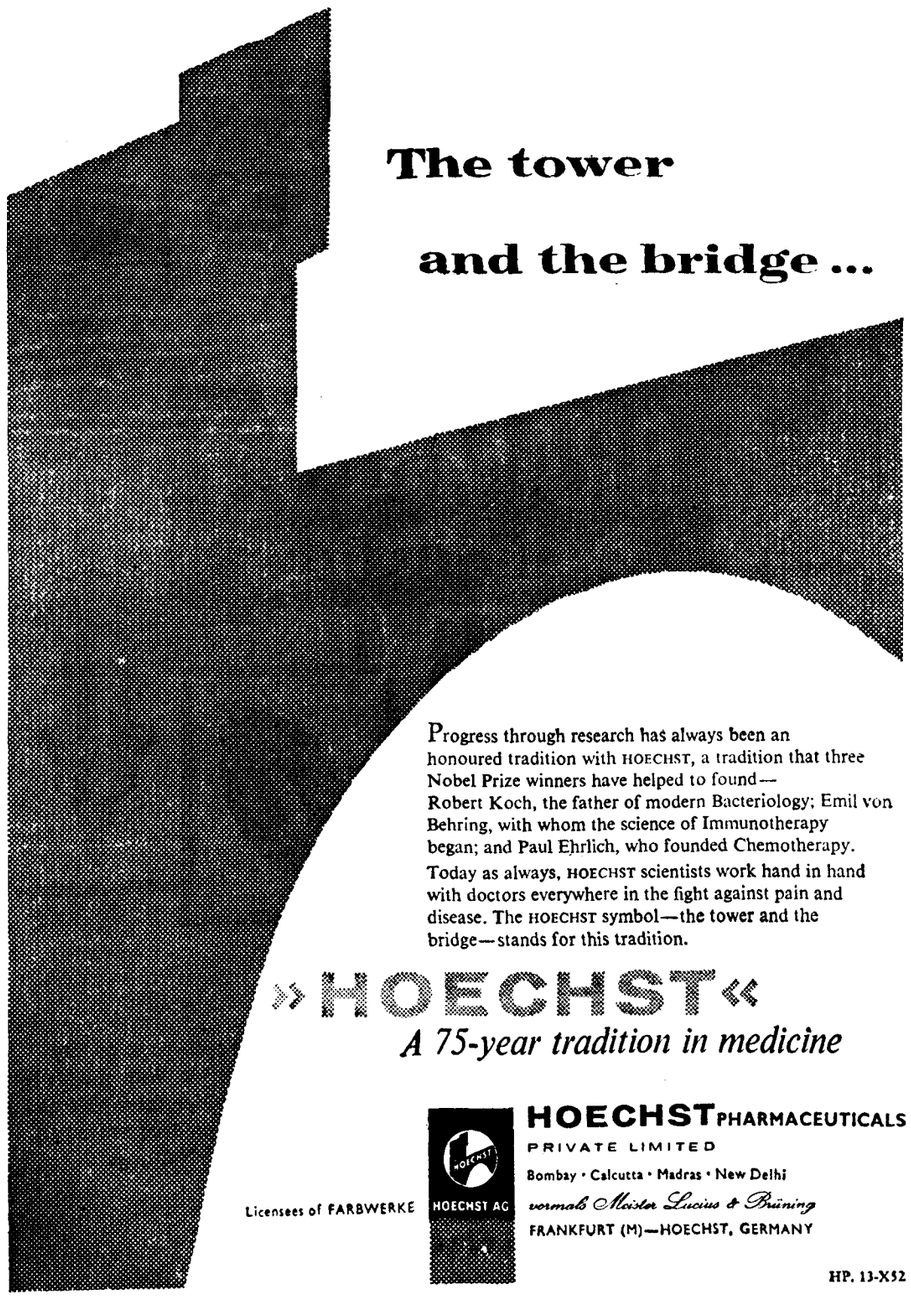
Soviet Order for Textile Plant: Intertex International Inc., a US consortium has secured a contract to build a multi-purpose textile plant at Kalinin, the major textile centre, 100 miles north of Moscow. Intertex is negotiating on behalf of over 40 US textile machinery companies who will supply various kinds of equipment for the huge plant. The 50,000-spindle plant will spin, weave, and finish cotton, worsted blends, and synthetic fibres. Even though the British offer to build the plant was considerably lower, the Russians favoured the technical specifications in the US bid.

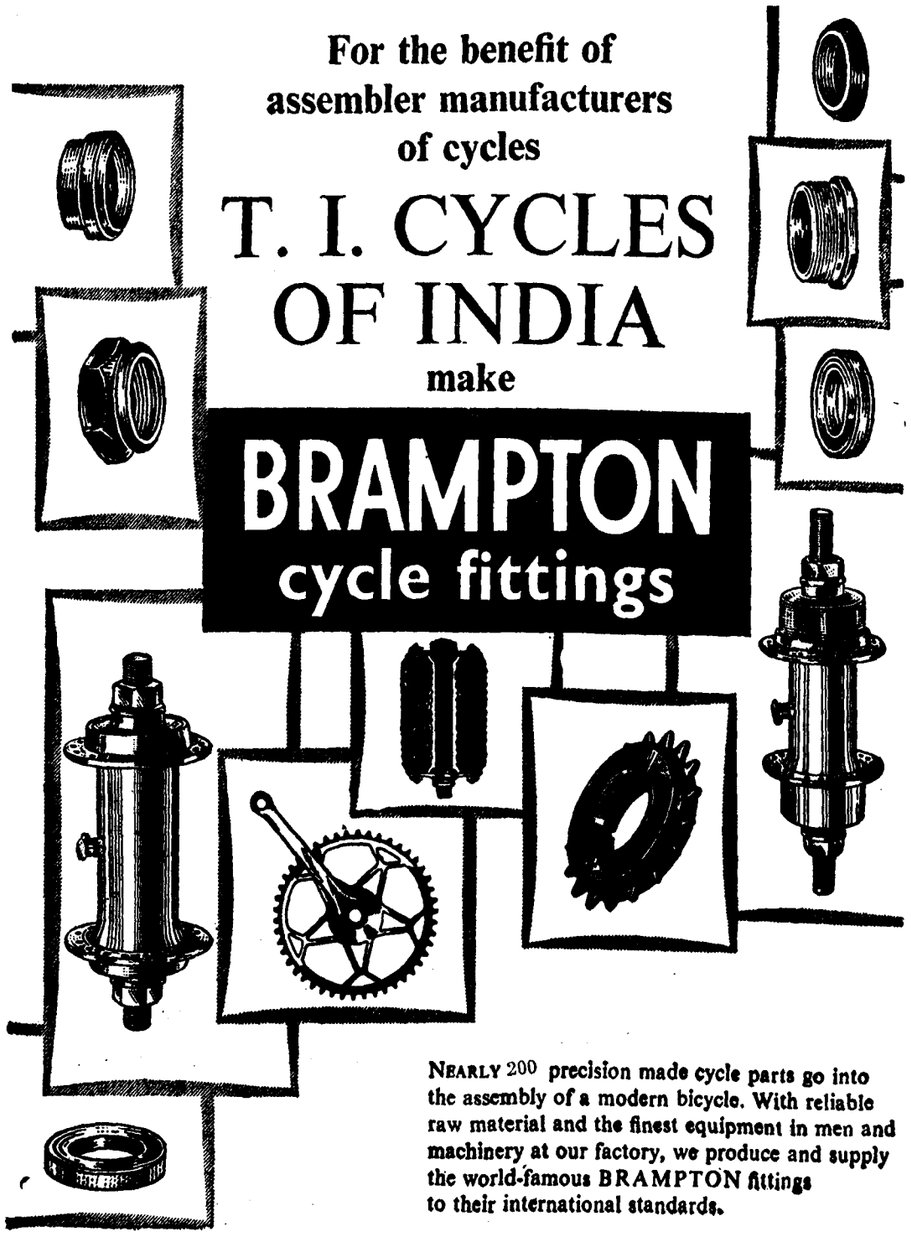
U.S.S.R.

Plastic Ships: Soviet designers and shipbuilders have succeeded in constructing vessels of plastics like life boats, motor launches, and a cargo diesel-engine ship of 15-ton load-carrying capacity. Both the life boat and the launch have passed the stage of testing. The construction of cargo vessel is now being completed at the M. I. Kalinin factory in Moscow. Besides, a passenger motor vessel of plastics, which is to house 50 passengers, is being designed by the Central River Fleet Design Office.

World Bank

Loan for Suez Canal Improvement: The World Bank has made a loan of $56.5 million to the United Arab Republic to be used to widen and deepen the Suez Canal to meet the growing traffic. The loan is for a term of 15 years at 6 per cent interest with repayment beginning in March, 1962.





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NEWS IN BRIEF

INDIAN

The Bhilai Steel Plant produced 34,975 tons of pig iron during December, 1959. About 25,122 tons of pig iron were despatched from Bhilai to foundries in India during the month.

*

Trade between India and Yugoslavia has been on the rise since 1951. Exports from India which was only Rs. 26 lakhs in 1951 rose to Rs. 97 lakhs in 1958. During 1959 (upto September) exports amounted to Rs. 108 lakhs. Similarly imports from Yugoslavia increased from Rs. 14 lakhs in 1951 to Rs. 225 lakhs in 1958.

*

The Government of India have entrusted to the All India Handicrafts Board the work relating to registration of exporters of artwares of copper and brass and zari products.

*

The Government of India has decided pending further decision, to allow export of guar gum having protien contents not exceeding 8 per cent by manufacturers and established shippers who were allotted quotas during 1959, says a Press Note issued by the Joint Chief Controller of Imports and Exports.

*

Saleable steel production by the Indian Iron and Steel Company at its Burnpur and Kulti works in the month of December 1959 touched a new record at 62,237 tons.

*

The Government of India has decided to allow export of pullthrough cloth and cotton fishing twine freely without any quantitative restrictions upto the end of June, 1960, the Joint Controller of Exports announced recently.

*

The Government of India has decided to release 1.75 lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, North Bihar and Punjab except a small quantity which will be released to each factory for sale to its employees.

*

The Government of India have decided to set up a Committee to co-ordinate the work of various organisations engaged in the detailed planning of the expansions of the three steel works in the public sector.

*

The first license for the use of ISI Certification Mark on waterproof packing paper has recently been granted to a Bombay firm. The presence of the ISI Mark on this material used for packaging cotton textiles, will ensure the consumers that it has been manufactured under controlled conditions, according to the ISI specification.

*

An important visitor from abroad to India in the month of January, 1960, is Mr. Alfred Krupp Von Bohlen, the head of the Krupp Company, which has its central office and several of its principal establishments in Essen in the heart of the renowned Ruhr region.

*

An official team is expected to proceed to Japan by the end of this month for the purpose of exploring possibilities of Japanese collaboration in developing fishing industries in India and setting up companies for preserving and marketing fishery products.

*

It is reported that Indian manganese ore has lost further ground in the world market, in spite of official measures to promote exports.

FOREIGN

The tempo of the Common Market countries industrial expansion is faster than that of the U.S. according to studies carried out by the Six. Industrial output in 1959 totalled $62,000 million—about 40 per cent of the U.S. industrial production, compared with 30 per cent in 1950.

*

The rise in U.K. industrial production was carried a little further in November, 1959 to a point at which it was almost 10 per cent higher than at the beginning of the year.

*

The U.S. Development Loan Fund has signed an agreement to lend $800,000 to the Nigerian ports authority for the construction of a produce warehouse on Apapa Quay, Lagos, Nigeria.

*

The Board of Trade has announced that a quota of £200,000 has been fixed for imports of pharmaceuticals from the dollar area. The quota refers to the c.i.f value of preparations ready packed for retail sale.

*

The gold stock held by the U.S. Treasury declined by $1,078 million in the year ended December 30, 1959, compared with a drop of $2,247 million in 1958, the Federal Reserve Bank reported.

*

Steel production in the six countries of the European Coal and Steel Community set up a new record of about 63 million tons in 1959, according to preliminary estimates. This compares with 58 million tons last year and a previous record of 59.8 million tons in 1957.

*

The World Bank has approved a loan to Uruguay equivalent to $7 million for a programme to foster the use of improved methods in pasture development and livestock production.

*

A record 704,935 Volkswagens rolled off the assembly lines this year. Production for 1960 is expected to reach 750,000. This years output was almost 15,000 vehicles above 1958.

*

It is reported for the past few months Soviet Russia and the East European countries have been offering Morocco technical development aid estimated at around 100 million roubles.

*

A trade agreement between Israel and Eire, the first of its kind, has recently been initialled in Jerusalem. While it does not provide either minimum or maximum limits, it is expected that the volume of trade will amount to about £1 million sterling worth a year in each direction.

*

Canada's commodity exports reached a new record for the month during November 1959, at $499 million a rise of 24.6 per cent over the $407.2 million of a year ago.

*

Japanese exports in November, 1959, totalled $317 million which was second only to the record high of $325 million in October. The November total was 32.5 per cent higher than in the same month last year.

COMMODITY NEWS AND NOTES

OILS AND OILSEEDS

India is one of the principal oilseed producing countries in the world. The major oilseed crops in the country are: groundnut, rape, mustard, sesamum, coconut, castor and linseed. Articles covering the economic importance of groundnut, mustard and rape and coconut have been included in the first two volumes of the 'Wealth of India' (Raw Materials), an encyclopedic work published by the Council of Scientific & Industrial Research, New Delhi. The volumes contain articles giving a critical summary of the species and varieties of these crops cultivated in India, their distribution, acreage and production, method of cultivation, uses and potentialities, and also chemical characteristics of the seed, oil and cake. Their importance in trade is also indicated. Other well-known oilseed crops similarly dealt with in the volrmes already published are: sunflower (Carthamus), cottonseed (Gossypium), soybean (Glycine), niger (Guizotia), palm oil (Elaeis), taramira (Eruca), and tung (Aleurites).

In the fifth volume of the 'Wealth of India' which has been published recently, the potentialities of the sunflower (Helianthus) as an oilseed crop is brought out. It is not cultivated in India for this purpose. The sunflower is an important horticultural plant and is of economic importance in the USSR and the Balkans, and, in recent years, has gained popularity in Argentina, USA and Canada as an edible and semi-drying oil yielding plant. Other oilseed plants dealt in the fifth volume are species of Hibiscus, Impatiens, Jatropha (Curcas Oil), and Juglans (Walnut oil).

WORLD RUBBER OUTPUT

World production and consumption of rubber was about 400,000 tons higher in the first ten months this year than during the comparable 1958 period. In releasing world rubber statistics for October, the U.S. Commerce Department said that total world output of natural and synthetic rubber January through October totalled 2,950,000 tons compared with 2,590,000 tons in the ten months last year. Consumption for the 10-month was 3,015,000 tons compared with 2,645,000 tons in the corresponding months last year. The United States, with consumption up more than 23 percent over last year, accounted for about half the world's use. World natural rubber production in October totalled 187,500 tons, up 10,000 tons over October last year. World synthetic rubber production was estimated at 155,000 tons, up 30,000 tons over October 1958.

JUTE & MESTA SUPPLY DURING CURRENT YEAR

Supply of jute and mesta during the current year is likely to be about 81 lakh bales This would be 14 lakh bales more than the country's annual consumption of these two commodities, estimated at 67 lakh bales. The total availability of jute and mesta is estimated on the basis of jute production. The All India Final Estimate of jute for 1959-60, just released by the Directorate of Economics and Statistics, Ministry of Food and Agriculture, places the area and production of jute at 17.07 lakh acres and 45.48 lakh bales, as compared with the previous year's Partially Revised Estimates of 18.11 lakh acres and 51.58 lakh bales. Compared to the average of the preceding five years' estimates, the current year's area and production of jute show an increase of 1.1 per cent and 10.3 per cent respectively. The production of jute during the current year, though less than last year's record production, is the next best since 1953-54.

The decrease in acreage during the current year has been shared mainly by West Bengal, Bihar and Orissa and is attributed partly to the low market prices of jute fibre in 1958-59 and partly to unfavourable weather conditions at the time of sowing. Assam State has, however, reported a slight increase in jute acreage. The decrease in production is accounted for mainly by West Bengal and Bihar and has been attributed partly to decrease in area and partly to unfavourable weather conditions during the period of growth of the crop. The decrease in production has, however, been offset to some extent by the increase in Assam State.

RICE AND PADDY (ASSAM) PRICE CONTROL ORDER 1960

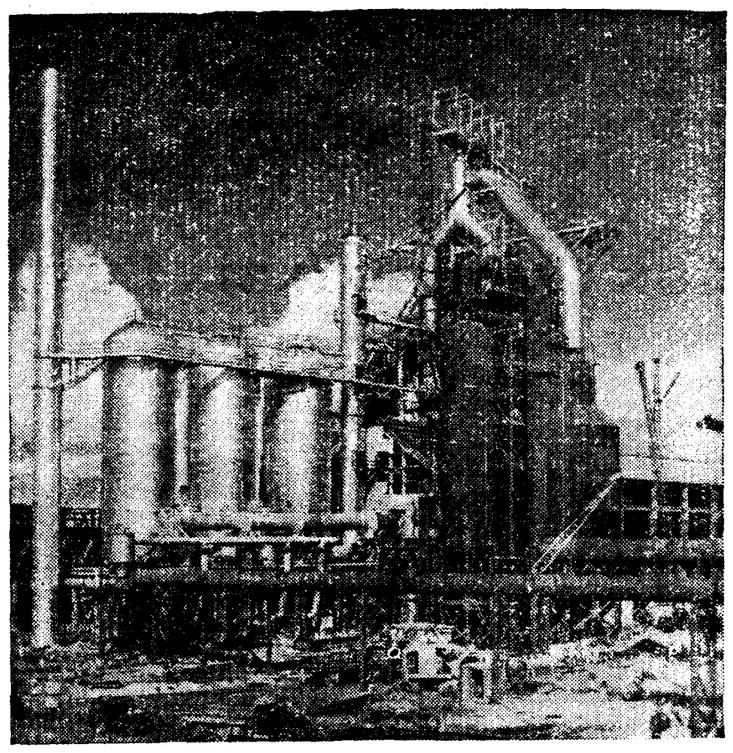
The Central Government has promulgated the Rice and Paddy (Assam) Price Control Order, which supersedes a similar order so far in force in the State of Assam. The new Order which came into effect from January 1, 1960, lays down the maximum and minimum prices for sale of paddy and maximum ex-mill prices for the sale of rice in the three zones of the State of Assam. It also brings under its purview the various grades of winter and autumn varieties of rice and paddy; previously only the winter coarse grades of rice and paddy were covered. Thus, the new Order will enable the Assam Government to procure rice and paddy of various grades both of winter and autumn varieties.

VANASPATI FROM TOBACCO SEED OIL

Studies conducted at the Applied Chemistry Department of the University College of Science and Technology, Calcutta, have indicated the possibilities of using tobacco seed oil as a new source material for the production of vanaspati. The suitability of tobacco seed oil for edible purposes has been well-established in Western countries and it was consumed in large quantities during World War II without any adverse effect. In India, however, except for a small quantity used for surface coatings tobacco seed oil does not find much use and most of it is exported. On the basis of the present acreage under tobacco, the production of tobacco seed oil is estimated to be of the order of 19,000 tons per year. The oil content in tobacco seed, which is an important agricultural waste in India, is about 46 per cent.

A paper published in the November, 1959, issue of the Journal of Scientific & Industrial Research gives the optimum conditions for refining and hydrogenating the oil. The consumption of hydrogen for hydrogenating tobacco seed oil is more than that needed for conventional oils, but the lower cost of the oilseed far outweighs this disadvantage and the net cost of production of vanaspati is lower. Another article in this issue deals with studies on the stabilization of vitamins in pharmaceutical preparations. Various combinations of cane sugar syrups, sorbitol, glycerol etc., have been recommended for conferring increased stabilities on Vitamins A, B and C in these products.

60



ROAD TO PROGRESS

As a member of the Consortium ISCON, Head Wrightson is responsible for the construction of the Blast Furnace which will be inaugurated on the 29th of this month by Dr. Rajendra Prasad, President of India.

In designing and constructing the Blast Furnaces of Durgapur Steelworks, Head Wrightson has brought to the service of India a wealth of experience, as diverse as it is rich, and India can truly be proud of her newest Steelworks which will compare most favourably with the largest and the most modern in any part of the world.

In the expansion and evolution of industry, Head Wrightson & Co. Ltd., has played an active part, adding its share of knowledge to the common pool. These activities are centred on the supply of equipment for those heavy industries which are concerned with the extraction of mineral and metal ores and oil from the earth; the processing of coal, ferrous and non-ferrous metals; the refining of oil; and the production of equipment and components for all forms of transport on land and sea and in the air. More recently, Head Wrightson has pioneered the design and manufacture of nuclear research and power plant, and is handling several overseas contracts for research reactors.

HEAD WRIGHTSON & CO. LTD.

IRON & STEELWORKS ENGINEERING

PHW 6

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EVEREADY TRADE MARK

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Organic Solvents • Miscellaneous Chemicals, Plastics and Resins
"Hylam" Laminated Sheets • Zinc Sheets, Strips and Coils
"Karbate" Chemical Equipment • "National" Cinema Carbons

JWT/UC 1a

Company Meeting

THE MYSORE KIRLOSKAR LTD.

Extract of the speech delivered by the Chairman of the Mysore Kirloskar Ltd., at the time of the 18th Annual General Meeting of the Company held on Monday the 28th December, 1959 at Harihar.

"The Government is now asking the industries to give preference to American machinery as against the machinery from Western countries because of the easy situation of the American currency. The American machinery being very costly, we will be required to pay very high price when compared to the prices for similar machinery from the Continental countries. It is in this context that I feel that the facilities of the Initial depreciation and Additional depreciation require to be continued", observed Mr. M. D. SHIVANANJAPPA, Government Director and Chairman of the Mysore Kirloskar Ltd., at the time of the 18th Annual General Meeting of the Company at Harihar on Monday the 28th December, 1959.

He further stated that the reason for granting these concessions in the beginning was mainly the high price for replacing the machinery and this reason continues even today with greater force.

In his speech he referred to the new issue of 15,000 ordinary shares raising the total subscribed capital of the Company to Rs. 40 lacs of which Rs. 32.49 lacs were paid up.

He also referred to the additional land purchased by the Company for its expansion schemes and the addition of Rs. 12.55 lacs to the fixed assets made by the Company during the year ending 30th June, 1959.

He also gave information about the successful conclusion of technical collaboration arrangement with Ms. Alfred Herbert Ltd., Conventry, England and the proposed separate building and plant and machinery for the said project for manufacturing Capstan and Turret lathes.

The sales during the year showed a rise of about Rs. 18 lacs over the previous year. Though the position was quite satisfactory, he however, emphasised the need for bringing down costs.

He also referred to certain changes that have come up in the rates and method of Income-tax calculations in the case of taxation of companies and welcomed the proposed abolition of the Wealth tax.

He also informed the meeting that the Company had created an Educational Trust for the education of the children of its employees and a Technical High School at Harihar was started for their benefit.

He also referred to a strange case of tax burden in respect of gratuity paid to the retiring employees. He pointed out that payment of such gratuity to the retiring employee was subject to tax and the employee concerned was thus penalised at the time of his retirement. He drew the attention of the Government autnorities concerned requesting them a sympathetic consideration of such a case.

He referred to the happy labour relations continuing in the factory and assured the labour that if they raised their productivity, a due share resulting from such better productivity would go to them as a matter of course.

In the end he congratulated the Management and the members of the organisation including the workmen and the staff for having exerted their very best in raising the production of the Company during the year.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

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THE INDIAN BANK LTD
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23 LOCAL OFFICES AND 115 BRANCHES
N. B. The yield on this investment works out at 4.06% compound interest

COMPANY AFFAIRS

ORIENT PAPER MILLS LTD.

The selling prices of various types of paper proposed by the Tariff Commission recently are quite unfavourable to the industry. The general opinion is that this price schedule has reduced the incentives considerably. Under these conditions it may be quite difficult for the country's paper industry to raise the total rated capacity from 270,400 tons by the end of 1958 to 450,000 tons by the end of Second Five-Year Plan. In addition to this the attitude of labour has been unhelpful at certain places. For instance in the case of Orient Paper Mills, the second largest producer of paper in the country (Production: 35,451 tons in 1958), the labour failed to realise its responsibility. The Directors of the Company have reported that the output in 1959 may be slightly lower on account of over two-month labour strike from April 1959 to June 1959. The Labour Union in absolute disregard and violation of the agreement, entered into with the Company, the Code of Discipline undertaken to be observed by all the Labour Unions in the country, resorted to an illegal and unjustified strike. The strike was continued in spite of the prohibitory order passed by the Government of Orissa. This resulted in a heavy fall in production and the effect is bound to be reflected in the working results of the current year.

During the year ended March 31, 1959, the Company's output was higher than the year before but the rated production capacity could not be obtained on account of troubles in the soda recovery plant and short supply of caustic soda. There was a steady upward trend in the cost of raw materials, power and fuel, wages and general expenses which contributed to the increase in the cost of production. In spite of these draw-backs, the Company made a profit of Rs. 1.47 crores. Out of this sum Rs. 51 lakhs have been transferred towards depreciation, Rs. 37 lakhs towards development rebate reserve and Rs. 30.7 lakhs towards taxation. The Directors have recommended the payment of a dividend at the rate of 5½ per cent per annum on preference shares. Dividend on ordinary shares has been proposed to be paid at the rate of Rs. 1.50 per share, absorbing Rs. 22 lakhs. A sum of Rs. 1,69,091 is decided to be carried forward.

NEW INDIA SUGAR MILLS LTD.

New India Sugar Mills Ltd. has recorded a slight fall in its profits at Rs. 13.33 lakhs during the year ended June 30, 1959, against the previous year's Rs. 13.92 lakhs. The Company experienced some difficulty because the cane crop was affected by drought and red rot disease. The factory, therefore, worked for 112 days and crushed 32.88 lakh maunds of sugar cane against 135 days and crushing of 36.98 lakh maunds in the previous year. The recovery was lower at 9.8 per cent against 10.1 per cent in the previous year. The Company, nevertheless, on account of its working efficiency, has been able to cover the disadvantage due to the unfavourable cane crop.

The Company has separated Rs. 2.02 lakhs towards depreciation, Rs. 68,027 towards development rebate reserve, Rs. 4.70 lakhs towards taxation and Rs. 2.50 lakhs towards general reserve. The directors have recommended the payment of a dividend at the rate of Rs. 3.65 per ordinary share of Rs. 10 each absorbing Rs. 2.88 lakhs.

THE MYSORE KIRLOKSKAR LTD.

The Mysore Kirloskar Ltd., has continued to make good progress during the year ended June 30, 1959, in the manufacture of its existing lines of Centre lathes and also in the assembly of Capstan lathes under the technical collaboration with Messrs. Alfred Herbert Ltd., Coventry, U.K. The Company has proposed to put up a separate unit for the manufacture of Capstan and Turret lathes and has also proposed to maintain separate accounts. A separate Balance Sheet (Herbert-Kirloskar project), accompanies the report but the accounts have been incorporated in the main Balance Sheet.

During the year under review the Company has made a profit of Rs. 6.75 lakhs after providing for taxes, Managing Agents' remuneration and depreciation. The Directors have proposed the payment of dividend at the rate of twelve per cent per annum on the paid-up capital absorbing Rs. 3.45 lakhs. A sum of Rs. 2 lakhs has been separated towards Debt Redemption Fund and another sum of Rs. 1.25 lakhs has been separated for Replacement and Rehabilitation Reserve and Rs. 4,444 have been carried forward to the next year.

DEVKARAN NANJEE BANKING CO. LTD.

Dena Bank (as it is commonly called) has increased its branches, from 75 at the end of 1958 to 83 at the end of 1959. The Bank has made significant progress this year, the total deposits having gone up by Rs. 5 crores to over Rs. 35 crores and from January 1, 1960 this bank has become an 'A' Grade Bank.

The net profit for the year ended December 31, 1959 is declared at Rs. 13.05 lakhs as against Rs. 14.22 lakhs last year. Though apparently it is lower, it is actually higher by nearly Rs. 3.62 lakhs as would be seen from the appropriations made. The appropriations for last year provided Rs. 5 lakhs for taxation, while this year nothing is provided, which means that the net profit as shown is after making provision for taxation. The gross dividend paid this year is Rs. 4.38 lakhs against Rs. 3 lakhs (tax free) last year, and the figure of Rs. 3.62 lakhs is arrived at after deducting this excess of Rs. 1.38 lakhs from Rs. 5 lakhs provided last year. The dividend declared by the Directors this year is 8.75 per cent i.e. 6.14 per cent net. The dividend has been increased suitably so that the small shareholders getting refund of taxes paid at source may get the same dividend as in the previous year.

THIS IS ONLY AN ANNOUNCEMENT REGARDING ISSUE OF PROSPECTUS, IT IS NOT A PROSPECTUS.

No applications are invited on the basis of the Announcement. Intending subscribers are requested to obtain from the Registered Office of the Company or from the Conmpany's Bankers and Brokers mentioned hereunder, copies of the Prospectus to which are attached forms of application. A formal Prospectus has been filed with the Registrar of Companies, Bombay. Some of the particulars contained in the Prospectus are set forth hereunder.

Consent of the Central Government has been obtained to this issue of capital by Order No. R. 373-OCI/5, dated 30th November 1959, a complete copy of which is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in giving this consent, the Government of India do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions exprsssed with regard to them.

Licence No. L/30(I)/N-1/57, dated 5-3-57, has been obtained from the Central Government for the establishment of this new Industrial Undertaking, in Kerala State, copy of which is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in granting this licence, the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

Applications will be made to the Bombay Stock Exchange and to the Calcutta and Madras Stock Exchange for permission to deal in and for an official quotation of the Company's shares.

PREMIER TYRES LTD.

(Incorporated on the 19th October, 1959, under the Companies Act, 1956.)

SHARE CAPITAL
AUTHORISED

4,00,000	Shares of Rs. 100/- each	Rs.	4,00,00,000

ISSUED CAPITAL

50,000	6½% tax free Cumulative Redeemable Prefe rence share of Rs. 100 each redeemable at par at the Company's option after 10 years but not later than 15 years for cash at par	,,	50,00,000
1,50,000	Equity shares of Rs. 100 each	,,	1,50,00,000
		Rs.	2,00,00,000

SUBSCRIBED CAPITAL

Of the above Issued Capital of Rs. 2,00,00,000/-

95,900	Equity Shares of Rs. 100/- each of the value of have been subscribed as follows	Rs.	95,90,000
	Promotors, Directors, Managing Agents, Friends & Associate	Rs.	45,90,000
	The Government of Kerala	,,	50,00,000

CAPITAL AGREED TO BE TAKEN UP

EQUITY SHARES :

M/s. Dayton Rubber Co., Dayton, Ohio, U.S.A. against purchase of Machinery & Equipment to be supplied by them.

10,000	Equity Shares of Rs. 100/- each of the value of		Rs.	10,00,000
	6½% TAX FREE CUMULATIVE REDEEMABLE PRE FERENCE SHARES :			
	Life Insurance Corporation of India :			
10,000	Shares of Rs. 100/- each of the value of	Rs. 10,00,000		
	Promotors, Directors, Managing Agents, Friends, Associates and Institutional Investors :			
15,000	Shares of Rs. 100/- each of the value of	Rs. 15,00,000	Rs. 25,00,000	Rs. 35,00,000
				Rs. 1,30,90,000
	The balance of :			
44,100	Equity Shares of Rs. 100/- each of the value		,,	44,10,000
	AND			
25,000	6½% tax free Cumulative Redeemable Prefe rence Shares of Rs. 100/- each of the value of		,,	25,00,000
	is offered for public subscription.		Rs.	89,10,000
			Rs.	2,00,00,000

PAYABLE AS FOLLOWS :

	Equity shares	Preference shares
(a) On application	Rs. 25/- per share	Rs. 25/- per share
(b) On allotment	Rs. 25/- per share	Rs. 25/- per share

The balance of Rs. 50/- in such calls as the Directors may from time to time determine provided that no call shall exceed Rs. 25/- per share, and that there shall be an interval of at least three months between any two calls.

APPLICATION FOR SHARES

Applications which must be for 5 shares of either class or multiples thereof will be considered only if made on the printed form attached to the prospectus

or a pirnted copy thereof and forward with the amount payable on application before the date of the closing of the subscription lists, to:

Any of the Company's Bankers' Head Offices or at any of their branches.

Copies of the application forms may be obtained from the Registered Office of the Company or from the Company's Bankers or Brokers named in the Prospectus and from M/s. Desh Bandhu Gupta & Co., Share Brokers, 23, Stock Exchange, New Delhi-1.

The Directors do not bind themselves to allot the full number of or any shares applied for and reserve full and uncontrolled right to reject any application wholly or in part without assigning any reason therefore. Applications which are not complete or which are not accompanied with proper payment as above may not be considered.

Where no allotment is made, the deposit will be returned in full and where the number of shares allotted is less than the number applied for, the balance deposit will be appropriated towards the amount remaining payable on the shares allotted and any balance remaining thereafter will be returned.

Failure to pay any amount due on the shares allotted, when due, will render the shares, and previous payments made thereon, liable to forfeiture. The shares, when issued, will be subject to the Memorandum and Articles of Association of the Company, a copy of which is open for inspection at the Registered Office of the Company during office hours.

The Share Certificates will be issued within 9 months from the date of the allotment.

RIGHTS OF REDEEMABLE CUMULATIVE PREFERENCE SARES

The Cumulative Redeemable Preference Shares shall confer on the holders thereof the right to receive out of the profits of the Company which it may from time to time determine to distribute in dividends, a fixed Cumulative Prefential Dividend at the rate of six and a half per cent per annum (free of Income Tax) on the capital for the time being paid up thereon and the right in winding up to be paid all arrears of preferential dividend, whether earned, or declared or not, down to the commencement of the winding up and also to be repaid the amount of capital paid up or credited as paid up on the Cumulative Redeemable Preference Shares held by them respectively in priority to any payment in respect of the Equity shares but such holders shall not be entitled to any other rights in the profits or assets of the Company. The said Cumulative Redeemable Preference Shares will rank for dividend from the date of allotment on the capital for the time being paid up thereon. The said Cumulative Redeemable Preference Shares shall be liable to be redeemed at Rs. 100/- either wholly or in part at the option of the Company at any after ten years but so as to be not later than fifteen years on six months' previous notice in writing being given by the Company in that behalf to the holders thereof in accordance with Section 30 of the Companies Act, 1956

DIRECTORS

1. Shri C. C. Desai, (I.C.S. Retired), Chairman, 44, Friends Colony, New Delhi.	Businessman.
2. Shri Nusserwanji H. C. Dinshaw Adenwalla Adenwalla Baug, Tardeo, Bombay 7.	Industrialist, and Landlord.
3. Shri N. E. S. Raghavachari, I.C.S., Chief Secretary, Government of Kerala, Trivandrum.	Nominee of Government of India.
4. Shri George Thomas, I.A.S., Member, Board of Revenue, Government of Kerala, Trivandrum.	Nominee of Government of India
5. Shri V. C. Setalvad, 18, Darabshaw Road, Bombay 26.	Businessman.
6. Shri N.B. Vakil, Partner, Little & Co. Solicitors, Central Bank Building, Bombay 1.	Solicitor.
7. Shri Chandrakant S. Desai, 70, New Stock Exchange Building, Apollo Street, Bombay 1.	Share and Stock Broker.
8. Shri D. N. Khandke, Grosvenor House, Pedder Road, Bombay.	Industrialist Businessman.
9. Sir Rustom P. Masani, Modi Mansion, Mereweather Road, Bombay.	Businessman.
10. Shri R. D. Rosenberg, Dayton Rubber Co., Dayton, Ohio, U.S.A.	Manager, Dayton Rubber International.

REGISTERED OFFICE

Maneckjee Wadia Building, 127, Mahatma Gandhi Road, Bombay 1.

MANAGING AGENTS

Messrs. Indo-Orient Agencies Private Ltd.,
Maneckji Wadia Building,
127, Mahatma Gandhi Road, Bombay 1.

TECHNICAL COLLABORATORS

Messrs. Dayton Rubber Company,
Dayton, Ohio, U.S.A.

BANKERS

1. The Bank of India Limited, Mahatma Gandhi Road, Bombay 1.
2. The Central Bank of India Ltd., Mahatma Gandhi Road, Bombay 1.
3. The Indian Bank Ltd., Sir Phirozshah Mehta Road, Bombay 1.
4. The Chartered Bank, Mahatma Gandhi Road, Bombay 1.
5. The Indian Overseas Bank Ltd., Veer Nariman Road, Bombay 1.
6. The Travancore Bank Ltd., Mahatma Gandhi Road, Bombay 1.
7. Devkaran Nanjee Banking Co. Ltd., Horiman Circle, Bombay 1.

BROKERS

1. Shri Chandrakant S. Desai. 70, Stock Exchange, Apollo Street, Bombay 1.
2. Messrs. Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay 1.
3. Messrs. Kantilal Purtapshi, New Stock Exchange Building, Apollo Street, Bombay 1.
4. Messrs. P. R Subramanyam, 70-A, Stock Exchange, Apollo Street, Bombay 1.
5. Messrs. J. R. Motishaw & Co., 32, Apollo Street, Bombay 1.
6. Messrs. Mahadevia Brothers, Old Stock Exchange Bldg., Bombay.
7. Messrs. B. U. Advani, 52, Agakhan Building, Dalal Street, Bombay 1.
8. Messrs. G. M. Pyne, Allahabad Bank Buildings, 14, India Exchange Place, Calcutta.
9. Messrs Kothari & Sons, Oriental Buildings, Armenian Street, Madras.
10. Messrs. Paterson & Co., 22, Errabalu Chetty Street, Madras 1.
11. Messrs. Maconochie & Co., Post Box No. 291, Mercantile Bank Buildings, Madras 1.

12. Messrs. Harbans Singh Mehta & Co., 33, Regal Buildings, Parliament Street, New Delhi.

AUDITORS

1. Messrs. H. N. Mehta & C., Chartered Accountants, Alli Chambers, Tamarind Lane, Fort, Bombay 1.
2. Messrs. Bhogilal C. Shah & Co., Chartered Accountants, 418, Kalbadevi Road, Bombay.

SOLICITORS

Messrs. Little and Company, Central Bank Building, Bombay 1.

The Consent in writing of the abovenamed Bankers, Auditors, Solicitors and Brokers to act in their respective capacities, have been obtained and filed with the Registrar of Companies.

THE OBJECTS OF THE COMPANY

The Company was incorporated on the 19th October, 1959 generally for the purposes set forth in the Memorandum of Association and more particularly to undertake manufacture and generally to carry on business in automobile tyres and tubes and other rubber goods.

BRIEF HISTORY AND PROSPECTS OF BUSINESS

The Licence issued by the Government of India entitles the Company to establish an undertaking in Kerala State for the Manufacture of Automobile Rubber Tyres and Tubes. The annual production programme at present is as follows:

1,99,920 Bus & Truck Tyres	Bus & Truck Tubes 1,99.920
40,080 Passenger Car Tyres	Passenger Car Tubes 40,080
2,40,000 Total Tyres	Total Tubes 2,40,000

Kerala is the largest natural raw rubber producing State in India with over 95 % of the total raw rubber production of the country.

The unique feature of the proposed Company will be that the public and private sectors will jointly participate in the capital formation for working together for securing the best possible mutual advantage. The noteworthy feature of the Company is that it is first of its kind among the rubber tyres manufacturing concerns in India to be raised predominantly with Indian Capital and wholly with Indian management and control.

Kerala State in particular and South India in general have an extensive net-work of well-built roads and there is a large and ever increasing demand for tyres and tubes.

Further in view of the substantial financial interest of the Kerala Government, the Company is assured in the first instance of a large sale to the Kerala State Transport and other State Departments owning vehicular transport. The Kerala Government has also agreed to provide the Company all facilities such as, land, water, electricity etc., and would continue to render all possible assistance in the working of the Company. The Company will be the only one of its kind on the South West Coast of India.

With the economic and industrial development of the country contemplated under the Second and Third Five-Year Plans, it is expected that there will be a greater need for road transport and that there will be a corresponding increase in the demand for tyres and tubes over a million.

A suitable site for the Factory has been selected in consultation with Daytons between Cochin and Alwaye in Kerala State on the Bombay Cape Comorin National Highway.

TECHNICAL COLLABORATION

The Company has concluded Agreements for initial service and technical assistance with Messrs. Dayton Rubber Co., Dayton, Ohio, U.S.A. This Company has a world-wide reputation for technical services extended to various countries outside U.S.A. This Company was founded in 1905 and at present ranks as one of the largest rubber goods manufacturing concerns in the United States. For over 25 years the Company has been sharing its technical Know-How and experience with foreign concerns. Their foreign collaboration extended to Norway, Brazil, Denmark, Holland, France, Germany and Israel. Recently they have entered into a contract to collaborate in respect of a factory in Malaya which alone will have a capacity of 1.8 million units.

The Company has entered into two Agreements dated 9-10-59 with Dayton Rubber Company. The first agreement provides for initial technical assistance services to be rendered by Dayton Rubber Co. to the Company to enable it to erect a plant, structure, acquire suitable equipment and machinery, instal and erect such equipment and machinery, train personnel, procure the required materials and supplies and initial and efficiently maintain production of high quality products. In consideration of such services it has been agreed to pay to the Dayton Rubber Company the remuneration set out in the agreement.

Under the technical service agreement the Dayton Rubber Company has agreed to render to the Company technical services and assistance to enable it efficiently to maintain production of high quality tyres and tubes, camelback and tyre repair materials as well as the right to use Dayton's technical information and patents relating to the manufacture of such productions. It is also agreed that the Company shall be entitled to use any Trade Marks, Brands or names of Dayton connected with Tyres, Tubes and Camelback in India, Pakistan, Ceylon, Bhutan, Nepal and Afghanistan and further that the Company shall be at liberty to export Tyres and other products of the Company's manufacture to any country of the world with the clear expression hereon that such tyre and goods are manufactured with technical collaboration of Dayton. In consideration of the said technical assistance it has been agreed to pay the fees specified in the agreement.

Import of Machinery & Equipment and Foreign Exchange

The Government of India have granted the entire Foreign Exchange amounting to Rs. 1,21,00,000/- required for import of Machinery and Equipment from U.S.A., U.K. and West Germany. Licences for import of machinery and equipment from U.S.A., U.K. and West Germany have been obtained.

CAPITAL REQUIREMENTS AND MINIMUM SUBSCRIPTION

On the basis of quotations given by our Technical Collaborators, the Board of Directors after due inquiry are of the opinion that the minimum capital requirements in respect of plant and machinery, land and buildings, preliminary expenses, etc. which will partly be met from the proceeds of the issue will be as follows:

Land and Building	Rs. 25,00,000/-
Machinery and Equipment ..	„ 1,33,00,000/-
Preliminary expenses	„ 4,00,000/-
Underwriting and Brokerage ..	„ 3,00,000/-
Working Capital	„ 90,00,000/-
TOTAL	Rs. 2,55,00,000/-

These total requirements of Rs. 2,55,00,000/- will be provided through the Capital issue of Rs. 2,00,00,000/- and the balance of Rs. 55,00,000/- to be raised by making arrangements with the Bankers as and when required.

MINIMUM SUBSCRIPTION

The minimum subscription on which the Directors will proceed to allotment is 1,65,000 shares of the value of Rs. 1,65,00,000/-.

BROKERAGE

Brokerage will be paid to brokers or to bankers at the rate of 1% of the nominal value of shares in respect of applications bearing their stamps. The estimated amount of underwriting commission and brokerage is about Rs. 3,00,000/-.

MANAGING AGENTS

Messrs. Indo-Orient Agencies (Private) Limited, Bombay, are appointed as the Managing Agents of the Company, for a period of 10 (ten) years. The remuneration payable to the Managing Agents shall be in accordance with the following scale of commission on the net profits of the Company computed in the manner laid down in Sections 349 to 351 of the Companies Act, 1956, subject to the minimum remuneration of Rs. 40,000/- per annum:

(i) 10 per cent on the first Rs. 10 lacs or fraction thereof.
(ii) 9 per cent on the next Rs. 10 lacs or fraction thereof.
(iii) 8 per cent on the next Rs. 10 lacs or fraction thereof.
(iv) 7 per cent on the next Rs. 10 lacs or fraction thereof.
(v) 6 per cent on the next Rs. 10 lacs or fraction thereof.
(vi) 5½ per cent on the next Rs. 25 lacs or fraction thereof.
(vii) 5 per cent on the next Rs. 25 lacs or fraction thereof.
(viii) 4 per cent on any sum over one crore of rupees.

The Managing Agents will have the right to nominate two Directors on the Board of the Company.

The Authorised Capital of the Managing Agents Company is Rs. 5,00,000/- and subscribed capital is Rs. 1,00,000/- in 2,000 Equity Shares of Rs. 50/- each fully paid up.

DIRECTORS, THEIR QUALIFICATIONS, POWER AND REMUNERATION

The share qualification of a Director (other than Special Directors) shall be holding of shares of the Company of the nominal value of Rs. 5,000/-. The Board of Directors is entitled to exercise all such powers as are not by the Companies Act, 1956, or the Articles of Association of the Company required to be exercised in the General Meeting.

The sitting fees for the Directors is Rs. 150 and for the Chairman Rs. 200/-, per meeting plus expenses incurred for attending the same. The Directors are entitled to special remuneration if called upon to perform extra services, according to the Articles of Association of the Company and subject to the provisions of the Companies Act, 1956.

The Company by a resolution of the members in General Meeting, has provided that 1 (one) per cent of the annual net profits of the Company as defined by Section 349 of the Companies Act, 1956, be paid pro rata to the Directors in addition to the remuneration specified under the foregoing paragraph.

INTEREST OF DIRECTORS

Shri Nusserwanji H. C. Dinshaw, Shri Chandrakant S. Desai and Shri D. N. Khandke are Directors of Indo-Orient Agencies (Private) Ltd., Bombay, Managing Agents of the Company Shri Chandrakant S. Desai is also one of the official brokers of the Company for the issue and is interested in the brokerage payable to him Shri C. C. Desai is a Director of Life Insurance Corporation of India who have agreed to underwrite and subscribe for preference shares of the value of Rs. 10,00,000/- Shri N. B. Vakil is a partner in the firm of Messrs. Little & Co., who are the Solicitors of the Company Shri N. E. S. Raghavachari and Shri George Thomas are nominated on the Board of Directors as representatives of Kerala State Government. Mr. Rosenberg is Manager of Dayton Rubber International which is a division of Dayton Rubber Co. and is interested in the payments to be made to Dayton Rubber Co.

RESTRICTIONS ON TRANSFER OF SHARES

The Board of Directors may, subject to the provisions of section 111 of the Act, at its own absolute and uncontrolled discretion, and without assigning any reason, decline to register or acknowledge any transfer of shares, (notwithstanding that the proposed transferee be already a member), but in such case it shall within two months from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal to register such transfer.

BORROWING POWERS

Under the Articles of Association, the borrowing powers of the Company are subject to the restrictions contained in Sections 292 and 293 of the Companies Act, 1956.

VOTING RIGHTS

Whilst any money stands unpaid on shares, a shareholder shall not be entitled either to be present at a general meeting or to vote or speak there at. Subject to the above, upon a show of hands, every shareholder entitled to vote and be present in person or by proxy or by an agent duly authorized under a power of attorney shall have one vote and, upon a poll, shall have voting right in proportion to his share of the paid-up equity capital of the Company.

The holders of the Cumulative Redeemable Preference Shares shall have no right to vote either in person or by proxy at any General Meeting by virtue or in respect of their holding of Redeemable Preference Shares except as provided by Section 87 of the Companies Act 1956.

PRELIMINARY EXPENSES

The estimated amount of preliminary expenses including the expenses of the issue (estimated at Rs. 40,000/-) is Rs. 40,00,000/.

Profits

The Directors in consultation with the Technical Collaborators. Messrs. Dayton Rubber Company, have estimated the costs of production of tyres on a very broad basis. After careful scrutiny of various establishment charges and other direct and indirect expenses, and estimating the sales on a very conservative basis, the Directors feel that on working to full production capacity, the Company is expected to earn sufficient profits to pay a reasonable return on capital invested.

INSPECTION

Copies of the Memorandum and Articles of Association of the Company, the Consent Order of the Controller of Capital Issues, the Licence from the Central Government for establishment of the new undertaking and the agreements above referred to may be inspected at the Registered Office of the Company, during the usual business hours (excluding Saturdays) until the subscription litst has been closed.

THE SUBSCRIPTION LIST WILL OPEN AT 11 A.M. ON MONDAY THE 11TH JANUARY, 1960 AND WILL CLOSE ON THURSDAY THE 21ST JANUARY, 1960, OR EARLIER AS MAY BE DECIDED BY THE DIRECTORS, BUT NOT EARLIER THAN MONDAY THE 18TH JANUARY, 1960.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	108.2	105.2
1957-58	..	108.4	94.0	113.4	116.5	107.3	108.2	108.2	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.0	108.1	112.9
June	1959 ..	118.7	97 6	115 9*	120.3	108.2	109.3	109.1	115.6
July	,, ..	121.0	98.9	115.7	120 2	108.5	109.3	109.2	116.8
August	,, ..	121.7	98.3	115 4*	119.4	109.2	109.5	109 5	117.1
September	,, ..	120.5	99.7	116.2*	122.6*	111.3	109.8	110.9	117.2
October	,, ..	124.0	101.4	116 3	122.6	114.4	110.5	111.1	119.3
November	,, ..	121.5	104.6	116.4	122.6	116.0	110.9	111.6	118.3
14-11-1959	..	122.5	105.4	116.4	122.5	115 6	110.9	111 6	118.8
21-11- 959	..	121.0	104 6	116.4	122.7	116.3	110.9	111.6	118 0*
28-11-1959	..	120.2	103.5	116.4	122.9	116.4	111.0	111.8	117.7
5-12-1959	..	119.9	103 5	116.5	124.3	117 2	111 3	112.1	117.9
12-12-1959	..	119.1	103.1	116.5	125.9	118.3	111.7	112.6	117.7
19-12-1959	..	117.3	103.1	116.6	126.1	117.8	112 8	113.5	117.2

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 =100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—			105	104		106		—	
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
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959 January	377	396	301	161	368	493	478	165	419	174	159	161
February	380	399	300	167	364	492	485	166	411	174	165	163
March	382	401	290	164	364	474	488	159	411	174	167	161
April	381	400	296	156	364	454	489	157	414	169	167	161
May	387	406	307	153	371	464	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	—	—	173*
October	408	427	324	158	406	470	510	—	441	—	—	174*
November	405	424	322	158	399	475	511	—	449	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 25-12-1959 High	Low	Aver. age	18-12-1959 High	Low	Aver-age	11-12-1959 High	Low	Aver. age	4-12-1959 High	Low	Aver. age
Gold [per fine tola] --	126.25	125.03	125.62	124.81	122 94	124.05	125.03	123 56	124.16	125.31	124.37	124.90
Silver (per 100 fine tolas)	212.19	208 94	210.49	208 94	206.44	208.14	210.00	206.62	208.45	210.44	209.25	209.92

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
1951-52* ..	1,189.84	27,78	1,217.62	40,02	625,27	665,29	54 64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52 89	80,22	458,08	1,142,72
1953-54* ..	1,133 95	23,03	1,156,97	40,02	594.02	634,04	54 80	92,83	430,11	1,156,97
1954-55* ..	1,196 19	22,98	1,219.18	40,02	648.81	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 (117,76)	545,61	595,63 (663,37)	39.95 (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
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
Average of Fridays										
May 1959 ..	1,756,56	22,14	1,778,70	117,76	178,01	295,77	16.63	130,15	1,352,78	1,778,79
June ,, ..	1,740,14	25 25	1,765,39	117,76	178,01	295.77	16.75	128 87	1,340,75	1,765,30
July ,, ..	1,698,91	23.54	1,722,45	117,76	172.01	289.77	16.82	131,85	1,300 84	1,722,45
August ,,	1.670 76	23,63	1,694 39	117,76	163.01	280 77	16 57	134,95	1,278 68	1,694,93
September ,, ..	1 658 75	24,40	1 683.15	117,76	163 01	280,77	16 68	136,13	1,266,26	1,683,15
October ,, ..	1,674 26	19 69	1,693 95	117,76	163 01	280.77	16.58	135.67	1,277,51	1,693.95
November ,, ..	1,690,84	20,51	1,711,35	117,76	163,01	280,77	16.41	133,89	1,296,68	1,711,35
Week-Ending										
20-11-1959 ..	1,683 84	23,03	1,706 86	117,76	163,01	280,77	16.45	134,41	1,291,69	1,706,86
27-11-1959 ..	1,679.21	28,56	1,707,77	117,76	163,01	280,77	16.44	135,31	1,291,69	1,707,77
4-12-1959 ..	1,710,26	15.20	1,725.47	117,76	163,01	280,77	16·27	133,01	1,311.69	1,725 47
11-12-1959 ..	1,731,37	8,36	1,739,73	117,76	163,01	280,77	16 14	132,27	1,326.69	1,739,73
18-12-1959 ..	1,728,97	11.26	1,740.23	117,76	163,01	280.77	16.13	132.75	1,326 71	1,740,23

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									
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,81	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	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
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
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
Avr. of Fridays														
April 1959 ..	53,36	19,26	83,53	118,28	274,43	94,16	453,62	17,90	22,96	33,95	37,34	84.95	241.14	15,38
May ,, ..	56,83	16.47	75,79	118,46	267,55	94.15	446,70	22,20	9,17	24,17	38,21	73,29	266,50	13,14
June ,, ..	51,47	14.50	81,43	119.90	267 35	100.58	452,93	25,30	93	17,02	28,59	62,37	305.15	13,57
July ,, ..	57 01	23.49	81,19	161,83	323,52	59.65	468,17	23.60	5,56	11,57	24,46	69.14	320,74	13,10
August ,, ..	57 38	37,66	84.17	155.45	334,65	68.80	488.44	23,80	3.89	15,23	21.44	74.08	340 57	9.55
September ,, ..	61.56	20.48	78.06	120.78	280.88	65.03	430.91	24.50	4.30	20.60	17,35	76.80	278.29	9 36
October ,, ..	58.32	18.90	76 83	118.73	272 78	69 69	427.47	19,82	27 98	22,48	20 23	84,61	242,36	9 99
November ,, ..	50,55	20,41	81,23	119,16	271,35	78,47	434,83	20,60	13,19	39,88	23,77	83,31	243,33	10,76
Week-Ending														
20-11-1959 ..	49,45	21,67	83,31	119,02	273,45	81,03	439,48	23,08	9.76	41,56	21,47	80,90	251,99	10.72
27-11-1959 ..	49 46	21,21	81,43	119 02	277,13	79,85	441,98	28,62	8,64	41 13	22,95	81 18	248,48	10,99
4-12-1959 ..	52,89	14,66	78,24	119.03	264,82	79.94	429.75	15,27	6.25	41,21	26,67	86.60	242,74	11.02
11-12-1959 ..	60,06	9,34	68.54	118,12	256,05	83.14	424 20	8,41	16 53	42,18	27,86	90.95	227,15	11,12
18-12-1959 ..	49,49	25,96	73,84	116,88	266,17	88,57	439,75	11,32	20,18	45,78	21,43	92,77	236,97	11,30

* 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 of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1948-49	674,66	303,88	978,44	37,51	76,63	11.67	424,85	16,44	45.10	..
1949-50	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	303,48
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	526,75	328,26	855 00	31,97	44,48	8.98	442,79	51,40	59.58	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	38,94	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										
June 1959	751.67	1020,37	1,772,03	46,00	75,82	6.87	860,74	137,18†	56.31	633,98
July ,, ..	741,04	1060,28	1,801.32	42,97	75.54	6.58	848,98	125,85†	54 12	675.81
August ,, ..	739,09	1084 55	1,823 64	42 07	79,65	6.67	822.34	124,59†	51.93	721,57
September ,, ..	741.75	1106.74	1,848.48	42.21	73,60	6.26	799 58	128 41†	50 21	762.18
October ,, ..	738.50	1118,84	1,857 34	41,69	75 12	6 29	795.39	137,83†	50.25	788.34
November ,, ..	737,36	1137,78	1,875,14	44,18	76,78	6,45	781,59	146,31†	49.49	800,78
Week Ending										
13-11-1959	740,42	1133,30	1,873,72	44,16	81,09	6.68	783.97	144.28†	49.54	790.90
20-11-1959 ..	735,99	1144,09	1,880,08	43,21	80,67	6.59	777,53	147.60†	49.21	806.64
27-11-1959 ..	737,41	1148,24	1,885 65	42,60	76,70	6.33	774,66	148,84†	48.98	812,81
4-12-1959 ..	724,01	1150 93	1,874.94	42.95	75.17	6.30	786 25	149,14†	49 89	811 55
11-12-1959 ..	731,03	1141 22	1,872.25	42 93	65,52	5.79	795,89	148,56†	50.44	803.34
18-12-1959 ..	732,59	1139,49	1,872,08	43,03	69,96	6.04	808,06	151,13†	51.24	789,35

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(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 ..	1.920.63	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 ..	2,388,83	1 606,60	782 22	762.36	19,87	+75.94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
December 1958 ..	2,349,85	1,606,45	743,40	726,03	17,38	+30,47
January 1959 ..	2,391,02	1,644,40	746,62	730.69	15,92	+41.17
February ,, ..	2,427.36	1,677 94	759.43	743,59	15,84	+46,34
March ,, ..	2 498,75	1,724,53	774,23	754.98	19,25	+61,39
April ,, ..	2,581.10	1,772.97	808.13	789 97	18,16	+82,35
May ,, ..	2 538 48	1,765.48	773.00	754.08	18,92	—42,62
June ,, ..	2,530 81	1,735 07	795.74	775 60	20,14	—7.67
July ,, ..	2.460,88	1,692 07	768 81	747.83	20.97	—69 93
August ,, ..	2.451 38	1,671 49	779 89	758,35	21,54	—9 50
September ,, ..	2 431 44*	1,663,47*	767.97*	748 45*	19 52	—19.94*
October ,, ..	2,470,46*	1,715,16*	755,30*	737,62*	17,68	+39,02*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

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CONTENTS

	Page
Leading Articles:	
THE A.I.C.C. SESSION	241
IRRESPONSIBLE AND RECKLESS	242
PAKISTAN'S SECOND PLAN	243
DELHI DIARY	244
THE WEEK'S NOTES	245
India and Pakistan; Andhra; Egypt; Agriculture.	
A WINDOW ON THE WORLD:	
Odysseus on "Goodbye to the Socialist Fifties"	249
THE EUROPEAN SCENE:	
The Atlantic Economic Conference	253
Special Article:	
THE MAN IN THE STREET AND HIS RUPEE	257
The Business World:	
PLANNING FOR GUJERAT STATE	259
VERDICT ON CALCUTTA DOCK LABOUR BOARD	260
BUSINESS NOTES	261
DLF; New Issues; Labour Problems; Shipping; Textiles.	
CURRENT TOPICS:	
Present Trends in East-West Trade	263
A DELHI NOTEBOOK	264
WORLDGRAM AND NEWS IN BRIEF	267
COMPANY AFFAIRS	272
COMMODITY NEWS AND NOTES	274
CURRENT STATISTICS	275

The A.I.C.C. Session

THE current session of the All India Congress Committee at Bangalore has proved to be far more significant than was anticipated. It was believed—and the Stock Exchanges registered their fears in a drastic manner last week—that the session would produce a fairly painful resolution on economic policy, implying additional financial sacrifices which could not help affecting the climate for investment. These fears have proved wrong in spite of the fact that an important resolution of the Congress on the hastening of economic development can be deemed, depending on the factor of implementation, to have some unpleasant implications. At the time of writing, which is before the session is over, the spotlight has not been captured by economic affairs, but quite curiously by an old worn theme that of 'non-alignment' in India's foreign policy.

What is significant is not that the Prime Minister was dismayed by the extent to which his position—Gandhian or otherwise—has not been fully accepted inside the Congress, but that the official definition of the word 'non-alignment' has taken on an almost academic, and even scholastic, ring. Thus the Prime Minister seems to think that, while we might receive arms aid, that is, aid not paid for on current account by India, without compromising our principles, it would be totally wrong to have any military understanding which implies a group of nations working together for a common end on military security. Although

the final resolution on Thursday is an endorsement of the Prime Minister's line, "non-alignment" must be reckoned henceforth an issue of controversy in Indian foreign policy. Obviously, no one seriously contemplates at this stage, or, indeed in the near future, the location of foreign military units on Indian soil. The Prime Minister was tilting at the windmill when he implied that his critics wanted just this and nothing else. This is not the truth; the truth is the country does not wish to close, by theoretical shibboleths, opportunities which history might decide that we need. Whether the Prime Minister recognizes this or not, the 'Three Musketeers' of whom he spoke somewhat contemptuously in the A.I.C.C. Session have a substantial reflection in public opinion in the country. There is no point in practical men facing a practical possibility retreating to verbal niceties about the manner in which "non-alignment" can be made to look something different from what it actually is in practice. If it should happen that arms aid comes predominantly from Western countries—and how against China can it be otherwise?—what would our "non-alignment" look like to the outside world?

For the rest, particularly in the resolution on accelerating economic progress, there must be disappointment that there was no concrete debate on which the country could form an opinion as to how different the course of future policy is likely to be. Obviously, we need to work harder; t have less red-tape, and we need to make decision faster. But how much and how soon can w achieve accelerated development? Little was sai in the session to show any concrete thought, an almost no conclusion can be drawn except that powerful psychological spur was attempted to b forged on very insufficient tools of thought o action. It is necessary that the Prime Ministe should give a firm lead on this point if he expect results in a short time.

The session was important as revealing th extent to which the questioning of Prime Minis ter's leadership has now entered into the ran and file of the Congress Party. In the last ana lysis, the Prime Minister will have his way, bu at each succeeding session of the A.I.C.C., it wil be a more difficult period of persuasion than a this session. This is, in a democracy, no matte for regret. For, it is in the power of persuasion that lies the power of leadership. The Prime Minister must be able now to demonstrate the value of his policies without invoking either the Gandhian legend or his own immense prestige within the party. There is no reason to believe that, if he recognizes that this is a source of strength and not of weakness, the Congress Party will not respond to his abundant good sense in moderating a course out of touch with the currents of Indian public opinion.

Irresponsible and Reckless

THE Indian Pilots' Guild has made an ugly exhibition of its organised strength by causing an abrupt and total paralysis of the services of the Air-India International Corporation. By virtue of the high status of their profession as well as the strategic function which they perform in airlines operations, pilots occupy a position of great responsibility, which is all the more a weighty reason why they ought to conduct themselves in a disciplined manner and refrain from resorting to direct action, until it is forced on them by the failure of all other remedies of redress. But in jumping at the weapon of the last resort in the first instance, the Guild has shown itself as utterly reckless and irresponsible. However sensitive its feelings may be on its supposed grievance, it has outraged public conscience by its extraordinary behaviour of serving an ultimatum of 16-hours on the management on a minor issue and precipitating a crisis of a high magnitude.

The issue on which the Guild has forced a trial of strength is not only frivolous but untenable. Furthermore, the action to serve the ultimatum was taken by the Committee of the Guild without reference to the general body and, in so doing, it has violated an elementary principle relating to trade union disputes. The fact that the Committee's action was ratified by the general body later after the strike was actually in progress for four days does not condone the initial violation of a universally accepted practice in trade unionism. The entire controversy between the Guild and the Corporation's management revolves round the latter's decision to depute Captain Gilder for training at Seattle to fly the Boeing 707 jets. For about ten months, negotiations were going on between the Corporation and the Guild for revision of the salary scales and other terms of service and an agreement was reached on January 2 last. In so far as jet training was concerned, the agreement stipulated that the 22 pilots, required to man the Corporation's Boeings, to be pressed into service from April next, would be selected in accordance with the principle of seniority. So long as selection was scrupulously made on the criterion of seniority, there was no question of any dispute arising between the management and the Guild. There existed no dispute between the parties as to who should comprise the jet cadre.

During the pendency of the negotiations, the Guild issued a directive to its members not to offer themselves for the preliminary ground training in jet operations. This ban was lifted by the Guild on January 2 when the settlement was reached. Captain Gilder was selected for deputation for training at Seattle because he was the only available pilot having undergone the simulator training among those out of the 22 who were awaiting their turns. The entire controversy over priority in his selection arose out of the delay in communicating the Guild's decision about the lifting of the ban to its members for which it alone is responsible. The Guild has made an issue of Captain Gilder's selection for declaring the lightning strike. Its ultimatum demanded the cancellation of Captain Gilder's deputation and his recall to India. It is, however, good to know that subsequently the Guild has resiled from its original untenable position and is only insisting on sending one more pilot to Seattle for training.

The real issue to be considered in this dispute is whether the Guild was justified in bringing to a sudden standstill the operations of Air-India International which has been notified under the law as an essential industry. The Guild has not only failed to make out any case for the justification of the strike but has given further proof of its irresponsible attitude by repudiating unilaterally the agreement of January 2. The fact that it has thrown to the winds an agreement which brought handsome rewards to it after protracted negotiations is a measure of its light-hearted behaviour. The consequences of the Guild's action are serious and far-reaching. Each day of total stoppage of work involves the Corporation in a loss of revenue of the order of Rs 3.2 lakhs. The management has no other course open to it during the pendency of the strike than to lay-off a bulk of the employees for sheer inability to find work for them.

At the time of going to the Press, it looks as though the dispute will be settled, thanks to the intervention of the Union Transport Minister. But, in the meantime, enough damage has been done. Even assuming that there has been some shortcoming on the side of the management, it still remains true that the Pilots' Guild has lost public sympathy by flouting the rules of the game, showing scant regard for agreements reached after patient and threadbare negotiations and, above all, paying absolutely no heed to the severe consequences of its behaviour on a vast body of innocent persons.

Pakistan's Second Plan

IN a broadcast to the nation on December 30, President Ayub Khan outlined Pakistan's Second Five-Year Plan commencing from 1960. Just when India is about to complete her Second Five-Year Plan, Pakistan will thus commence her own Second Plan. This time-lag in the case of Pakistan has been due to various factors, but the most important, however, has been the political instability of the country. As a consequence, even the first Plan was approved by the former National Economic Council, only in 1957, two years after the Plan period started. The Plan itself was released for publication in May 1958 and even then, there was no indication that it had been accepted by the Government. It was when the present Government came into power that a systematic attempt was made to implement the Plan in right earnest. In spite of these handicaps, there is no doubt that the first Plan was a major attempt at stimulating concrete thinking about development and it is also true that in the evolution of public policy, one can trace the influence of the ideas spelt out in the Plan.

It is in this context that one should evaluate Pakistan's Second Five-Year Plan. There seems to be a certain parallel in the evolution of planning by India and Pakistan. Just as India's First Five-Year Plan was more a conglomeration of development programmes, some of which were under way or already drawn up and others added to it, rather than a systematic attempt at long-range planning as such, similarly Pakistan's First Five-Year Plan served more as a guide in the preparation of the annual development programmes. It is likely that the Plan will be fulfilled to the extent of about 90 per cent in financial terms though in physical terms, actual accomplishments are expected to fall considerably short of the Plan targets. The main factors responsible for this are the adverse or the not-so-favourable weather conditions during the first three years of the Plan, serious worsening of the terms of trade and upward revision of the estimated projects launched owing to rise in world prices. The net result is that national income is expected to increase by the end of the Plan period by about 10 per cent against the Plan target of 15 per cent. On the other hand, the rate of population growth is now estimated at 1.6 per cent per annum against the Plan estimate of 1.4 per cent per annum. This means that there will be virtually no increase in the *per capita* income.

The outline of the Second Plan envisages a total expenditure of Rs. 1,900 crores, Rs. 1,150 crores in the public sector and Rs. 750 crores in the private sector. This means an increase of more than 50 per cent in the development expenditure compared with the First Plan target and of 60 per cent compared with the estimated expenditure during the First Plan period. It also aims at an overall increase in national income of the order of 20 per cent by 1965. If it is assumed that population will rise by about 9 per cent during the Plan period, it would mean an increase in *per capita* income of about 10 per cent. Apart from this, the other major goals are an increase in production of foodgrains by over 20 per cent so as to achieve self-sufficiency by the end of the Plan period and an increase in large-scale industrial production by over 50 per cent.

Explaining the immediate purposes which the Plan seeks to achieve, President Ayub Khan said that they must increase the wealth of the country by a determined effort to raise agricultural and industrial production. So far as agriculture is concerned, the primary aim is to grow enough food to feed the nation and so far industries are concerned it is to make substantial but selective development. Thus the allocation proposed for agriculture is Rs. 234 crores. It is about 20 per cent of the total allocation for the public sector. If one takes into account the total investment in agriculture, both public and private including irrigation and drainage, it comes to Rs. 553 crores or nearly 30 per cent of the whole Plan. For increase in industrial production, reliance is placed essentially on private enterprise. Thus while industry, fuels and minerals get an allocation of Rs. 147 crores in the public sector, their allocation in the private sector is Rs. 270 crores.

Prima facie it appears that the whole approach to the Second Plan as given in the outline is characterised by a sense of pragmatism. It is not conceived in any grandiose spirit nor is there any attempt to follow any doctrinaire methods. The outline generally follows the approach given in the report of the Panel of Economists earlier. It has tried to look at the food problem and its solution from practical standpoint. It has underlined that it is the task of government to build up economic and social overheads in the initial stages so that it may be possible for the private sector to fulfil its essential role in economic development. This explains why in the order of priorities, the relative share of agriculture and education has been increased as compared to the First Plan, while a greater role has been assigned to industrial development in the private sector. The only sop to popular sentiment is in respect of the establishment of "Basic Democracies." This is an attempt to provide a machinery for bringing the mass of the people into effective participation in economic and social efforts. It is a novel experiment and perhaps time alone can judge its ultimate utility.

A DELHI DIARY

SEEING IS BELIEVING

THE truth will out. Let me, therefore, confess with a show of frankness that I have been away from Delhi for the whole of this week. Let me also claim some virtue as a reformed character in terms of this particular excursion. All too painfully it has been borne in on me that long hours of contemplation at Delhi (with abundant Press Conferences interspersed) do not tell one the story of glorious new activity of which every State in the Indian Union has now abundant examples. As the Steel Plants go up one by one (in spite of audit objections) and the Power Plants get commissioned (in spite of other tribulations!) the least a journalist can do is to look at the new units and—much more important—the new men who have brought these schemes to fruition. Gradually Delhi journalists are realising that out of their limited minds, and the processes of analysis and deduction embedded therein, even a good description of historical forces cannot be obtained. Thus travel and observation are now decreed for the highest (and lowest) in the journalistic profession. Being one of the lowest, I still managed to qualify. Long may this happy sense of movement survive in our midst, producing airworthiness in us if not take-off in the economy.

AN OIL STRIKE

On this occasion and next week, I am dedicating myself to two major enterprises. The first is Oil-India Private Ltd., started, under happy auspices, by an agreement between the Assam Oil Company and the Government of India two years ago. Next week, I should be dealing with Durgapur. For Oil-India let me begin, as seems not inappropriate, with oil. The first oil that I have ever seen coming out from the ground was, on January the 11th at 4-29 p.m. from Well No. 52 at Naharkotiya at a level of 9350 ft. Unfortunately, it was not gushing forth in the manner which so fills oilmen with intoxication, but in a fluorescent lamp one could see the oil particles shine like gold against a black setting. Oil has sometimes been called black gold, but this was pure gold against another black. I was so exhilarated in its presence that I must confess I made myself a little conspicuous in the presence of oilmen who have had the experience so many times that the joy of a fresh discovery is now suffering with all the pangs of the Law of Diminishing Marginal Utility. My yell of delight only met with happy but understanding smiles. Boys, it seems, will always be boys.

NAHARKOTIYA: WHO IS SHE?

Few people in India—journalists not excluded—can have any impression of the remarkable shot-in-the-arm which oil exploration received as far back as 1953 when the Naharkotiya oil fields were first discovered. Practically, every second well drilled in a two-square mile area has found oil in commercial quantities and I find it difficult to understand how Jawalamukhi and Cambay have ever attracted greater attention in the Indian public mind. Here we have already proved some 30 million tons of oil reserves capable of assuring supplies to our major public sector refineries at Gauhati and Barauni which are in the process of erection. All the problems of piping a difficult oil (heavy in wax, happily an excellent earner of foreign exchange!) have been solved. And proving is now taking place at the rate of 30 million barrels a year against 18 million required for the refineries in Gauhati and Barauni. Why is oil arithmetic not made compulsory, at least in Assam? It would make a diffident State look much more confident!

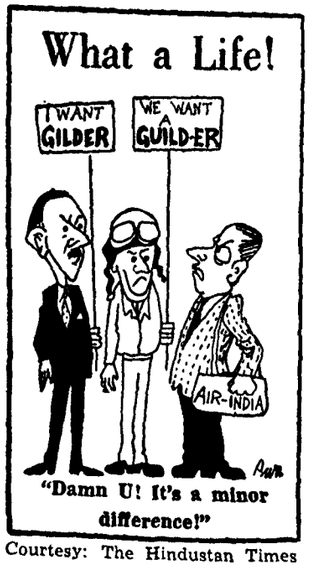
In any case—and this time will all States kindly jor industrial revolution based on oil and oil products is slowly being transacted in a far away corner of the Indian Union. I shall leave "The Eastern Economist", which I see is spreading itself more and more on the subject of take-offs and the implications thereof, to describe the other elements in the industrial picture which oil, gas, and ancillary industries connected with the great Oil-India project will accomplish. I discover, amongst other things, that Assam, thanks to the natural gas discovered there, will be producing the cheapest power in India and some of the cheapest in the world. Is it 2 nP. per kilowatt hour or I have got my units wrong? I am told, the average in India at site is 13 nP.; perhaps my arithmetic would be right when I saw that Oil-India will be producing power at one-sixth the average of India's cost. I have a curious coincidence to report. There are, I am told, 6.5 barrels of oil to a ton. The average cost of our power is also 6.5 times that of Assam's gas power. Are two things equal to the same equal to one another? I leave this to statisticians to resolve since I cannot deal with vulgar fractions in more than one dimension.

A PATTERN FOR THE FUTURE?

The total picture one gets after looking at Digbo and the splendid organisation the Assam Oil Company has built up there, is one of disappointment that this magnificent organisation has been placed by Providence at such an extreme periphery of India's commercial life. A magnificent pattern of co-operation has been developed between British and Indian technicians. The Indian heads of the Geological and Public Works Departments command enthusiastic support as evidence on the spot abundantly demonstrated. There is a warm camaraderie which results also, I expect, from the adventure in oil drilling sustained by the remarkable run of success achieved since 1953. I pay tribute to this pattern of partnership, because I think it is one extremely fruitful and promising for India's future.

GILDER AND GUILDERS

I have just time in taking my departure to refer to the Air-India International dispute which is being talked about as though it were a major problem of high



Courtesy: The Hindustan Times

finance. But why I need my peace be disturbed since a cartoonist makes the position look as ridiculous as it actually is!

ARGUS.

THE WEEK'S NOTES

India and Pakistan

IMPROVEMENT IN CLIMATE

THE VALUE of the joint communique issued after the recent high level conference on the West Pakistan-India border question lies not so much in what has been achieved as a pointer to what can be done, given mutual understanding and goodwill on both sides. It was in October last that an agreement was reached on a number of questions relating to the East Pakistan-India border. The present talks held originally in Lahore and subsequently in Delhi related to five areas of dispute in the western region. Of this, according to the joint communique, four were settled in a spirit of mutual accommodation since the differences between the two Governments arose from the interpretation of the Radcliffe Award. It is only the dispute relating to the Kutch-Sind border that remains to be settled and both countries have now agreed to collect further data with a view to arriving at a settlement later. Apart from this, an agreement has also been reached in respect of the ground rules which would be operative on the West Pakistan-India border. Yet another decision relates to the demarcation of the boundry between West Pakistan and Punjab and here it was agreed that high priority should be given to this work which should be completed before the end of April this year and the return of the areas in adverse possession of either country in this sector should be completed by October 15.

Coming as it does after the recent Indo-Pakistan financial talks where a substantial agreement has been reached in several respects, the present agreement augurs well for the further understanding of the two countries on several other issues. Also thanks to the initiative taken by the World Bank, a solution seems to be in sight now in regard to the canal water dispute. It is also likely that in the matter of trade, steps may be taken to initiate a better two-way traffic. Since partition, the relations between India and Pakistan have been bedevilled on account of a number of factors whose cumulative effect has been to widen the gulf between the two countries. It is therefore good that every settlement reached will bring the countries nearer. Though Kashmir still remains a great stumbling bloc, there is no reason why the present easing of tension should not create a more favourable climate for the settlement of the other outstanding disputes especially in view of the Chinese attitude on the border.

Andhra

THE NEW CABINET

THE COMPOSITION of the new Andhra Cabinet headed by Mr. D. Sanjiviah calls for some comment. It had been generally assumed that when the successor to Mr. N. Sanjiva Reddi was decided, there was not likely to be any drastic reshuffle of the Cabinet. This feeling was particularly engendered because the public, at any rate, got the impression that there had been no dissensions in the Cabinet to warrant any serious reshuffle. However, as things have turned out, five members of the Sanjiva Reddi Ministry do not find a place in the new Cabinet. It is not the exclusion of certain names as the inclusion of certain others that is interesting. All the three contenders for the post of Chief Minister have now found a place in the Cabinet. This includes besides Mr. K. V. Ranga Reddi (who has been given the distinction of being the Deputy Chief Minister) and Mr. K. Brahmananda Reddi who were members of the previous Cabinet, Mr. A. S. Raju also. The last is at present the General Secretary of the Congress and is not a member of the State Assembly. Again, another notable inclusion has been Mr. P. V. G. Raju who joined the Congress only last month and was subsequently made a member of the Congress Parliamentary Party in virtue of his place in the Lok Sabha. His political career has been somewhat tortuous. He joined the Congress in 1947, left it in the subsequent year and for long was associated with the P.S.P., which he later left to join the Lohia Socialists. It is now presumed that he will contest a bye-election to the State Assembly. All these are a bit intriguing especially when the General Elections are due early next year. The hurry with which some names have been included seems to be rather indecent, to put it very mildly.

Egypt

THE MODERN PYRAMID

JANUARY 9 was a red-letter day in the history of Egypt, as it was on that day President Nasser initiated work on the Aswan High Dam project. President Nasser felicitously observed that the dam would be Egypt's modern pyramid. It will be 17 times bigger than the biggest pyramid and its reservoir will have a capacity of 130 million cubic metres of water. For Egyptian economy, the project is of great significance as it would convert 700,000 acres of intermittently irrigated land to dependable irrigation besides opening an additional 13,00,000 acres for irrigation for the first time. By relieving the population pressure on the land, it would also go a long way in revolutionising the economic life of the country. In view of its enormous cost estimated at nearly £370 million, the project can naturally be taken up only in stages. The first stage is expected to take four years and it will be financed by the Soviet Union which has loaned 400 million roubles (£33 million). Thus the foreign exchange component for the first stage of the project now seems to be assured.

In his speech, President Nasser told his admiring audience that "you have won the battle for the high dam" and that the dam is a symbol "that our nation can perform the work of giants when it unites and fights". The background to the Aswan Dam Project is now a matter of history. It was as early as October 1955 that the Soviet Union made the original offer for the construction of the project. Subsequently, the United States and Britain also offered to finance the project which, however, was unceremoniously withdrawn in July 1956 mainly because of the feeling that consequent on President Nasser's arms deal with the Soviet Union, he was not friendly with the western powers. It was as a consequence of this that President Nasser retaliated within ten days by announcing the nationalisation of the Suez canal and pledged to build a dam with the funds accruing from the waterway. Then followed rapidly many events, all coming in the category of the "Suez crisis", the most notable of which was the fall of Sir Anthony Eden, and the terrible blow to the prestige of western powers. Thanks to the stand taken by the Untied States, the subsequent rapprochement between Egypt on the one hand and Britain and France on the other was facilitated. It is now only a matter of academic speculation as to what would have been the course of history if only Britain and the United

States along with the World Bank had not withdrawn their earlier offer. But, according to reports negotiations for the construction for the second stage of the dam are now being conducted with several western nations. Since it is not obviously possible for the Soviet Union to undertake to finance the project all by herself, it is not too late even now for the western powers to make amends for the original error they committed. Already, President Eisenhower has announced that the United States would support the World Bank in the financing of the further stages of the dam. It is now for Egypt to take advantage of this since she is in need of whatever assistance the western powers can offer in view of the great magnitude of the task relating to the construction of the project.

Agriculture

CROP INSURANCE AND EXTENSION SERVICE

CURRENTLY being held in New Delhi is the two-week Near East and South Asian Regional Seminar on Agricultural Extension Services, organised jointly by the Government of India and the U.S. Technical Co-operation Mission and attended by delegates from seven countries — Afghanistan, Ceylon, Iran, Jordan, Nepal, Pakistan and Sudan—besides India. The venue and timing of the Seminar could have been scarcely more appropriate for they synchronise with those of the First World Agricultural Fair where on view is what "the creative union of human spirit, fertile earth and inventive science has achieved in the advancement of agriculture." The deliberations at the Seminar will be watched with interest by all those engaged in the task of improving the lot of the peasantry in this country. The need for application of science to agriculture in India can be hardly over-emphasized; farm yields here are among the lowest in the world and these have to be raised substantially and quickly if a sound base for industrial development is to be laid and food requirements of the teeming millions are to be adequately met.

That the extension services play an important role in boosting agricultural output has been amply demonstrated by the impressive advance made in agriculture in various European countries and in U.S.A. In India itself efforts have been made in this regard during the past few years and they have met with considerable success; it has been primarily due to the efforts of the extension workers that agriculturists in this country have begun to appreciate the usefulness of artificial fertilizers. Much, however, remains to be done. Successful working of agricultural extension service in a country like India is hampered greatly by the small holdings and illitracy of the peasant, apart from the inadequacy of finances available for this work and the lack of qualified personnel. Steps have got to be taken to remove these impediments.

If a technological revolution in Indian agriculture is to be brought about—and that has to be done as early as possible—there is obviously a need to help the peasant to break through inertia and his preference for the age-old farming pactices. Due to his weak economic position, he sometimes hesitates to change his methods of cultivation for fear of loss of crop. Along with the spread of knowledge of improved farming practices which is the aim of agricultural extension services, if steps are, therefore, taken to implement crop insurance schemes, much useful results can be achieved.

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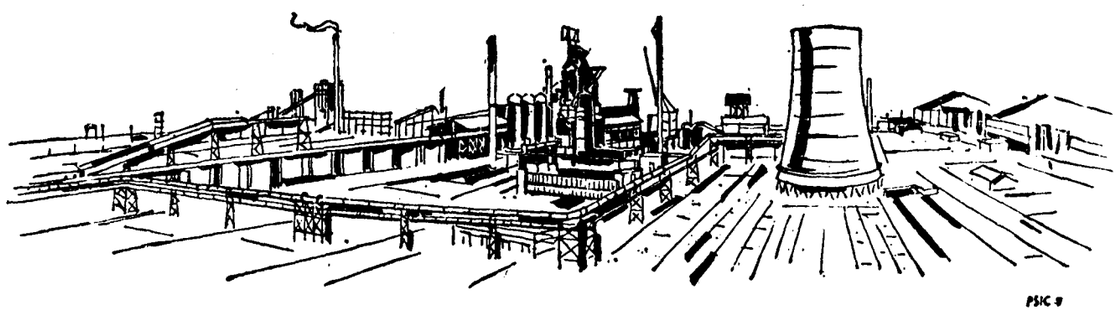
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A Window on the World

GOODBYE TO THE SOCIALIST FIFTIES

By

ODYSSEUS

NIRAD C. CHAUDHURI'S "Passage to England" (Macmillan, 1959) shows exceptional understanding of the contemporary English scene. Mr. Chaudhuri did, however, unexpectedly bring home to me one big change in the U.K. about which I believe he was misled. He pays tribute to the British for their courage even though "the wealthiest country in the world has lost the greater part of its wealh; the richest families have become relatively poor; there is the crushing load of taxation without proportionate benefit for those who are bearing the greater share of its burden; last of all, nothing that they can do seems to promise an end to the economic torture." Now, although Mr. Chaudhuri's book was published in 1959, he visited the U.K. in 1955, two years before the 7 per cent credit squeeze. Inflation was still rising. Production bottlenecks were universal. Employers were bidding against each other for labour in an over fully employed market in which ever rising prices seemed to mean that production costs no longer mattered. Economic thought was still dominated by the conditions of the post-war years, during which the U.K. had been straining to respond to demands for new investment simultaneously at home and abroad, while handicapped by the hangover of direct controls of all kinds over the economy. Internationally, although the OEEC was valiantly promoting freer trade, there were still plenty of import quotas, exchange control restrictions, and inconvertibility, to slow the speed of recovery.

With every year that passed after the Socialist defeat in 1951, some restrictions were removed and greater freedom achieved, but the process was at first comparatively slow because people's minds had been so conditioned by war-time controls and Socialist dogma that economic freedom was suspect as archaic and anachronistic.

Throughout these years, crises continued two-a-penny—inflation, lack of savings, excessive wage demands, balance of payments, etc., etc.—and it is these contrasts with pre-war U.K. prosperity that are reflected in Mr. Chaudhuri's otherwise well-informed pages.

In retrospect, we can now see that 1957 was a watershed in the U.K.'s post-war economic history. The recourse to "outworn" monetary orthodoxy was last minute, but (admittedly aided by fortuitous circumstances, such as the fall in primary product prices) it was seen actually to work, and thus restored the courage of its economic convictions to the Conservative government and won the confidence of the electorate for a renewed five years of office in October, 1959. Mr. Chaudhuri is not alone in thinking that the U.K. is a poor relation among the nations. So she was in 1945. But today she has pulled herself up to a position in which the real values of her national income, overseas investments, and overseas trade have been greater in all her history. I do not suggest that the U.K. will never face an economic crisis again, any more than that I shall never have another cold in my head, but it is no longer true (as it was in 1955 when Mr. Chaudhuri noted it) that the British are resigned to a future of ever lasting economic torture. On the verge of the 1960s British self-confidence recalls the buoyant spirit of the 1860's when every year saw a score of new inventions, new trade outlets, and greater expansion. Since 1957, the U.K. economy has been stripped of its inflationary fat. New plant has been installed. New techniques adopted. superfluous workers got rid of. Productivity raised. As far as costs and efficiency are concerned, the U.K. has never been so streamlined. (The problems ahead, of course, include greater diversification of exports.)

GERMANY LEADS THE WAY

This confidence is not confined to the U.K. It has spread throughout Europe from Germany, where as far back as June, 1948, when the whole of Europe was still in bondage to Socialist dogma, Ludwig Erhard, without consulting Allied officials, issued a decree on a Sunday when all were away from their offices, ending rationing and price controls. The French and British, whose economies were rigid with controls, were furious, the Americans nervous. The U.S. General Clay said: "Herr Erhard, my advisers tell me you're making a terrible mistake." "Don't listen to them, General," Erhard chuckled, "my advisers say the same." From then on the proven success of Germany's free economy set up chain reactions ending in the convertibility of currencies, and the abolition of trade barriers.

We are entering the Golden Sixties. The Socialist Fifties are behind us. Don't take my word for this. Ask Socialists in Europe—if you can find any. Characteristic of the evolution in European Socialist thought is that of the German Socialist Democratic Party (SPD). If nationalisation is the millstone round the British Labour party's neck, then the SPD has just rid itself of no fewer than five millstones (1) its Marxist inheritance, (2) nationalisation, and (3) revolutionary, (4) anti-religious, and (5) pacifist, traditions. Its new programme is realistic, mid-twentieth century progressiveness. Stripped of its radical language, the content of the SPD programme could be incorporated in any booklet issued by the British Conservative party's progresisve Bow group.

The astonishing distance travelled from far Left to moderate Right by the SPD, compared with the small gap that British Labour needs to jump to catch up with the real world, will be grasped when one recalls that whereas the Labour party was formed in 1900 by constitutionally minded trade unionists, the SPD inherits the economic dogmas of 1869 when Marx won control of the German Socialist Democratic movement, and that before 1914, and again under Hitler, the SPD was opposed not merely to the government of the day but to regimes that were anti-democratic (the party was outlawed both by the Kaiser and by Hitler). And since the churches normally supported the German "Establishment" in the past, the SPD was anti-church.

In the changed conditions of the post-war world, the SPD therefore faced the distrust of all who favoured constitutional change, of most Christians, whether Catholic or Protestant, of the workers who were busy discarding overalls for white collars, and of all who believed in national defence.

Following electoral defeats in 1949, 1953, and 1957, an entirely new programme was drafted, and passed in November, 1959, by the significant majority of 340 votes to 16. SPD spokesmen with whom I recently talked in Bonn were at no pains to conceal that post-war U.K. experience of nationalisation provided them with the outstanding example of what to avoid, and Germany's post-war experience of Erhard's competitive economy the outstanding example of the right line of advance.

SOCIALISM IN 1960

The basic paragraph in the new SPD programme says: "The free choice of consumer goods and services, free choice of a place to work, free initiative for em-

ployers (sic) are decisive foundations, and free competition an important element, of a free economic society. The autonomy of employee and employer associations in the conclusion of wage contracts is an important part of the free order. Totalitarian control of the economy destroys freedom. The SPD therefore favours a free market, wherever free competition really exists. Where markets come under domination of individuals or groups, however, manifold measures are necessary to preserve the freedom of the economy....." An old fashioned Socialist might cite other passages against this, such as "Public ownership is the legitimate form of public control which no modern state can do without." But the document as a whole suggests that what the SPD condemns is not private ownership but monopolies, which exploit consumers, or strive to usurp political power.

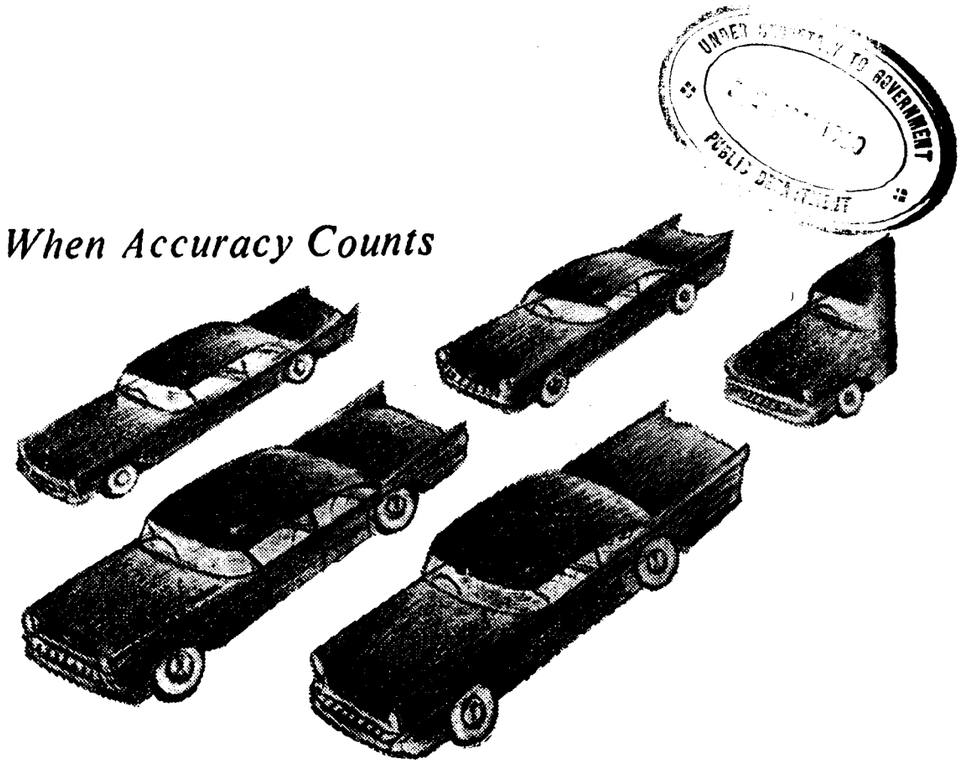
An SPD spokesman explained to me that the party rejects nationalisation because it creates a static economy. The SPD seeks a dynamic economy, constantly sloughing off old techniques, responsive to structural changes. The SPD is trying to hammer out a system of public ownership, where necessary, of sectors of industry as a whole. In using such terms as "planning," the context suggests that the SPD means no more than the maintenance of full employment and the smoothing out of alternate booms and depressions. The SPD threatens eternal damnation only to any in big business who fall into the mortal sin of cartelisation. In a word, whereas the old-fashioned Socialist regards public ownership as heaven—the goal of all striving—the SPD regards it as hell—a necessary sanction in a system of incentives and punishments required to ensure a dynamic economy. The relevant text of the new SPD bible is "As much competition as possible—as much planning as necessary." Mr Harold Macmillan would endorse this at once, and would positively cheer at the gloss added by Dr Heinrich Deist, the SPD's economic expert: "The state eliminates human freedom if it limits the independence of private economic initiative." Give Mr Gaitskell time. He'll bring his party round to all this yet.

Whereas many British Socialists attribute the Conservative victory to lavish expenditure on propaganda, the SPD has publicly recognised that elections are won by policies. "No one," declared Carlo Schmid, "believes that it was only the millions spent by out opponents that won the election." Finally, the SPD has affirmed its support of the constitution and of national defence, and has made peace with religion. The SPD now offers Germans an alternative government with a progressive programme which as Carlo Schmid says, calls "a spade a spade," and is rid of terms "meaningful 60 years ago, devoid of all significance today."

Since the British Labour party has only one millstone to get rid of, compared with the five formidable millstones from which the SPD has found it possible to cut itself free, my prediction is that, with five years in hand, British Socialists will have caught up with the SPD and have discarded Socialism in time for the elections of 1964.

P.S. Anyone who suspects my interpretation of the SPD's new programme can obtain a copy in English from the SPD, 170 Friedrich-Ebert-Allee, Bonn.





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The European Scene

THE ATLANTIC ECONOMIC CONFERENCE

From Our Special West European Correspondent

PARIS, January 9.

NEXT Tuesday and Wednesday, 12th and 13th January, there will be held here in Paris the Western economic conference that was decided upon by Messrs. Eisenhower, Macmillan, de Gaulle and Adenauer at their meeting here just before Christmas. In the unlikely event that the conference takes quick decisions that are made public before this article is published, the following will serve as explanatory background. But it is more probable that the delegates will have time only to name the problems they intend to deal with and to decide what sort of permanent organisation they will set up for the purpose. The exploratory nature of the meeting was emphasised by the Big Four when they called it a semi-official (officieuse) gathering, although representation will be at the highest level —Mr Douglas Dillon, for example, will lead the American party. Even if it does no more, this conference will mark a turning point in the economic history of the Western world, and whatever permanent committee emerges from it will be the symbol of the fact that Western economic problems must henceforth be dealt with at the Atlantic level.

This means essentially—since the 18 nations of West Europe were already grouped in the OEEC—that the U.S.A. and Canada will enter the system as full participants. In OEEC they had the status only of observers; they, and especially the U.S.A., bore the brunt of the discrimination that the OEEC necessarily implied, because they knew that this was needful for the post-war recovery of West Europe. This situation is now at an end. The U.S.A. wants to be treated as an equal partner in the new framework of co-operations, she will consent to no further discrimination and above all she wants to ensure that the OEEC does not evolve into an even more discriminatory organisation under the disguise of a free-trade zone from which she is excluded. Moreover, she wishes to see the new organisation take over some of her burdens in assisting developing countries while it ensures a more rational and effective distribution of assistance from the receivers' point of view.

However delicately or indirectly it is put, the new Atlantic economic group will be the successor and substitute for the old OEEC. This suits everybody, more or less, because the OEEC had been broken up into two rival fractions, the Common Market and the Little Free Trade Zone. The British were anxious to put it together again, by "building a bridge" between the two factions. They now have their way because the Atlantic conference groups four members from each side—but with the significant difference that they will sit alongside a new, powerful and equal partner, the U.S.A. who means to have a say in the settlement. The Common Market six were much less anxious to put the OEEC together again, because they felt that their common enterprise had created a new situation in which the Western world was divided into three blocs: themselves, the Commonwealth and the U.S.A., and so all future co-operation had to be based on that fact. They too have their way, since problems will not be discussed on an 18-nation West European level in an organisation that includes the U.S.A.; in the wider forum, the Common Market will be able to act as a unit which it could not in the OEEC.

Both these factions probably over-estimate the interest of the Americans in their local, West European, trade squabble. Apart from certain principles on which Washington stands very firm—no Europe-wide free-trade area at the expense of the U.S.A., and continued support for the Common Market—the Americans will want to lift the debate to the level of global economic strategy If the Europeans go on disputing about trade across the Channel or across the Baltic, the Americans will call their attention to the problems of the relative growth-rates of Communist and capitalist economies, and of increased aid to developing countries. Naturally, they will do so with a thought for their own national problems, particularly the deficit in their balance of payments and the weakened prestige of the dollar. This is because they consider, neither unfairly nor egoistically, that the solution of their balance of payments problems involves a new distribution of work among the Western nations and that such redistribution must be undertaken in the light of the global problems just referred to.

This point of view is accepted in theory by the West Europeans, but is apt to be lost to sight when they decide their domestic policies and when they dispute about intra-European trade. For example, they all recognize the gravity of the U.S. payments deficit and their responsibility to do nothing to worsen it—hence the removal of dollar import quotas. And yet prosperous West Germany, when faced with mild inflationary pressure in her present boom, puts up the bank rate (which causes a further movement of capital away from the depleted U.S. reserves) instead of increasing her imports and reducing public expenditures. Similarly, Britain reduces discrimination against dollar imports but continues to press for a Europe-wide free-trade area that the Americans think would be disastrous for their exports. Again, the French, who have been seeking the rank of Washington's white-haired boy by liberalizing their trade and repaying dollar loans in advance, have just been reminded by the U.S. Department of Justice that they are earning a good part of their dollars by selling cars in America in conditions that amount to conspiracy against the Federal anti-trust laws

A genuine concern for the U.S. payments deficit and its effect on the Western world would require rethinking about these particular policies, and many others. This is what the Americans will press for in the new Atlantic organisation. The ideal would, naturally be a co-ordination of fiscal and credit policies between all the Atlantic nations, but that is too much to ask yet. But an organisation grouping those nations and meeting regularly could, without positively co-ordinating their policies, create conditions in which it would be morally difficult for one partner to take decisions obviously detrimental to the common interest. In the matter of trade policy, I should put the objectives of the new organisation no higher than that, at least for a beginning. One may disregard as fantasy all talk about an Atlantic free-trade zone; American industry is not interested in such regional projects, and the American Government would not even toy with an idea that would sow panic in Latin America and Asia. This point is worth making because the ancient project for

an Atlantic Union is going to be unearthed in Congress this month; the advocates of an unofficial conference to plan the conversion of NATO into a superstate have been given by Mr Herter the permission that Mr Dulles refused them to let off steam. This daydreaming may be ignored; it is pure coincidence that it happens in the same month as the Atlantic economic conference in Paris. There will be no talk of union in Paris.

The point on the Atlantic conference's agenda that most interests India is the one the Big Four put first last month: aid to developing countries. Its prominence in the December communique does not mean that the participants have clear or set ideas about it, and discussions next week will not get beyond the vaguest generalities. It had to be highlighted last month because the Big Four wanted to arrange this conference without arousing Moscow's suspicions and without indisposing the neutral and neutralist members of the OEEC who would not want to attend a meeting on anti-Communist economic strategy. Aid to developing countries is a noble and non-political cover for discussion of questions of importance to the U.S.A., Britain and the Common Market six. Needless to say, the Western countries urgently wish to rationalise and perhaps even increase this aid, and the Americans in particular see here one of the ways of relieving their balance of payments. But no early decisions can be expected, beyond what results are produced by combined Western pressure on Bonn to contribute more to this cause, because Britain, the U.S.A. and France all consider that their resources are already strained to the limit in this sphere.

Joint distribution of aid by the new Atlantic association is the goal no doubt aimed at. This will take many months to arrange for it poses a host of political problems. Some members will not want to go too far in that direction before seeing whether the Summit Conference with Russia in the spring opens up any hope of joint distribution of aid by both blocs: this idea is cherished by General de Gaulle. That improbable eventuality apart, the best hope is that when the new Atlantic association has decanted and if it comes to take the form of a tripartite group (U.S.A., British Commonwealth and Common Market), it might then decide to study the problem of stabilising commodity prices. As long as it is just a question of pooling the sums of aid now dispensed by members of the Atlantic community, one does not see how this can produce any extra benefit for the developing countries. But if it becomes a question of co-ordinating Western trade with those countries in order to avoid wide variations in annual earnings by primary exporters, then India and other developing countries will be more interested. That this is the object is implied by the studiously vague passage in the December communique that talks of "commercial policies based on rational use of economic resources and on the maintenance of harmonious international relations, which will contribute to the progress and the stability of the world economy and to a general improvement in living standards." That might be merely diplomatic rhetoric, but it might also foreshadow as clearly as is yet possible later attention to the problem of stable commodity prices by the Atlantic economic community.

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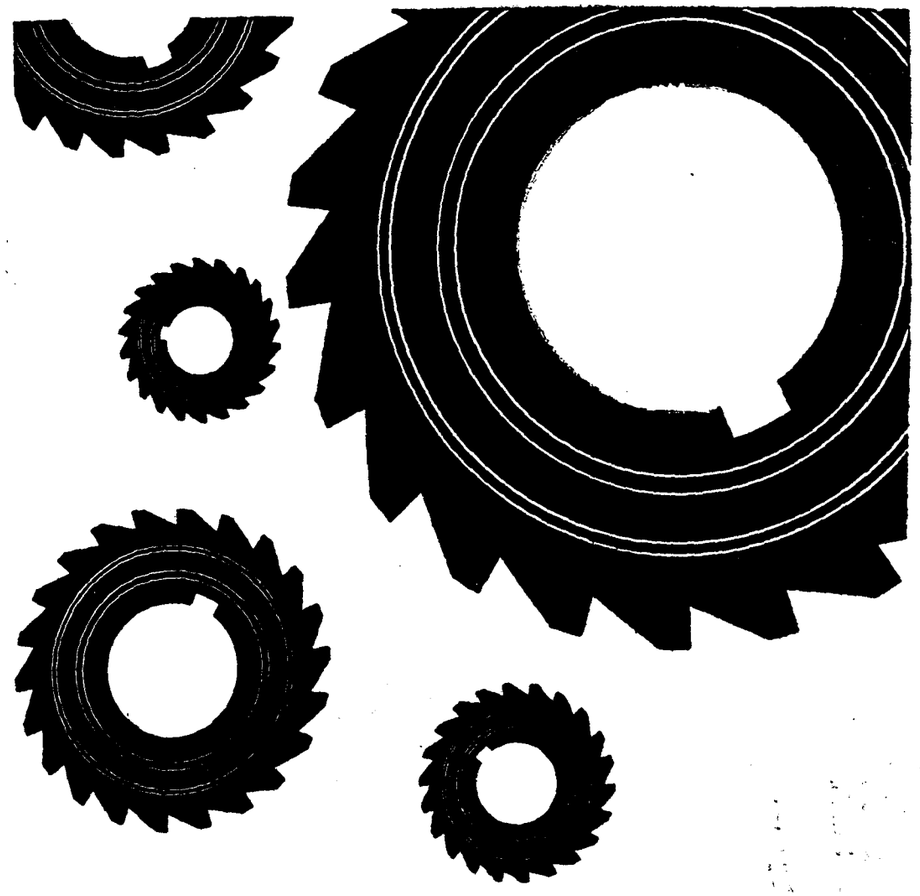
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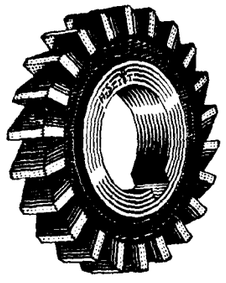
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Special Article

THE MAN IN THE STREET AND HIS RUPEE

By P. C. CHAUDHURI

(This is the second instalment of Mr Chaudhuri's article. The first instalment appeared in the last week's issue)

THERE has been a growing aversion of the man in the street to settling on land away from a town and contributing his share to the agricultural and pastoral wealth of the country. The assistance afforded by the banking system in the matter of rural credit has been singularly poor; its extent may be gauged from the fact that in 1958 the bank advances for agriculture amounted to only 2.6 per cent of the total advances; of this the percentage for food crops was as low as 0.1, while for money crops like jute, cotton, etc. it was slightly better at 2.4 per cent. It should, of course, be noted that besides the advances made by the banks, the Reserve Bank has also provided finance for the co-operative movement; Rs. 34.5 crores were outstanding as short and medium term loans to the State co-operative banks at the end of March 1958 and Rs. 4.8 crores as loans to the State Governments for the share capital of the co-operative societies.

This looks well on record, but a State-wise analysis reveals that there has been little attempt by the societies to promote thrift and savings as the ratio of deposits to working capital is less than 6 per cent in most of the States. The membership (on an average, only 49 for each society) is so small that most of the societies are uneconomic. In 1955-56, as many as 13,616 co-operative societies were under liquidation.

The main object of rural credit, to provide funds at rates of interest which the agriculturist can afford, seems to have entirely failed. Many years ago, a concessional rate of 2 per cent was introduced, mainly for the financing of seasonal agricultural operations and the marketing of crops and cottage products; that rate has been in force since 1942, but there is now a painful admission by the Reserve Bank that "even with the grant of accommodation by the Bank at a concessional rate, the loan reaches the ultimate borrower in the village at rates generally varying from 6¼ to 12 per cent"!

The picture is equally sombre in the case of industrial finance. The Reserve Bank has been closely associated with the Industrial Finance Corporation since it was established in 1948 to make medium and long term credit more readily available to industries and co-operative societies. Up to March 1958, the Corporation had dispersed about Rs. 32 crores as loans, but according to the Reserve Bank itself this did not "meet adequately the medium and long term credit needs of the medium and small scale industries." In fact, though there is no such restriction in the statute, it has developed on its own a convention not to entertain loan applications for less than Rs. 10 lakhs, which automatically rules out the smaller industries. The Reserve Bank also participates in the capital of twelve Finance Corporations in the States but these also have not made much progress; the outstanding amount of loans disbursed by all of them only came to about Rs. 9 crores, while the advances made by some of them have been relatively too small to be of much use. Now, after all these years, a pilot scheme, drawn up by the State Bank in consultation with the Reserve Bank, is being tried out to co-ordinate provision of credit and enlarge credit facilities to small industries.

The man in the street knows that if the real worth of his rupee goes down, it will in the long run affect its external value, which in its turn will impose more burden on him. He is therefore watchful of the Government's policies, and, as the General Elections come nearer, has begun to make his weight felt. At its last session at Chandigarh, the All-India Congress Committee discussed the report presented by its Planning Sub-Committee; in planning for resources, the Sub-Committee had exempted the rural sector, possibly with an eye to the majority of the adult suffrage, from sharing in the investment programme. It must be said to the credit of a junior Minister, Mr B. R. Bhagat, that he had the courage to challenge Mr Dhebar's concept that any creation of surplus in the rural sector for investment in industries was exploitation of the rural masses. Mr Bhagat also strongly expressed himself against too much dependence on external assistance for the Third Plan and emphasized that internal resources would have to be raised, while external resources must be earned through more export which again could only come out of greater development of the agricultural sector. There was sound common sense in this: despite the general poverty, it cannot be said that the primary producers in the rural areas have not benefited from the developmental expenditure and have had no means of effecting savings. Unfortunately, they have learnt little of thrift—and have put very little back, from their share of the prevailing high prices of agricultural commodities, into the national resources.

It is not easy to determine the relative importance of the monetary and the fiscal and other government policies, but if the monetary policy itself or the way it is implemented is not in tune with the national objectives, it will be difficult to reach the social goals of the Five-Year Plans. And no monetary policy, however perfect, will add to the wealth of the nation if its central banking organization does not take the necessary initiative and show an appreciation of the needs of the people. There are of course inevitable limitations to a central bank's ability to achieve the aims of a socially directed economy, but its task is bound to become more onerous if it is not sufficiently broad-based at its directional level. As it is, the Central Board of the Reserve Bank appears to be, in the present context, somewhat lop-sided.

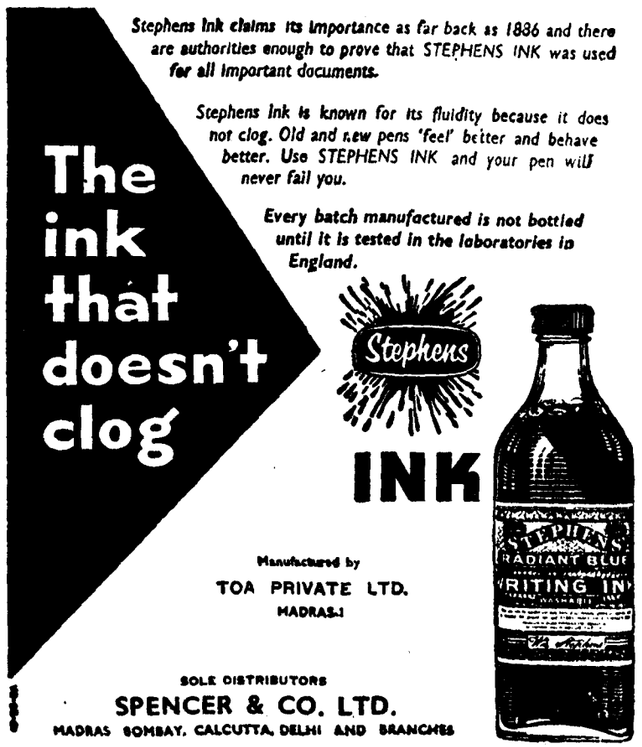
It is therefore not surprising that the Bank rate, for instance, has remained, for 25 years of the Bank's existence, practically pegged to a static rate except for slight adjustments on two occasions—once after an interval of 17 years and again after 6 years—to fit in with other arrangements. The flexible and imaginative use of the Bank rate in Britain, which has from time to time enabled the pound to recover and strengthen itself, has been markedly absent in this country, even at a time when the rupee is said to have declined in value by 29 per cent. Nor has there been any evidence of such fundamental considerations of policy as the Governor of the Bank of England, Mr Cobbold, indicated in his remark on the Bank rate, after it had been raised to 7 per cent that "there are many occasions when we here should wish to use the Bank rate more positively, to mark a change of policy or a reinforcement of policy."

The vitally important place agriculture and small scale industries hold in the economy of the country is not reflected in the Central Board of the Reserve Bank. As since nationalization all the 10 directors, besides the

5. officials specifically designated, are nominated it should not be difficult for the Central Government to give some recognition to the relative importance of the economic sectors as vacancies occur on the Board or the Board itself is enlarged to make it more broad-based. Only in this way can the man in the street feel confident that something will at least be done to remove the present helplessness of the Board in making rural credit and medium and long term loans available at rates which the agriculturists and the small scale industrialists can afford to pay.

An organizational aspect which has evoked some interest in this country is that of the staffing of the nationalized units, the higher eschelons of which, in the public view, are becoming more or less a preserve of certain channels of the central administrative machinery. Banking is a highly complex and specialized field and while there must be, from the policy point of view, some latitude in the selection of the head of the organization there seems to be no reason why such executives as the Deputy Governors should not be experts with a thorough knowledge and experience of banking in theory and practice. In Britain, the Radcliffe Committee has expressed the view that the Chancellor must have the final say on major questions of policy and, in particular, on changes in the Bank rate. Although under the Bank of England Act, the Treasury can issue directions to the Bank, after consultations with the Governor, and detailed and confidential exchanges do in fact continue between the Bank and the Treasury, the Committee thinks that this is not enough for full coordination with the Government's economic policy, and has therefore proposed the setting up of a Standing Committee, with the Chancellor as the chairman and four representatives each of the Treasury, the Board of Trade and the Bank as members, to keep under review all matters relating to the co-ordination of monetary policy, the decisions on the Bank rate to be announced in the name and under the authority of the Chancellor. The Reserve Bank of India Act also provides that the Central Government may give directions to the Bank as it may consider necessary in the public interest. A joint committee of the type suggested in Britain might also be useful in this country, with the addition of representatives of the Ministry of Agriculture and, in view of the federal character of Union Government, also of the Planning Commission which is closely associated with the States through the National Development Council.

Unfortunately, experience shows that even high level committees, which have a preponderance of officials as members, tend to become gradually a routine affair, without a decisive effect on controversial matters. The chances, therefore, are that the object of the fullest coordination between the monetary, fiscal and other governmental policies will be better achieved through a Parliamentary Committee. The Senate, in the United States, has some fifteen Standing Committees, elected at the beginning of each Congress, of which as many as seven bear on financial subjects. Besides the more well-known committees on Finance and on Appropriations, there is an important Committee on Banking and Currency, consisting of fifteen Senators, to which are referred all proposed legislation and other matters relating to banking and currency generally and the valuation and revaluation of the dollar in particular, besides questions of financing aids to commerce and industry, federal reserve system etc. For the man in the street in this country also there could not be a better guarantee for the value of his rupee than a Parliamentary Committee on Banking and Currency.



THE BUSINESS WORLD

Planning for Gujerat State

By CROESUS

NOW that the bifurcation of Bombay has been finally accepted, it is only natural that the attention of the people of the two States-to-be should turn to the future building up of their respective States. The Maharashtrians, who were long determined to have a State for themselves, have, in fact, been at this work for nearly two years now. At least so far as a comprehensive plan for the economic development of Maharashtra is concerned, the blueprint has already been prepared, and we may expect it to be taken up for implementation simultaneously with the setting up of the new State. Except for a small group, the Gujeratis, on the other hand, were hoping—rather wishfully, it now seems, because of their very close business ties with Bombay—till very recently that bilingual Bombay might, after all, last for some more years. This presumably explains why the practical businessmen of Gujerat had put off thinking seriously about a development plan for Gujerat until last week. But, when they did meet, they went about it in quite a businesslike way, and this is a sure augury that the new State of Gujerat will soon overcome its teething troubles and emerge as the leader of other States in India, a hope expressed by Mr Kasturbhai Lalbhai, one of India's foremost industrialists and businessmen, who presided over the Gujerat Businessmen's Convention in Ahmedabad last week-end.

What struck me most about this convention was the one dominant feeling of every Gujerati that Gujerat should prosper, regardless of whether the effort was official or non-official. Actually, one of the leading participants complained that there was not even one public sector industrial undertaking in Gujerat. Mr Kasturbhai himself endorsed the view of a speaker that any programme of industrialisation of Gujerat was bound to lag behind, unless concerted efforts were made at both governmental and non-official levels to relieve Gujerat's power shortage. The question of power shortage, even as that of transport shortage, accordingly received prominent attention at the hands of almost every important participant. One of the eleven resolutions adopted by the Convention also has expressed concern over power shortage and has urged the establishment of a 200 megawatt thermal plant near Cambay. When this is done and India's first atomic power plant (this may well be the first big public sector industrial project in Gujerat) also is set up in Surat—as reported in the daily Press—one of the most serious handicaps to Gujerat's economic development will be surmounted. Similarly, another resolution concerned itself with the development of road and rail transport. Port development also engaged the attention of the Convention, what with Mr M. A. Master queering the pitch, as it were, with a strong plea for the development of as many as 57 minor and medium ports in the new State. But it was not this plea, as the demand for another major port like Kandla along the State's Arabian seaboard that touched off a somewhat heated controversy between the protagonists of this proposal and the delegates from Broach, Cambay, Surat and Saurashtra, among others. This was possibly the only fly in the Convention ointment, but the tactful intervention of Mr. Amratlal Hargovandas, President of the Convention, enabled the unwelcome breeze to blow over. His timely and appropriate appeal to the businessmen to eschew regional jealousies apparently went home. As for the other resolutions, it is noteworthy that they were more or less on the lines indicated by the principal speakers on the opening day of the Convention who included, besides Mr Kasturbhai and Mr Amratlal, Mr G. L. Mehta, Chairman of ICICI and former Ambassador to the U.S., who inaugurated the Convention, Mr Ratilal Nathalal, Chairman of the Reception Committee, Mr. Bhailal Patel, Dr Vikram Sarabhai and Mr. M. A. Master.

It was a fervent and thought-provoking inaugural address that Mr. Mehta gave to the Convention. In a sense, I would say, it set the tone, save for the gibe at the astrologer, for the entire proceedings. I thought, without bringing in the astrologer's horoscope, Mr. Mehta's exhortation to Gujerat's businessmen not to search for Gujerat's future in Karl Marx's Communistic bible was first-rate. His advice: "let us face the fact that Gujerat's future henceforth is entirely in our hands and that it will be determined by our virtues and defects, our intelligence, integrity and cultural heritage," has certainly a wider appeal. It applies equally to the new State of Maharashtra, if not to the whole country. Particularly appropriate, alike to the Convention and to the country, was his observation that the new State's future progress and development would have to be planned in the light of the economic changes taking place in the country. Too often, these changes seem to be ignored by our planners.

As is customary with Mr. Mehta on such important occasions, he had a few epigrammatic statements to make on this occasion also. As these are worth noting, I quote them below:

"Capital formation is not a matter of making the highest profits but it is a question of society taking effective attitudes towards applied science, its ability to take risks and adapt itself to changed conditions."

"With the decay of traditional religious values, the moral vacuum has not been filled by sanctions of any other kind. It will, therefore, be necessary (for the 'entrepreneurs' in Gujerat) to subordinate personal profits to the good of the region and society."

Mr. Mehta certainly knew both his audience and what he was talking about. I have no doubt, therefore, that his sage counsel to the industrialists of Gujerat not to tread the traditional path but to venture boldly into new fields and thereby help the diversification of industries in the State will not have fallen on unresponsive ears.

I do not know why the Convention President had to suggest to the Government of India to accommodate

the new State by holding in abeyance its rule that the Government should make a matching contribution to the sum of Central assistance. After the admittedly favourable financial settlement Gujerat has had (payment of a capitalised sum to Gujerat's estimated deficit for six years followed by tapering instalments for the following four years), this was hardly called for, certainly not by the Gujeratis, to whom, as everyone knows, raising funds is child's play. Fortunately for Gujerat, the contemplated decision of the Government of India to make the payment itself (and not insist on Maharashtra paying it) out of the divisible pool of income-tax and central excise in respect of the two States should ensure for it the removal of at least one of the causes of annoyance in the bifurcation deal to the Maharashtrians. This should make for a smoother and friendlier division of the present composite Bombay State.

Verdict on Calcutta Dock Labour Board

TODAY, January 15, is the final day on which the Administrative Body of the Calcutta Dock Labour Board has been directed by the Union Government to tender its detailed explanation in reply to a lengthy series of queries on its working framed by the Government, if a Press report in this behalf is well-informed and accurate. The probabilities seem to be that it is. This is the inference which is suggested logically by the drastic recommendation made by the Mehta Committee urging immediate suspension of the Administrative Body and its replacement by the Deputy Chairman of the Calcutta Dock Labour Board. The single-member Mehta Committee, which was appointed by the Government to review the working of the Calcutta Dock Workers (Regulation of Employment) Scheme, 1956, has practically confirmed most of the charges—of a grave nature—levelled against the working of the Calcutta Dock Labour Board and its Administrative Body. In effect, the Mehta Committee's report constitutes a total indictment of the parent organization as well as its offshoot. The Committee has brought pains-taking investigation and penetrating analysis to bear on its task. It speaks for the quality of the report that the recommendations have been mostly accepted by the Government.

The report records the finding that the Master Stevedores Association and the Calcutta Stevedores Association enjoy a monopoly of stevedoring in the Calcutta docks as they are the only registered stevedores. The Dock Labour Board has been enjoined by the Mehta Committee to ensure that arrangements are made early to facilitate registration of other stevedores. This state of affairs lends colour to the allegation that the Administrative Body is dominated by the two Associations and they wield influence with the Calcutta Dock Labour Board which they otherwise could not have wielded. The implication appears to be that many of the lapses attributed to the Administrative Body arise from this peculiar situation.

Why the Mehta Committee has urged extreme action against the Administrative Body is not difficult to comprehend. It has found the Administrative Body slow and reluctant to implement the Dock Labour Board's decisions without being taken to task. In the result, several decisions remain as paper resolutions. Some of the important findings of the Mehta Committee need to be recalled in order to appreciate its suggestion about suspension of the Administrative Body. Employers represented on it are averse to incurring expenditure which cannot be shifted to the shipping companies. This dereliction of duty has added to the deterioration in employer-employee relations in the docks. The Administrative Body does not accept the scheme in the spirit of a collaborated arrangement in which it is intended and looks upon it as an imposed obligation.

Even the most routine and elementary functions are not carried out by the Administrative Body typical illustrations of which are cited in the Committee's report. How financial drain is allowed to be caused is obvious from two telling practices. Booking of labour by gangs (and not on individual basis) opens up a loophole for "ghosts" to draw attendance allowance payable under the Scheme for non-availability of work. Injury leave is grossly abused as evidenced by the fact that workmen have been allowed to enjoy leave as long as three months for slight bruises on fingers. Where neither the desired spirit nor goodwill for working out of the Scheme is present and on top of it funds are allowed to be squandered or misused, it is no wonder that a strong remedy like that of suspension should be advocated by the Committee. Action on the recommendation appears to be a mere matter of time because the Scheme contains a statutory provision for the Administrative Body's suspension.

The utter inability of the Calcutta Dock Labour Board to function effectively is reflected in the Mehta Committee's recommendation to the effect that the Scheme should be amended to provide for the suspension of the Board and in the event of the failure of the Board at Calcutta to improve its record in the meantime, the amendment should be applied to it. The Board appears to have escaped the verdict of immediate suspension due to this technical flaw in the Scheme. The report emphasises that the Board's decision to reimburse stevedores expenditure on leave, provident fund contributions and similar benefits extended to monthly workers, "goes against the grain of the Scheme" and is the cause of the Board's financial embarrassment. It demands immediate cessation of this practice. The Board has made a wrong decision in taking over from employers their statutory liability for payment of compensation for injuries to workers, involving a heavy bill of Rs. 4.5 lakhs in three years since the inception of the Scheme. The Committee strongly urges that a machinery should be established to recover payments wrongly made on this account.

The Dock Labour Board's overdraft, incurred mainly for "extra curricular activities" rose to Rs. 4.49 lakhs on July 11, 1959. It was intended for balancing the budget. A hospital building constructed at a cost of Rs. 6.5 lakhs was lying unused for months after its completion in February 1959. Contrary to the stipulation in the Scheme, the Board has submitted to the Government neither its annual report nor its audited balance sheet for the first three years commencing 1955-56. The Board's accounts for the first three years have not been written by the accounts officer. No action was taken against him. An arrangement has been made with a firm of auditors to write the accounts now for a lump sum fee of Rs. 40,000. The Committee makes the revealing, though sarcastic, observation that perhaps the same firm will audit the accounts and be paid for it separately. The Committee is constrained to urge that the accounts of the Dock Labour Board should be audited by the Comptroller and Auditor-General.

The immediate suspension of the Administrative Body and suspension, if necessary, of the Calcutta Dock Labour Board after a period of probation, which the Mehta Committee has suggested, are intended to act as curative operations. But the Committee has basic faith in the soundness and workability of the Scheme. It has repeatedly commended the model working of the Bombay Dock Labour Board. It has done a great service in shedding searching light on a deplorable state of affairs.

Business Notes

DLF

MANAGING DIRECTOR'S VISIT

IT IS heartening to learn that Mr. Vance Brand, Managing Director of the U.S. Development Loan Fund, goes to his country with a clearer picture of India's development effort and her eligibility for more generous aid. Mr. Brand's Press conference, held on the eve of his departure from Delhi, has helped to clarify the doubts about the future utility of the DLF and the consequences of the tie-up of these loans with purchases of goods and equipment in America. There was discussion between Mr. Brand and the representatives of the Government of India not only on the undertakings which are being financed out of the DLF assistance but also on prospective future loans.

Two points of interest emerge from Mr. Brand's press conference. In the first place, although future grants of loans will be tied to American purchases, there will always be room for granting exemptions to allow freedom of utilisation in appropriate cases. The impressions which Mr. Brand has formed about India's programmes raise hopes that India will be granted this exemption at least in important projects. In the next place, Mr. Brand has emphasised that the obligation to apply DLF assistance to purchases in the American market will make West European countries adopt policies to stimulate their credits to less developed countries on a larger scale than before. Their capacity to export capital is now increasing and this fact should suffice to offset any loss to the developing countries which they apprehend from the reduced scale of aid from the DLF.

New Issues

PREMIER TYRES

PREMIER TYRES LTD., a new venture, which will take up the manufacture of tyres and tubes, will be located in Kerala State. The annual production programme is 2,40,000 tyres and tubes each constituting 2 lakhs for buses and trucks and about 40,000 for passenger cars. Kerala seems to be the natural locale for this venture because the State claims the output of over 95 per cent of the total raw rubber produced in the country. One unique feature of the proposed company is that it will get priority and patronage of the Kerala Government; the company is assured of a large sale to the Kerala State Transport and the State departments owning vehicular transport. Other facilities such as, land, water, electricity, etc. will be provided by the State Government. The factory will be located between Cochin and Alwaye on the Bombay-Cape-Comorin National Highway and will be the only of its kind on the South-West Coast of India.

All agreement has been concluded by the company with Messrs. Dayton Rubber Company of Ohio—one of the leading rubber manufacturing concerns of U.S.A. —for collaboration. This company will enable the Premier Tyres to erect its plant and will acquire suitable equipment and machinery for it. It will also train personnel for the Premier Tyres and will provide technical information and patents. Messrs. Dayton Rubber Co. will be subscribing Rs. 10 lakhs to the equity capital of the company against the machinery and equipment to be supplied by them.

The authorised capital of the Premier Tyres Ltd. (an announcement regarding the issue of its Prospectus appeared at page 233 of "The Eastern Economist" dated January 8, 1960) will be Rs. 4 crores out of which the issued capital will be Rs. 2 crores. Equity Capital to the extent of Rs. 45.9 lakhs has been subscribed by the Promoters, Directors, Managing Directors, etc. The Kerala Government's subscription to the equity capital is worth Rs. 50 lakhs. The L.I.C. has agreed to take 6½ per cent tax-free Cumulative Redeemable Preference Shares worth Rs. 10 lakhs and Promoters, Directors, Managing Agents, etc. agree to take these Preference Shares worth Rs. 15 lakhs. The Balance of Equity Shares (Rs. 44.1 lakhs) and Preference Shares (Rs. 25 lakhs) has been offered to public for subscription. In view of the sound basis of the project this new issue is likely to find a ready response in the market.

Labour Problems

LABOUR MINISTERS' CONFERENCE

IN THE last few days important developments that took place in the field of labour were the Labour Ministers' Conference and the meeting of the Standing Labour Committee. The issues discussed at the 16th Session of the Labour Ministers' Conference related to the working of the Code of Discipline in Industry, application of labour laws to public sector undertakings, matters relating to the Employees' State Insurance Scheme and prevention of accidents and strengthening of factory inspectorates. The general view at the Conference was that public undertakings should not normally seek exemptions from labour laws or ask for other concessions which are not available to the private sector of Indian industry. This is quite sensible. Needless to say that the previous arrangement had been unjust to the private sector of industry. With the application of labour laws the costs in the private sector of industry had risen and there was no justification why the public sector should not bear social imposts. It is gratifying to note that at long last it has been realized that there should be equality of obligations between the public and the private sectors. Now it is to be hoped that this important recommendation made at the Labour Ministers' Conference would soon be put into practice.

In regard to the Code of Discipline, it was suggested at the Conference that independent workers' and employers' Organisations should be made to accept the code through persuasion. If attempts at persuasion failed, they might be denied the benefits of recognition and of the adjudication machinery laid down in the model principles for reference of disputes for adjudication evolved at the Madras Labour Conference in July, 1959. This is a step in the right direction and indicates a procedure that may give good returns in time. Although the loss of work owing to industrial disputes is now less, there is still much waste of time due to the go-slow tactics of labour because of the fact that there were in existence a large number of workers' and employers' organisations which were not affiliated to the central organisations and were, therefore, not parties to the Code.

In connection with the Employees' State Insurance Scheme the Labour Ministers' Conference recommended that under the Third Plan the Employees' State Insurance Scheme should be extended to all areas with an insurable population of 500 and above. At present the scheme is being implemented only in areas with an insurable population of 1,500 and above. This is to put a burden on high cost marginal units which they are not able to bear. It may result in some of them being closed down involving loss of jobs to workers.

Shipping

TO ACHIEVE THE TARGET

THE SECOND FIVE-YEAR PLAN, which has another fifteen months to go, provided for the expansion of shipping tonnage of 300,000 g.r.t., so that by the end of the Plan, India's capacity was to reach 900,000 g.r.t. The net addition executed so far has been to the extent of 182,000 g.r.t. and there still is a gap of 118,000 g.r.t. for achieving the Second Plan target. Though some progress is assured, it is quite evident that this target may not be achieved in the remaining period. Part of this gap can be attributed to the world wide resession which overtook the shipping industry last year. It was largely caused by the excess of supply over demand for tonnage which arose as a result of a large increase in ship building activity after the Suez episode and the decline in the demand for transport of coal and grain across the Atlantic. Partial recovery has, however, been observed in the recent months all over the world after some uneconomic units were sold for scrapping, some tonnage was laid up and new construction tended to taper off.

To help the shipping industry in India a delegation has been appointed by the Government of India of the representatives of the shipping companies in the public and the private sectors to proceed to South-East Asian countries with a view to examining the prospects of operating these services. Individual companies too are doing their best to increase their capacity. The public sector of shipping enjoys the benefit of financial resources. The Chairman of the Western Shipping Corporation, for instance, pointed out recently that the Corporation had included four more ships to its fleet during the year ended March 31, 1959. He also informed that the Corporation's participation in the Indo-Soviet Shipping Service had been finalised. It may, however, be noted that in spite of enhanced rate of charter hire, the net profit of the Corporation was lower. Practically the same has been the case with the other state unit, namely, the Eastern Shipping Corporation, where, though the earnings were higher at around Rs. 3 crores against Rs. 2.55 crores last year, the operation expenses reduced the actual profits. This has been partly due to continuing low level of freight rates and also due to increased charges on repairs, wages, fuel oil etc. In spite of these drawbacks, the two Corporations are struggling hard to contribute their share in raising the capacity of the country's shipping.

Textiles

NEED FOR MODERNISATION

THE CALL from the Union Minister for industry, Mr Manubhai Shah, to the Indian textile industry, which is one of the largest producers of cotton textiles, to keep itself abreast with the far-reaching technological developments has come not a day too soon. The most pressing problem, which is a "must" for the very survival of this vital industry, is immediate modernisation on a large scale. The question of modernisation, which was relatively easier in the immediate post-war years, thanks to the accumulation of large reserves that enabled importation of equipment without difficulty, has assumed a different complexion now. If the organised mill sector has to account for an output of about 7,500 million yards, speedier modernisation of various units should be completed, as in the case of the jute industry, on a pre-determined basis.

Regarding the cost of modernisation, it is estimated that about Rs. 30 crores are required annually. Out of this, machinery worth nearly Rs. 11 crores is being manufactured within the country itself. In order to meet the total financial requirements, while the bigger and well-placed units might be expected to go to the capital market, or draw from their reserves—if they have any —the smaller units require to be provided liberal finacial help by the N.I.D.C. and other institutions. By a smypathetic and judicious handling, the N.I.D.C. could profitably link up its assistance with a suppliers credit scheme which textile machinery manufacturers may be encouraged to institute, if they have not already done so. It seems queer that, when a cotton mill wants to import machinery from a foreign country, it is assured of foreign aid, deferred credit and similar facilities, it should be denied any assistance in the event of its wanting to buy India made machnery.

Again, as the Union Minister rightly pointed out, there has been an unmistakable shift in the pattern of consumer demand in recent years. This changing demand pattern calls for a newer and dynamic approach to the problems of the industry. In this connection, the twin problems of adequate raw material supply—the Government has assured this—and technological improvements in production, so pertinently stressed by the Minister, should receive immediate consideration.

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PUBLIC DEPARTMENT

Current Topics

PRESENT TRENDS IN EAST-WEST TRADE

The value of western European imports from the Soviet Union rose by about 20 per cent in the first half of 1959. The value of imports from eastern Europe also increased. At the same time, exports from western Europe to the Soviet Union were lower than in the previous year and to eastern Europe were unchanged. A five per cent fall in the average export prices of western European countries in trade with the eastern European area offset the gain in their volume. These facts are revealed in a review of east-west trade in Europe contained in the latest Economic Bulletin for Europe, issued by the Secretariat of the United Nations Economic Commission for Europe (ECE).

IN general, says the report, price movements in east-west European trade closely corresponded to those experienced in western European trade with other regions. The commodity composition of eastern European and Soviet exports to western Europe rendered them specially vulnerable to the keener price competition which accompanied the return of the buyers' market in 1958. On the other hand, during the year there was a certain shift in western European import demand from North American to eastern European and Soviet sources of supply. The rapid decline in maritime freight rates in the course of 1957 had largely benefited overseas suppliers: in 1958, freight rates remained low, but gave no additional advantage to overseas exporters and the eastern European countries, which had been slow to adjust prices in 1957 in line with the import prices quoted by overseas suppliers to western Europe, had made such changes by 1958. These price adjustments were probably influenced by the increased availability of exportable supplies in eastern Europe in 1958, making possible an expansion of sales to western Europe.

The drop, which occurred in western European exports to the Soviet Union in 1958—and also in Soviet imports from western Europe, was the first since 1950. Czechoslovakia was the only other country to register a decline in the value of exports to western Europe. All other countries of the region increased their exports. Eastern German exports to Turkey and Yugoslavia (the latter largely on credit terms) rose steadily while Poland increased its total value of exports to western Europe by over 10 per cent in 1958, dsepite a $30 million decline in coal exports. Hungary, Rumania and Bulgaria all sold larger quantities of foodstuffs to western Europe during the year; the former two countries also increased exports of steel. The major part of the increase in total eastern European exports of foodstuffs to western Europe in 1958 went to the United Kingdom and western Germany.

PERSISTENT RISE

The tendency during the past few years tor the share of east-west trade in the total trade of western European countries to rise persisted in 1958, notes the Bulletin. During 1958 the important place in east-west European trade of Finland and Yugoslavia was further consolidated, particularly in imports, and in spite of the cancellation of unused Soviet credits. In the first half of 1959, however, Yugoslav imports from eastern Europe fell sharply, having almost doubled in 1958. There was also a contraction in Finnish trade with the area in consequence largely of Finland's liberalization of trade with the OEEC countries, and of the cancellation of the triangular payments agreement with eastern European countries and the Soviet Union. Most of the "fringe" countries still outside the European trading groups of the European Common Market and the Free Trade Association continue to maintain a high level of trade with eastern Europe and the Soviet Union partly as a result of their weak trading position in western markets. Of the FTA countries, only Denmark and Portugal increased the value of their trade with the eastern European region in 1958. There was a substantial reduction (confined to the Soviet Union) in British exports to the area—but an increasing flow of Soviet orders to British engineering firms was reported prior to the signature of the Anglo-Soviet trade agreement in May 1959.

France and western Germany, of the EEC countries, increased the value of their trade with eastern Europe and the Soviet Union in 1958 and account for two-thirds of total Common Market trade with the area. The rapid growth of western German exports of steel, machinery and chemicals was accompanied by a rise in imports of foodstuffs and crude materials. The increase in French imports from the Soviet Union in 1958 (amounting to $30 million), was the only really substantial expansion of imports from the Soviet Union recorded by any western European country during the year. So far the Soviet trade drive has by-passed Italy, but Italian engineering firms have recently started to explore the Soviet market with increasing vigour.

EXPORTS OF CRUDE OIL

Attention is drawn to the increase in Soviet exports of crude oil to western Europe, from 1.1 million tons in 1957 to 1.6 million tons in 1958 (though it was confined to Italy, where no problem of marketing by international refinery companies arose). A further expansion of oil exports seems likely in the future. The increase in eastern European and Soviet iron and steel shipments to western Europe flowed to only a small number of countries and consisted chiefly of heavier products, such as pig iron, cast-iron tubes, etc. Since western European exports include also the lighter varieties, such as tinplate, there is a certain division of labour between the two regions. In 1958 western European exports of machinery to eastern Europe and the Soviet Union rose in value by one-fourth, but there was only a modest increase in imports in this category from the eastern European area. East-west trade in manufactured consumers' goods remained relatively small during the year, and eastern European and Soviet exports met keener competition in western European markets.

FUTURE PROSPECTS

The review of east-west European trade continues with an analysis of the implications of the movement towards economic integration within each area and points out that in the main, geographical considerations appear to matter most in determining the importance of east-west trade for any given western European country. Thus, this trade is of greater importance for the countries bordering the eastern European area (Finland, Austria, Yugoslavia, Greece and Turkey) than for the others—Iceland being an exception. In so far as the eastern European and Soviet plans provide for the further expansion of their total trade, there is, of course, an opportunity for the volume of east-west European trade to grow appreciably too. However, on the basis of the experience of recent years, it may be expected that this expansion will be increasingly concentrated on the overseas primary-producing countries. In conclusion, it points out that the rapid pace of Soviet economic development has created opportunities for a worth-while increase in its east-west trade. The Soviet Union, it says, could reap appreciable benefits from an expansion of its imports from the industrial countries of western Europe and North America, at the same time raising exports to and imports from the overseas primary producers.

A DELHI NOTEBOOK

INVESTMENT GUARANTEE PACT WITH U.S.A.

TO ENCOURAGE participation of the U.S. private capital in the development of Indian economy, the Government of India recently entered into an Investment Guarantee Agreement with the United States. The agreement envisages provision of protection to the U.S. investor against risk of inability to convert his earnings in India into dollars and against risk of loss through confiscation or expropriation. The terms of the guarantee pact conform to similar agreements signed by various other countries with the U.S. Government.

These agreements do not ensure against failure to make a profit. Nor do they protect against devaluation or physical damage to property from war, revolution and other such causes. Subject to certain conditions, they offer a practical insurance against two of the chief dangers which sometimes have troubled prospective U.S. private investors abroad—the risk of being unable to get their money out, both the invested capital and the return on it, because of foreign exchange restrictions and the risk of loss as a result of their investments being taken over by foreign Governments. The guarantee also protects the investor against loss in the event of initiation of multiple exchange rates, which frequently result in a less favourable rate of return on investments. In accordance with the insurance practice, the U.S. Government, upon paying the insured, takes over the currency, claims or property on which the payment is made. The insurance is not available to existing investments. It only covers new investments, since the purpose of the guarantee programme is to induce additional investments. It is, however, open to the additions to established investments.

EXPROPRIATION

The nature of the protection offered against expropriation, which includes "confiscation," varies with the form of the investment. In equity investments, expropriation is deemed to have occurred if, for a period of one year, the foreign Government prevents the exercise of substantial control over the investment property. Taxation or regulation by the foreign Government are not considered expropriatory unless it can be shown that the Government's primary object is to divest the owners of the investment property. Guarantee contracts for equity investments are usually written to treat as a total loss expropriation either of all the assets of a foreign enterprise or of a portion sufficient to destroy its value as a going concern. If a prospective investor believes that special circumstances create an unusual risk of loss from expropriation of a part of the investment sufficient to destroy the value of the foreign enterprise as a going concern, the Mutual Security Agency of U.S.A. will be ready to discuss the particular situation with the investor with a view to working out a mutually acceptable contract.

In loan investments, expropriation is deemed to have occurred if, for a period of one year, the foreign Government prevents any repayment of principal, or for a period of three years, prevents payment of interest. This prevention of payment can occur either by direct intervention in the payments (other than through exchange regulations of a kind which can be covered by a convertibility guarantee) or as a direct consequence of expropriation of the borrower's property as described for equity investments. Under this protection, should the foreign Government expropriate the borrower's assets, assume the loan obligation and meet the payments, no expropriation of the loan is deemed to have occurred. However, if an investor wishes to protect a loan investment in a subsidiary only against expropriation of the assets of the borrower, rather than against Governmental prevention of payments under the loan, the Mutual Security Agency is prepared to discuss with the investor the possibility of treating the loan as though it were an equity investment for purposes of determining the circumstances under which it will be considered to have been expropriated. This alternative is only available in cases in which the investor is lending to an existing subsidiary or is acquiring a large proportion of the borrower's stock, in addition to the loan transaction. Under this alternative protection, expropriation would be deemed to have occurred even though the foreign Government stood ready to assume the loan obligation.

In royalty agreements, expropriation is deemed to have occurred under circumstances similar to those cited for loans. The prevention of payment of royalties must continue for a period of three years. Investments of patents, processes and techniques can be the subject of expropriation insurance in certain circumstances.

THIRD PLAN

The broad approach to the Third Five-Year Plan is being finalised now. The Union Cabinet, it is understood, discussed the problem last week. As indicated by Prime Minister Nehru at his monthly Press Conference, the defence needs of the country shall have top priority. This will necessitate greater emphasis on the development of heavy industries and agriculture. The total outlay may be fixed slightly lower; Rs. 9,500 crores or Rs. 9,000 crores instead of Rs. 10,000 crores, due presumably to the fact that additional taxation has only limited scope and savings may be hampered by high cost of living.

There are four basic problems that need consideration before the Third Plan proposals are finalised. India will have to repay foreign loans to the tune of Rs. 560 crores by 1963. Then there is the question of meeting the deficit on balance of payments account to sustain the economy. Thirdly, building of strategic roads and setting up of check-posts to guard the border with China is estimated to cost as much as Rs. 120 crores during the next five or six years. Additional expenditure to strengthen air and other defence, however, remains to be worked out. Lastly, the liability incurred by the implementation of the Central Pay Commission's recommendations has yet to be covered.

The Prime Minister has held out the hope that the public will be constantly kept informed of the progress in the formulation of the Third Plan. That should bring in some element of realism in planning.

FIXING PRICES OF FARM PRODUCE

The Union Ministry of Food and Agriculture is currently processing a scheme to set up a committee to advise the Government on fixation of prices of agricultural commodities. The committee will be known as the Agricultural Commodities Price Advisory Committee and will consist of about 15 members comprising representatives of producers, consumers, non-official economists of standing, some agricultural experts and a few Government officials.

In the absence of any crop regulations in this country, the relative prices of farm products determine the acreage under different crops. It would, therefore, be the function of this committee to determine the appropriate price parity between competing crops from season to season and on regional basis, after taking due note of the current prices and production trends and future prospects. The committee's decisions, however, will not be binding on the Government.

HINDUSTAN MACHINE TOOLS

The Government of India has approved the proposal of the Hindustan Machine Tools Ltd., Bangalore, to double its production capacity from 1,000 machines to 2,000 machines per annum. The expansion programme will cost Rs. 280 lakhs, of which the foreign exchange component will be nearly Rs. 115 lakhs.

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WORLDGRAM

India

U.S. Cotton Under P.L. 480: The Union Government has signed a new agreement with the U.S. Government under P.L. 480 for the import of an additional quota of three lakh bales of cotton. This quantity will be in addition to 1,20,000 bales covered by the agreement signed in November last and which has already been released for import. Out of the three lakh bales of cotton covered by the new agreement, 1,80,000 bales will be staple length below one-and-one-sixteenth inches. This quantity of 1.8 lakh bales is being released for licensing with immediate effect.

*

Austrian Offer of Long-Term Credit: Austria is prepared, as part of the policy of helping under-developed countries, to give long-term credit to India of upto 500 million schillings (about Rs. 9.33 crores) per annum for the purchase of Austrian goods, according to the independent "Die Presse". The Austrian Finance Minister would negotiate the terms of such agreements with India during his visit here from January 16 to 22 this year. It has been suggested during the preliminary negotiations, that Austria will supply India with machinery, pumps, electric generators, tractors, measuring and counting apparatus and other industrial products upto the value of 500 million schillings a year. These credits will extend upto seven or eight years instead of the three or four years which had previously been allowed. These will be covered by the issue in Austria of medium-term bonds by the financial houses.

*

Carbon Black from Anthracene Oil: The possibility of producing carbon black from coal-tar fractions particularly anthracene oil residue has been indicated as a result of pilot plant scale investigations at the Fuel Research Institute, Jealgora, Bihar. It is estimated that about 25,000 tons of anthracene oil will be available by 1960-61 from the steel plants' coke ovens. The present installed capacity of the carbon black industry, of 1,200 tons per year, is inadequate to meet the demand which is likely to go upto 12,000 tons per year by 1960-61. The 1 cwt. per day capacity pilot plant is being fabricated at the Central Fuel Research Institute for conducting large scale experiments in carbon black manufacture. Carbon blacks are widely used as a reinforcement material in the rubber industry. Besides they are used in the manufacture of printing, marking and stencilling inks, paints, enamels, carbon paper and gramophone records.

*

New Units for Production of Paper Approved: The Union Government have recently approved 11 new schemes for production of paper by small units in the country. The requisite licenses have been granted in all the cases. Foreign exchange requirements for the implementation of these schemes will be about Rs. 22 lakhs. The annual total production capacity of proposed units will be about 21,200 tons of paper. Details are as under:

State	No. of Units Licensed	Total Capacity (in tons)
1. Bombay	3	7,200
2. Uttar Pradesh ..	3	4,200
3. Punjab	2	2,700
4. West Bengal	3	7,000

Production of paper in 1959 is estimated at about 3 lakh tons, as against less than one lakh tons in 1948. By the end of the Second Five-Year Plan, production is expected to go upto 4.2 lakh tons.

Manufacture of Metric Weights: One hundred and six factories in the States of Andhra Pradesh, Bombay, Kerala, Madras, Mysore and Punjab and the Union territory of Delhi have so far been granted licences for manufacturing metric commercial weights. There are about 305 factories, including some units in the public sector, which can manufacture metric weights and measures in adequate numbers to meet the demand in the country. According to an estimate made by the National Sample Survey, at present there are about 54 million weights and 1 million measures in use all over the country. These will have to be replaced by metric weights and measures during the next two years. The sale of new weights and measures will be through licensed dealers.

*

Symposium on Pilot Plants in Metallurgical Research: The National Metallurgical Laboratory, Jamshedpur, is holding a symposium on "Pilot Plants in Metallurgical Research and Development" from February 15 to 18. The object of the Symposium is to focus attention on the application of pilot plants in metallurgical research and development and to emphasise on the utility of undertaking such pilot plant work in different aspects of metallurgical and mineral industries. A large number of scientific and technical contributions, dealing with different aspects of pilot plants, have been received for presentation at the Symposium. Informative discussion is likely to follow each paper. Distinguished technologists and scientists from India and abroad are expected to attend the Symposium.

*

Import of Watches: During the current half year, import licences for "parts of watches" are being granted to established importers of "watches and parts thereof" on the basis of a quota of 7½% General and 7½% Soft. Following representations, the Government of India have decided to permit import of complete watches during the current licensing period. Additional licences will be granted to established importers on the basis of a quota of 2½% General and 2½% Soft of half of their best year's imports. These additional licences will be valid only for import of complete watches. These will not, however, permit import of gold watches and watches of c.i.f. value of more than Rs. 150 per watch.

*

Foreign Trade: India's position in the field of foreign trade still continues to be depressing. The marginal increase in exports of Rs. 24.24 crores in the first eleven months of the current year over the same period of last year is more than offset by the sizeable increase in imports of the order of Rs. 101.92 crores thereby leaving a trade deficit to the tune of Rs. 77.68 crores. Details regarding exports, imports, and balance of trade in the period under review with comparisons are indicated in the table below:

Balance of Trade in Merchandise
(Rs. Lakhs)

	Exports (incl. re-exports)	Imports	Balance of Trade
November 1959	61,76	69,99	— 8,23
November 1958	49,57	68,65	—19,08
Jan.-Nov. 1959	555,15	798,92	—243,77
Jan.-Nov. 1958	530,91	697,00	—166,09

*

Commissioning of L D Steel Plant: With the commissioning of the LD Steel Plant, on January 12, Rourkela will have the distinction of being the first place in Asia, excluding Japan, of using a new process, known as the "L D Process", which has revolutionized steel making. The L D plant, which is to produce 750,000 tons of oxygen blown steel, was supplied by

the VOEST Company of Austria, while the O. H. furnace section for the production of 250,000 tons of steel was delivered by the firm of Fried Krupp, Essen. Under the general licence agreement concluded with VOEST, Hindustan Steel Ltd., is entitled to utilise all patents and experience held or gathered by VOEST in respect of the L D process for any further L D steel plant that may be erected in India. In the meantime, Indian engineers and workers have been trained in the VOEST-owned steel plants to make them fit for their future jobs in the Rourkela L D steel plant. It is of interest to note in this connection that when the question of using the L D-process came up for decision in India, there were only five steel mills outside Austria to introduce the L D-process. Since then the number of L D steel plants that have been erected or are under construction has risen to 39. The capacity of all L D steel plants in the world will soon reach a total of 20 million tons.

United Kingdom

Oil Products Pipeline to be Constructed: Esso Petroleum is to spend £2.5 million on the construction of a 75-mile petroleum products pipeline from the Company's refinery at Fawley, near Southampton, to a new distribution depot near London airport. It will be the first large-scale products line in the country. The initial capacity of the line, when completed in early 1963, will be 1.5 million gallons a day. A wide range of products will be carried in this way but not heavy fuel oil. The new depot will be able to hold 20 million gallons and deliveries will be made from it to a wide area including the whole of West London. Separate pipelines will link the depot with London airport.

*

Anglo-Dutch Fund: German investors will be able to take an indirect interest in British and Dutch securities, through a new Investment Fund which has been formed in Dusseldorf, by a group of German, British and Dutch banks. The fund will be known as "Anglo-Dutch". It is intended that the underlying securities will comprise about 75 per cent British and 25 per cent Dutch securities and that the units will be sold principally to German nationals.

*

Steel Industry Expansion: Capacity in the British steel industry will be raised to over 30 million tons by 1965, according to plans worked out by the industry and the Iron and Steel Board. Over £100 million will be spent on capital expansion in 1960. Two-thirds will be financed internally. As a result, capacity will be raised from some 24½ million tons to 25½ million tons of ingot steel. Actual production is expected to be about 24 million ingot tons, representing an increase of 20 per cent over 1959 production.

*

Fall in Reserves: The gold and convertible currency reserves of the Sterling Area registered a fall of £85 million in December. The reserves are down to £977 million, a net loss of £119 million in the year. This is the first time since March 1958, that they have stood below the £1,000 million mark. It is to be noted that the main cause of the fall in December is due to the repayment of some £66 million in service of the North American loans. Normal commercial and financial transactions led to the much smaller drain of £19 million. Hence the overall position in the light of the present circumstances can be considered as satisfactory and it would be too facile to assume that the "sterling" has weakened.

U.S.A.

Steel Dispute Settled: The marathon steel dispute in the United States came to an end on January 4, with the conclusion of a tentative agreement between the steel companies and the steel workers' union. Pending ratification of the agreement by both sides the terms of settlement are not available. Steel supplies would continue tight in the coming months, with the greatest shortages in galvanised hot-rolled and cold-rolled sheet steel. Increases of slightly less than $4 to $5 a ton in U.S. steel prices is expected, to absorb the cost of the "Government-dictated" steel settlement.

*

Kaiser Industries to Resume Shipbuilding: Kaiser Industries is re-entering shipbuilding after an absence of 13 years. The negotiations have been concluded, according to an announcement made by the President, Mr. E. Kaiser, for the take-over of the facility formerly operated by National Steel and Shipbuilding Corporation at San Diego, California. A new Corporation, National Steel and Shipbuilding Company, will run the plant. It will continue as before in shipbuilding, steel fabrication, and the manufacture of aircraft and missile parts.

U.S.S.R.

Plastic Transistors: Experimental transistors and other semi-conductor devices have been manufactured from polyacrylonitrile-type plastic compounds, it is claimed by the Soviets. Advantages claimed for the new compounds include not only greater cheapness than the substances in use at present but also that they can be easily processed to a very wide variety of shapes and have exceptional durability and light weight. Work is now being undertaken to develop processes for producing semi-conductor materials and semi-conductor devices made from them on a full commercial scale.

Japan

Trade With The Soviet Union: The total value of Japanese trade with the Soviet Union, during the period from December 6, 1958 to August 1959, amounted to $55.23 million on a contract basis, $22.45 million in exports and $32.78 million in imports. Compared with the record attained last year, it is remarkable that the expansion of exports has weakened, while imports have increased at a phenomenal speed to reach an excess of $10 million over exports. The volume and value of Japanese exports to and imports from the Soviet Union during the period under review are shown in the table below by main articles:

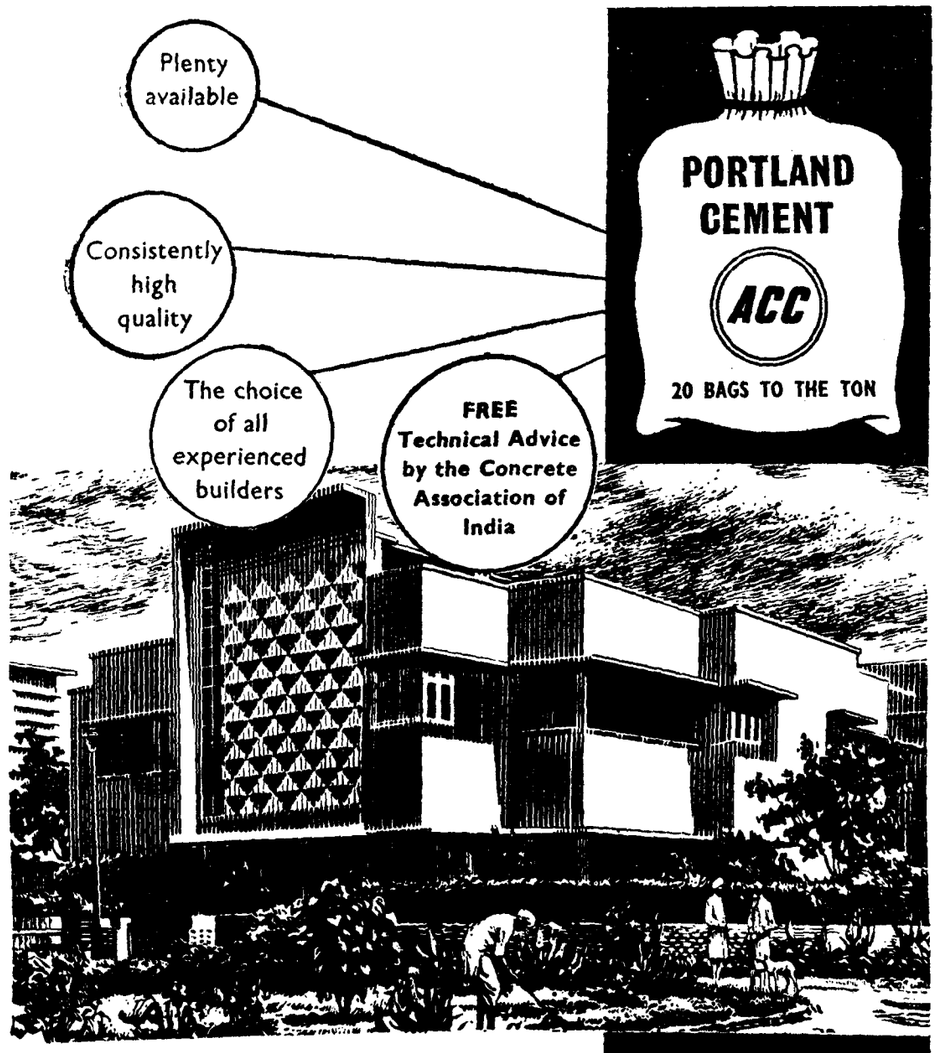
('000 U.S. $)

Export Items	Volume	Value	Agreed Estimates
Rolled Steel products	11,000 tons	2,840	40,000 tons
Steel cables	2,530 ,,	1,019	2,000 ,,
Rayon yarns	1,420 ,,	1,421	2,000 ,,
Staple-fibres	7,460 ,,	3,491	6,000 ,,
Import Items			
Logs	745,000 cu.m.	10,697	500,000 cu.m.
Coal	343,245 tons	3,638	350,000 tons
Manganese ore	16,400 ,,	614	25,000 ,,
Crude oil & heavy oil	97,000 ,,	1,676	100,000 ,,
Potassic salts	70,900 ,,	4,109	75,000 ,,
Hemp	1,679 ,,	240	1,000 ,,

In view of the current trends in trade, it is neccessary for Japan to promote exports to the Soviet Union in order to adjust the balance of trade in future since the trend of imports in excess of exports is likely to strengthen.

Pakistan

Trade Pact with Burma: Pakistan and Burma have reached an agreement on trade and other outstanding financial issues. The trade agreement between the two countries which is due to expire this year, has been renewed for a further period of three years. Under the agreement, Pakistan will buy about 6 lakh tons of Burmese rice. A satisfactory solution has also been found to the question of separation of debt payable to Pakistan by Burma.



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NEWS IN BRIEF

INDIAN

As a measure of assistance to exporters of engineering goods, the Engineering Export Promotion Council has set up an office in Rangoon to keep contacts with Burmese importers, Chambers of Commerce etc. A show-room has also been organised at Rangoon for displaying Indian engineering goods.

*

Many countries in South and South-East Asia are exploring the vast possibilities of the peaceful uses of Atomic energy. Atomic research for the welfare of the people has been undertaken by Burma, Ceylon, India, Pakistan and the Phillippines in particular, by setting up institutes or Atomic Energy Committees in their national development programmes.

*

Work under the Village Housing Projects Scheme of the Union Ministry of Works, Housing and Supply is now in progress in 10 States. The States are Andhra Pradesh, Bihar, Bombay, Kerala, Madhya Pradesh, Madras, Mysore, Orissa, Rajasthan, and Uttar Pradesh.

*

One hundred and six factories in the States of Andhra Pradesh, Bombay, Kerala, Madras, Mysore and Punjab and the Union Territory of Delhi have so far been granted licenses for manufacturing metric commercial weights.

*

The Indian Standards Institution has published a draft standard for floating dairy thermometers covering the material and the dimensional requirements and methods of test.

*

A delegation comprising manufacturers and exporters of engineering goods is leaving India, towards the end of this month on a six-week tour of the American Continent for on-the-spot survey of prospects for Indian engineering goods there.

*

It is reported Rourkela will produce 750,000 tons of steel by L.D. process. Another 250,000 tons will be produced by the conventional process called open hearth furnace. Of the three steel plants being set up in the public sector, Rourkela alone will make steel by L.D. process.

*

The Government of India have decided to consider bona fide cases for suitable relief in customs duty on incomplete sets of imported machinery. Under the Indian customs tariff, plant and machinery in general are assessable at a low statutory rate of 10 per cent advalorum.

*

During the January-June 1960 period, staple fibre yarn would be allowed for export on a "first-come-first-served" basis within a ceiling of 1.5 million lb. to all permissible destinations, excluding Tibet and the Portuguese Possessions in India.

*

It is reported India's foreign trade during November, 1959 showed an adverse balance of Rs. 8.34 crores.

FOREIGN

The world's five major wheat exporting countries will send a technical mission to the Far East soon to explore wheat markets in Japan, Indonesia and India. The Mission will go under the auspices of the Wheat Utilisation Committee, which comprises Argentina, Australia, France and the U.S.

*

Malaya's trade with Communist China declined heavily during the first ten months of 1959, according to official figures. Imports for the period fell by M$28.6 million, while exports mainly rubber, fell by M$48 million.

*

Canada's refineries produced 22,478,353 barrels of petroleum products last October compared to 21,186,434 in October, 1958, an increase of 6.1 per cent. They used 5.2 per cent more crude at 22,219,484 barrels as against 21,039,655 and revived 2.4 per cent more crude at 22,507,896 barrels against 21,907,142.

*

The Japanese Machinery Exporters Association has announced that a six-man survey mission would leave this month for S.-E. Asia and the Middle East to cultivate new outlets for machine tools.

*

A credit rating service on the lines of that operated by Dun and Bradstreet in the U.S. is shortly to be established in Israel. This forms part of a drive by the authorities to give greater encouragement to the investment of private capital, both local and foreign.

*

The Sterling Area's reserves of gold and convertible currencies fell in December by £85 million. The reserves are down to £977 million a net loss of £119 million on the year. This is the first time since March, 1958 that they have stood below the £1,000 million mark.

*

The West German Government is floating a DM500 million bond issue on the capital market at 6 per cent from January 14 to 20. Issued at 98, the loan will have an average net yield of 6.36 per cent and be redeemed within 15 years.

*

The first joint Arab-Jewish bank to be established in Israel is shortly to start operations in Haifa and Nazareth. Designed to cater especially for the Arab part of Israel's population, it is expected that in due course it will set up branches in other centres of population as well.

*

A.E.C. and Establishments Spitals, of Antwerp, have formed A.E.C. Continental S.A. progressively to manufacture and market A.E.C. vehicles in Belgium for the Continent.

*

'Tass' has reported that Soviet foreign trade will increase by 25 per cent in 1959-60, the first two years of the seven-year plan.

*

Singapore is reported to be selling to the Indonesian Republic this month 50 million yards of cotton textiles worth $M 30 million.

*

Japan's iron and steel industry with an annual steel ingot production capacity of 16,000,000 ranks sixth in the world. The 1958 production registered 12,000,000 tons of steel ingots and 8,700,000 tons of rolled steel equivalent to 65 per cent of the total iron and steel production in South-East Asia.

COMPANY AFFAIRS

UPPER GANGES SUGAR MILLS LTD.

The Sugar industry in India has been experiencing a shortage of sugarcane large quantities of which were diverted towards khandsari producers. The output of various mills was, therefore, lower. Upper Ganges Sugar Mills, during the year ended June 30, 1959, worked only for 106 days against 156 days in the previous year and crushed 60.7 lakh maunds of sugarcane only as compared to 95.5 lakh maunds in the previous year. Even the recovery was lower at 9.44 per cent against 10.14 per cent during the previous year. The lower crushing and lower recovery affected the working results adversely. The profits during the year as compared to the previous year declined by about Rs. 8 lakhs to Rs. 29.6 lakhs. A sum of Rs. 7.36 lakhs has been separated towards depreciation, Rs. 1.95 lakhs towards development rebate reserve, Rs. 8.83 lakhs towards taxation and Rs. 4 lakhs towards general reserve. The directors have recommended the payment of dividend at the rate of 5 per cent per annum on C. R. Preference shares of Rs. 100 each. Dividend is proposed to be paid at the rate of Rs. 7.25 on Ordinary shares absorbing Rs. 5.80 lakhs.

From July, 1959, direct allotments are being made by the Government of India for exports. An export quota of 1361 bags of sugar from the production of 1958-59 season has been allotted to the mill. The distillery of the Company started production during the end of March, 1959 and has been let out to Alco-Chem Ltd., a subsidiary of the Company.

TITAGHUR PAPER MILLS CO. LTD.

The Directors of the Company have observed that their mills worked to full capacity during the year ended March 31, 1959, and as a result of additions to plant, production reached a higher figure than the previous year. Paper sale proceeds of the Company were also higher at Rs. 9.42 crores against last year's Rs. 8.10 crores. They have added that to reduce the cost of production the Company will have to go ahead with renovation. The profit and loss account, after making a provision of Rs. 29.06 lakhs for depreciation and Rs. 62.56 lakhs for taxation (including wealth tax) shows a profit of Rs. 46.01 lakhs. A sum of Rs. 9.3 lakhs has been decided to be transferred to statutory development reserve and Rs. 7 lakhs for reserve for new mill project. Interim dividend (88 nP. per ordinary share) and bonus (25 nP. per ordinary share) paid for the year ended March 31, 1959 (without any deduction for income-tax) on 'A' and 'B' ordinary shares absorbed Rs. 12.66 lakhs. A final dividend (87 nP. per ordinary share) and bonus (50 nP. per ordinary share) for the year on 'A' and 'B' Ordinary shares will absorb another sum of Rs. 15.35 lakhs.

THE BATALA ENGINEERING CO. LTD.

The working of the Rolling mills of the Company improved during the year ended March 31, 1959. The shortages of billets continued to be a handicap. The Directors are of the opinion that with the coming in full production of the three steel plants in the public sector and the expansion capacity of the private sector steel companies during the year, some improvement in billet supply position is expected. The machine tool section of the Company also made good progress in producing graded machine tools.

While the sale proceeds of the Company amounted to Rs. 33.3 lakhs the gross profit came to Rs. 3.3 lakhs. A sum of Rs. 60,525 has been provided for depreciation and Rs. 1,40,000 for taxation. The Directors have recommended the payment of a dividend at the rate of 6 per cent less tax on Preference shares and 8 per cent less tax on Equity shares absorbing Rs. 88,514.

ALLIANCE JUTE MILLS CO. LTD.

Trading conditions in the Jute industry improved significantly with plentiful supply of raw materials. The mills are at present working with only ten per cent of its looms sealed. Under the terms of the Working Time Agreement of the Indian Jute Mills Association, the mill worked 48 hours per week with 12½ per cent of the total looms sealed until February 28, 1959, and with 14 per cent of the total complement looms sealed until June 20, 1959. After this one and half per cent looms were unsealed and further two and half per cent looms were unsealed from August 24, 1959.

The Company was busy with its modernisation plans. For this it got a loan of Rs. 5.83 lakhs from the National Industrial Development Corporation Ltd. Negotiations are still in progress for the grant of the balance loan applied for to complete the modernisation of the spinning machinery.

During the year ended May 31, 1959 a profit of Rs. 6.56 lakhs was recorded after providing Rs. 1.84 lakhs for depreciation. A sum of Rs. 2.75 lakhs has been transferred from General Reserve and Rs. 29,200 have been transferred to Development rebate reserve. The Directors have recommended the payment of dividend on Preference shares for 11 months ended May 31, 1957 at the of Rs. 6 per cent per annum. Dividends on Preference shares for the years 1958 and 1959 (ended May 31), also have been paid this year at the rate of 6 per cent per annum. Taking into account the debit balance of Rs. 8.46 lakhs brought forward from the previous year, this year's credit balance of Rs. 6.58 lakhs is converted into net debit balance of Rs. 1.88 lakhs, which is carried to next year's account.

THE AMALGAMATED ELECTRICITY COMPANY LTD.

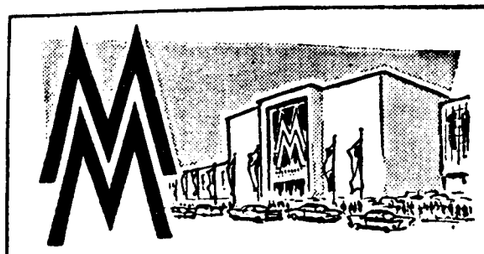
Issue of 90,625 Ordinary Shares of Rs. 10/- each at par.

Transfer Books of the Company will be closed from 22nd to 30th January, 1960, both days inclusive, in connection with issue of new shares as mentioned above.

By Order of the Board,
For N. C. Javeri & Co.

N. C. JAVERI.
Partner.
Mg. Agents.

BOMBAY, 7th January, 1960.



28th February to 8th March 1960

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COMMODITY NEWS AND NOTES

EXPORTS OF WOOL

Exports of home grown wool from India during the second qurter of 1959 at 9.5 million lb, actual weight, were slightly higher than in the previous quarter and 34 per cent up on the same quarter of 1958. The increase compared with January-March was mainly in exports to the Soviet Union and the United States. During the first six months of 1959 exports aggregated 19 million lb which was 24 per cent above the 15.2 million lb exported in the comparable period of the previous year. The United States became the chief buyer and shipments to that country rose by 91 per cent to 7.9 million lb. Exports to the United Kingdom rose by 19 per cent to 7.2 million lb, and those to the Common Market countries rose by 43 per cent to 2.7 million lb. On the other hand, exports to the Soviet Union fell from 2.7 million lb to 332 thousand lb.

IMPORTS OF RAW WOOL

Seaborne imports of raw wool rose further in the second quarter of 1959 to 844,000 lb.; this was 19 per cent up on the first quarter, and 56 per cent higher than a year previous. The cumulative total for the first six months of the year, however, came to 1.6 million lb, or 16 per cent below the corresponding 1958 total, due largely to a 30 per cent reduction in imports from New Zealand.

Tops imports also rose between the first and second quarters and amounted to 5.2 million lb or a rise of 30 per cent. The January-June total at 9.2 million lb was 17 per cent higher than a year ago; imports from Australia rose by 38 per cent but those from the United Kingdom dropped by 3 per cent. Yarn imports during the second quarter at 130,000 lb showed an improvement of 26 per cent on the previous quarter, but the cumulative total for the six month period came to only 233,000 lb, virtually all from Italy, compared with 2.2 million lb a year ago.

Imports of wool tissues amounted to 38,000 linear yards in the second quarter (of which the United Kingdom supplied 27,000 yards), bringing the six months' cumulative to 69,000 yards (of which 50,000 yards were from the United Kingdom) or less than half the corresponding total a year earlier.

IMPORT OF RICE

To save foreign exchange the Government of India is considering the possibility of importing more rice on barter basis with the rice producing countries such as Burma, Thailand and Egypt. India already has a five-year agreement with Burma for the import of 2 million tons of rice. Under this agreement, which became effective in 1956, India received about 3 lakh tons last year. In addition, a further deal for the supply of 1.5 lakh tons was concluded towards the end of last year. More recently an agreement supplementary to the PL 480 arrangements was reached with U.S.A. for the supply of 1.5 lakh tons of American rice.

IRON ORE PRODUCTION IN INDIA

The output of iron ore during the month of October, 1959 was estimated at 719,000 metric tons, according to the Indian Bureau of Mines. The total production since the beginning of 1959 is now 6,386,000 metric tons representing an increase of 27 per cent over the output of 5,036,000 tons in the corresponding period of 1958. The largest output was reported from Bihar and Orissa with 277,000 and 264,000 metric tons respectively. Among the other producing States, Mysore, Bombay and Madhya Pradesh accounted for 103,000, 27,000 and 18,000 metric tons respectively. During the month despatches of iron ore to the iron and steel plants totalled 504,000 metric tons, while the despatch to the export market was 161,000 metric tons.

PRODUCTION OF COPPER ORE IN INDIA

The production of copper ore during January-November, 1959, was 373,000 metric tons compared with 375,000 metric tons during the corresponding period of the preceding year, according to the Indian Bureau of Mines. The entire production was reported from Singhbhum district of Bihar State. The production of copper metal during January-November, 1959, was 7,465 metric tons as compared with 7,235 metric tons in January-November, 1958.



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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

			Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
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	113.4	116.5	107.3	108.2	108.2	108.4
1958-59		..	115.2	95.4	115.4	115.6	110.3	108.0	108.1	112.9
July	1959	..	121.0	98.9	115.7	120 2	108.5	109.3	109.2	116.8
August	,,	..	121.7	98.3	115 4*	119.4	109.2	109 5	109 5	117.1
September	,,	..	120.5	99.7	116.2*	122 6*	111.3	109.8	110.9	117.2
October	,,	..	124.0	101.4	116 3	122.6	114.4	110.5	111.1	119.3
November	,,	..	121.4	104.6	116.6	122.5	116.0	110 9	111.6	118.2
December	,,	..	118.2	103.7	116 8	127.2	117.8	112.4	113.1	117 8
21-11-1959		..	121.0	104 6	116.4	122.7	116.3	110.9	111.6	118.0*
28-11-1959		..	120.2	103.5	116.4	122.9	116 4	111 0	111.8	117.7
5-12-1959		..	119.9	103.5	116.5	124.3	117.2	111.3	112.1	117.9
12-12-1959		..	119.1	103.1	116.5	125.9	118,3	111.7	112.6	117.7
19-12-1959		..	117.3	103.1	116.8	127.3	117.8	112 9	113.5	117.4
26-12-1959		..	116.5	102.5	116.8	129.2	118.0	113.5	114.1	117.5

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	
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
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	—	—	—	158	—	—	—	—	—	—	—	—
1959 January	377	396	301	161	368	493	478	165	419	174	159	161
February	380	399	300	167	364	492	485	166	411	174	165	163
March	382	401	290	164	364	474	488	159	411	174	167	161
April	381	400	296	156	364	454	489	157	414	169	167	161
May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	162	179*	173*
October	408	427	324	158	406	470	510	—	441	162	179*	174*
November	405	424	322	158	399	475	511	—	449	—	—	174*
December	—	—	—	157	—	—	—	—	—	—	—	—

† Base 1944 = 100 • Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 8-1-1960 High	8-1-1960 Low	8-1-1960 Average	1-1-1960 High	1-1-1960 Low	1-1-1960 Average	25-12-1959 High	25-12-1959 Low	25-12-1959 Average	18-12-1959 High	18-12-1959 Low	18-12-1959 Average
Gold [per fine tola] —	128.25	126.12	127.41	126.62	125.37	125.87	126.25	125.03	125.62	124.81	122.94	124.05
Silver (per 100 fine tolas)	213.37	210.75	212.11	213.12	210.12	211.51	212.19	208.94	210.49	208.94	206.44	208.14

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
1951-52* ..	1,189,84	27,78	1,217,62	49,02	625,27	665,29	54 64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	49,02	564,40	604,02	52 89	80,22	458,08	1,142,72
1953-54* ..	1,133 95	23,03	1,156,97	40,02	594,02	634,04	54 80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656 52	696,54	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	545,61	585,63 (663,37)	39.95 (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
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
Average of Fridays										
June 1959 ..	1,740,14	25,25	1,765,39	117,76	178,01	280,77	16.75	128,87	1,340,75	1,765,30
July ,, ..	1,698,91	23,54	1,722,45	117,76	172,01	295,77	16.82	131,65	1,300,84	1,722,45
August ,, ..	1.670.76	23,63	1,694 39	117,76	163,01	289,77	16.57	134,95	1,278,68	1,694,98
September ,, ..	1,658 75	24,40	1 683,15	117,76	163,01	280,77	16.68	136,13	1,266,26	1,683,15
October ,, ..	1,674.26	19.69	1,693,95	117,76	163.01	280,77	16.58	135,67	1,277,51	1,693,95
November ,, ..	1.690,84	20.51	1,711.35	117,76	163 01	280,77	16 41	133,89	1,296,68	1,711,35
December ,, ..	1,725,18	11,46	1,736,64	117,76	163,01	280,77	16.17	132,74	1,323,13	1,736,64
Week-Ending										
20-11-1959 ..	1 683 84	23,03	1,706,86	117,76	163,01	280,77	16.45	134,41	1,291,69	1,706,86
27-11-1959 ..	1,679 21	28,56	1,707,77	117,76	163,01	280,77	16.44	135,31	1,291,69	1,707,77
4-12-1959 ..	1,710,26	15,20	1,725.47	117,76	163,01	280,77	16·27	133,01	1,311,69	1,725,47
11-12-1959 ..	1,731,37	8,36	1,739,73	117,76	163,01	280,77	16.14	132,27	1,326,69	1,739,73
18-12-1959 ..	1,723.97	11,26	1,740,23	117,76	163,01	280.77	16.13	132,75	1,326,71	1,740,23
25-12-1959 ..	1,730,11	11,01	1,741,12	117,76	163,01	280,77	16.13	132,93	1,327,43	1,741,12
1-1-1960 ..	1,742,63	8.01	1,750,64	117,76	163,01	280,77	16.04	132,44	1,337,43	1,750,64

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									
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	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
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
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11.73
Avr. of Fridays														
May 1959 ..	53,83	16,47	75,79	118,46	267,55	94,15	446,70	22,20	9,17	24,17	38,21	73,29	266,50	13,11
June ,, ..	51,47	14,50	81,48	119,90	267,35	100,58	452,93	25,30	93	17,02	26,59	62,37	305,15	13,57
July ,, ..	57,01	23,49	81,19	161,83	323,52	59,65	468,17	23,60	5,56	11,57	24,46	69,14	320,74	13,10
August ,, ..	57 38	37,66	84,17	155,45	334,65	68,80	488,44	23,80	3,89	15,23	21,44	74,08	340,57	9,55
September ,, ..	61,56	20,48	78,06	120,78	280,88	65,03	430,91	24,50	4,30	20,60	17,35	76,50	278,29	9 36
October ,, ..	58 32	18,90	76 83	118,73	272.78	69,69	427,47	19,82	27,98	22,48	20.23	84,61	242 36	9.99
November ,, ..	50 55	20,41	81.23	119,16	271.35	78,47	434,83	20,60	13 19	39,88	23,77	83,31	243.33	10,76
December ,, ..	55,33	18,65	73,42	117,60	264,98	83,86	433,84	11,52	15,82	44,83	83,80	90,67	235,92	11,29
Week-Ending														
4-12-1959 ..	52,89	14,66	78,24	119,03	264,82	79,94	429,75	15,27	6,25	41,21	26,67	86,60	242,74	11,02
11-12-1959 ..	60,06	9,34	68.54	118,12	256,05	83,14	424,20	8,41	16,53	42,18	27,86	90,95	227,15	11,12
18-12-1959 ..	49 49	25,96	73,81	116,88	266,17	88,57	439,75	11,32	20,18	45,78	21,43	92.77	236,97	11.30
25-12-1959 ..	58,87	24,65	73,02	116,35	272,89	83,77	441,66	11,07	20,32	50,13	19,24	92,36	236,83	11.71
1-1-1960 ..	55 56	20,76	106,58	115 76	298,65	86,20	469.85	8,07	41,34	49 62	19,94	112.55	225,77	12,56

* 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 of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
	(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	65,86	11.53	426,74	15,35	50.79	..
1950-51	599,13	278,45	877,59	34,68	89,78	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	461,34	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
Average of Fridays										
July 1959 ..	741,04	1060,28	1,801,32	42,97	75,54	6.58	848,98	125,85†	54.12	675,81
August ,, ..	739,09	1084 55	1,823,64	42.07	79,65	6.67	822.34	124,59†	51.93	721,57
September ,, ..	741,75	1106,74	1,848,48	42,21	73,60	6.26	799 58	128.41†	50.21	782,18
October ,, ..	738,50	1118 84	1,857 34	41,69	75.12	6 29	795.39	137,83†	50.25	788,34
November ,, ..	737,36	1137,78	1,875,14	44,18	76,78	6 45	781,59	146,31†	49.49	800 78
December ,, ..	731,80	1142,04	1,873,84	43,39	70,03	6.05	800,59	150.29†	50.75	798,02
Week Ending										
27-11-1959 ..	737,41	1148,24	1,885 65	42,60	76,70	6.33	774,66	148,84†	48.98	812,81
4-12-1959 ..	724,01	1150.93	1,874,94	42,95	75,17	6.30	786 25	149,14†	49.89	811 55
11-12-1959 ..	731,03	1141.22	1,872 25	42.93	65.52	5.79	795,89	148,56†	50.44	803 34
18-12-1959 ..	732,59	1139.49	1,872,08	43.03	69 96	6.04	808,06	151,13†	51.24	789 35
25-12-1959 ..	739,57	1136,52	1,876,09	44,64	69,47	6.08	812.:8	152,33†	51.41	787,82
1-1-1960 ..	254,51	1132,08	1,886,59	51,66	101,64	8.13	822,91	153.75†	51.77	763,79

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(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 ..	1,920,63	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 ..	2,388,83	1,606,60	782 22	762.36	19,87	+75.94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
January 1959 ..	2,391,02	1,644,40	746,62	730,69	15,92	+41,17
February ,, ..	2,437,36	1,677 94	759.43	743,59	15,84	+46,34
March ,, ..	2 498,75	1,724,53	774,23	754.98	19,25	+61,39
April ,, ..	2,581,10	1,772.97	808.13	789.97	18,16	+82,35
May ,, ..	2 538.48	1,766.48	773.00	754,08	18,92	—42,62
June ,, ..	2,530.81	1,735.07	795,74	775.60	20,14	—7 67
July ,, ..	2,460.88	1,692 07	768 81	747.83	20.97	— 69.93
August ,, ..	2,451 38	1,671.49	779 89	758.35	21,54	—9.50
September ,, ..	2 431 08	1,663,52	767,56	748 04	19 52	—20.30
October ,, ..	2,470.25*	1,715.36*	754.89*	737.21*	17,68	+39.17*
November ,, ..	2,472,64*	1,702.80*	770,04*	752,60*	17,44	+2,59*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

WORLD ESTIMATED CRUDE OIL PRODUCTION

(1956 - 59)

(Thousand metric tons)

Country	1956	1957	1958	1959	Percentage change of (4) over (3)
	(1)	(2)	(3)	(4)	
North America					
U.S.A.	352,849	353,045	330,121	346,500	5.0
Canada	23,126	24,481	22,283	24,800	11.2
Total	375,975	377,526	352,404	371,300	5.4
Latin America					
Caribbean Area					
Venezuela	128,923	145,315	138,636	147,000	
Colombia	6,284	6,479	6,631	7,340	
Trinidad	4,129	4,905	5,342	5,750	
Cuba	70	56	49	30	
Total	139,406	156,755	150,648	160,120	6.3
Other Countries					
Mexico	12,796	12,491	13,331	13,500	
Argentina	4,408	4,542	5,114	6,700	
Brazil	530	1,321	2,473	3,150	
Peru	2,540	2,553	2,515	2,350	
Chile	462	565	726	870	
Bolivia	417	466	450	430	
Ecuador	450	421	406	380a	
Total	21,603	22,359	25,015	27,380	9.5
Middle East					
Kuwait	54,982	57,286	70,217	70,000	
Saudi Arabia	48,622	49,002	50,128	53,600	
Persia	26,530	35,500	40,590	45,500	
Iraq	31,313	21,880	35,670	41,700	
Qatar	5,876	6,648	8,222	8,150	
Kuwait Neutral Zone	1,670	3,328	4,258	6,000	
Egypt	1,629	2,362	3,165	3,600	
Bahrein	1,507	1,597	2,035	2,250	
Turkey	296	299	328	330	
Israel	30	70	89	130	
Total	172,455	177,972	214,702	231,260	7.7
Africa (excluding Egypt)					
Algeria and Sahara	34	21	429	1,500	
Gabon	—	173	505	750	
Nigeria	—	—	300	600	
Angola	9	20	100	100	
Morocco	97	75	74	100	
Total	140	289	1,408	3,050	116.6
Western Europe					
Germany	3,506	3,960	4,432	5,120	
Austria	3,428	3,186	2,836	2,500	
Netherlands	1,094	1,523	1,621	1,800	
Italy	567	1,261	1,534	1,600	
France	1,261	1,410	1,386	1,550	
Yugoslavia	293	396	462	570	
United Kingdom	67	81	81	80	
Total	10,216	11,817	12,352	13,220	7.0

WORLD ESTIMATE OF CRUDE OIL PRODUCTION — (Contd.)

(1956-59)

(Thousand metric tons)

Country	1956	1957	1958	1959	Percentage change of (4) over (3)
	(1)	(2)	(3)	(4)	
Indonesia	12,730	15,469	16,109	17,000	
Br. Borneo	5,690	5,590	5,269	5,500	
Burma	236	398	453	500	
India	380	429	420	420	
Japan	314	321	367	380	
Pakistan	283	309	303	315	
W. New Guinea	375	330	300	260	
Total	20,008	22,846	23,221	24,375	5.0
Eastern Europe and China					
U.S.S.R.	83,796	98,340	112,900	129,000	
Rumania	10,920	11,180	11,336	11,500	
Hungary	1,202	675	829	1,050	
Albania	280	490	403	550	
Bulgaria	247	286	222	200	
Poland	184	181	175	170	
Czechoslovakia	110	110	110	110	
China (a)	1,176	1,460	2,230	3,650	
Total	97,915	112,722	128,205	146,230	14.1
WORLD TOTAL	837,718	882,286	907,965	976,935	7.6

(a) Including oil from shale and coal. Source: Petroleum Press Service.

ESTIMATED INLAND CONSUMPTION OF PETROLEUM PRODUCTS

(Thousand metric tons)

Country	Period	Motor Gasoline	Gas/Diesel oils	Fuel oil	Other Products	All Products
United Kingdom	1958	6,709	5,106	10,724	6,322	28,861
	1959	7,200	5,500	13,600	7,100	33,400
	% increase	7.3	7.7	26.7	12.5	15.5
West Germany	1958	3,989	7,477	4,004	2,943	18,413
	1959	4,500	9,300	5,200	3,250	22,300
	% increase	12.8	25.0	30.0	10.4	21.0
France	1958	4,822	6,732	5,356	2,899	19,809
	1959	5,100	7,600	5,450	3,000	21,150
	% increase	5.8	12.9	1.8	3.5	6.8
Italy	1958	1,765	2,128	7,500	1,924	13,317
	1959	2,000	2,300	8,300	2,200	14,800
	% increase	13.3	8.1	10.7	14.3	11.1
Sweden	1958	1,382	3,488	4,036	864	9,770
	1959	1,500	3,650	4,100	880	10,130
	% increase	8.6	4.6	1.6	1.9	3.7
Netherlands	1958	1,037	1,626	2,544	1,185	6,392
	1959	1,100	1,850	2,900	1,350	7,200
	% increase	6.0	13.8	13.9	1.4	12.5
Belgium	1958	1,079	1,774	1,940	820	5,613
	1959	1,080	1,900	2,050	870	5,900
	% increase	nil	7.1	5.7	6.1	5.1
Total of above Countries	1949	10,774	7,130	10,747	5,849	34,500
	1958	20,783	28,331	36,104	16,957	102,175
	1959	22,480	32,150	41,600	18,650	114,880
Average annual % increase	1949-59	7.6	15.9	13.5	12.0	11.3
	1958-59	8.2	13.5	15.2	10.0	12.4

Source: Petroleum Press Service

ROURKELA

introduces a new steel making process in India...

steel produced in 40 minutes!

first **L.D. PLANT**

commissioned on January 12



A ball of flame with the brightness of the sun... a shower of sparks...and inside the L.D. Converter, in place of molten pig iron and scrap there bubbles 40 tons of high quality steel...all within 40 minutes.

At Rourkela, now, this means a ton of high grade steel per minute per Converter—steel suitable for finishing into flat products, like wide and narrow heavy plates, hot-rolled and cold-rolled sheets, strips and tin-plates, products needed for the manufacture of automobile bodies, railway wagons, ships, fans and other articles of daily use.

Three 40-ton L.D. Converters have been set up at Rourkela. These will produce 750,000 tons of ingot steel annually. Thirty-four L.D. Converters are at present operating in 16 different locations in various parts of the world. The L.D. plant at Rourkela is one of the largest in the world and the only one of its kind in India. Steel-making by the L.D. Process has come to stay.

HOW STEEL IS MADE BY L.D. PROCESS

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CONTENTS

	Page
Leading Articles:	
PRESIDENT VOROSHILOV IN DELHI ..	281
WANTED: A TRIBUNAL FOR UNIVERSITIES	282
THE AKALI TRIUMPH : A NEW PUNJAB PROBLEM	283
A DELHI DIARY	284
THE WEEK'S NOTES .. .. .. Kerala; Central Government; India and Nepal; Textiles Industry; Agriculture; Jute Goods.	285
A WINDOW ON THE WORLD: Odysseus on "Hail to the Golden Sixties!"	289
THE EUROPEAN SCENE: India and Automation	293
ECONOMIC REPORT FROM THE U.S.: The 1960 Economic Scene	295
Special Article:	
AUSTRALIA'S ECONOMIC DEVELOPMENT	297
The Business World:	
AN AMERICA WEEK	299
A POLICY FOR ORES, COKE AND LIMESTONE	300
BUSINESS NOTES .. .. Planning; Steel; Foreign Trade; Industry; Research.	301
CURRENT TOPICS: Textiles Industry: Wage Board Award ..	303
A DELHI NOTEBOOK	304
BOOK REVIEWS	305
WORLDGRAM AND NEWS IN BRIEF ..	307
COMPANY AFFAIRS	311
COMMODITY NEWS AND NOTES	312
CURRENT STATISTICS	315

President Voroshilov in Delhi

THE welcome accorded on Wednesday to President Voroshilov in Delhi, in an odious comparison, cannot be placed in the same category as that accorded to President Eisenhower last month. Unfortunately, this odious comparison is constantly made because the unsophisticated in Delhi do not recognise the difference in responsibilities, if not in status, which exists between the Presidents of the United States and the Union of Soviet Socialist Republics. In the United States the President is far more the head of the Executive than he is the head of the State. Again, in the current detente which is leading to the Summit, Marshal Voroshilov has no role, whereas President Eisenhower is even more central than Mr. Nikita S. Khrushchev.

When allowances are made for these differences and for the absurd restrictions placed hours before time by the Delhi police on vehicular traffic on many roads not on the procession route, which prevented thousands of people from seeing the procession, one might argue that the Indian people have shown their great interest in the per-

son of Marshal Voroshilov. War memories do not last long, but here there remains the glamour of a great war hero. He comes, too, at a time when relations between India and the Union of Soviet Socialist Republics have, by another odious comparison, become more cordial in view of Russia's imaginative stand on the border dispute between India and the People's Republic of China. There was scarcely any time when the feeling that the Kremlin was initiating international Communist policy was more at a discount. The major differences in philosophy between the Indian Union and the Union of Soviet Socialist Republics have reached their lowest point and there were never great differences elsewhere.

In addition to these important factors which belong to what might be called the philosophical plane, there is our growing need of the Union of Soviet Socialist Republics in our development and trade plans. It is not likely to be forgotten that the Rupee account was a major Russian discovery, although its implementation, for the purpose of broadening trade on both sides was as much an Indian, as an Eastern European, achievement. There are great opportunities both under the Rupee account and under the far-reaching deferred payment programmes, which the Union of Soviet Socialist Republics is initiating, for a rapid, and even spectacular, growth in Indian-U.S.S.R trade and economic co-operation.

Because of all these factors—the narrowing of the differences between India and the U.S.S.R. in the political field, the coming of the Summit with a recognition that Cold War controversies have been greatly overdone, and, most important of all, the growing pattern of economic co-operation and trade between the two countries—President Voroshilov's visit is invested with an importance far greater than has appeared to most observers. For these reasons and also on his own account as a distinguished world citizen, we should extend to him the warmest of welcomes. We should recognise him also a great channel of communication between the two countries, whose abiding co-operation with one another will grow rapidly with the years. Co-existence, defeated with the People's Republic of China at least temporarily, has proved itself abundantly with the U.S.S.R. This is largely because Russia's present leaders, including Marshal Voroshilov, have political imagination far beyond the text-book dogmas of Marx, Lenin, Stalin and Mao Tse-tung. We should be willing to pay them tribute because of their greatness which refuses to be confined within the four corners of an impressive, but largely outdated, square.

Wanted: A Tribunal for Universities

RECENT deplorable events in the Lucknow University have once again tended to focus public attention on the general malaise that has become endemic in university life in this country. Whatever may be the provocation, there can be no two opinions about the disgraceful conduct of the students, who have indulged in acts of blatant rowdyism thoroughly unbecoming of academic discipline and rectitude. The current agitation is now two months old and has for its genesis the demand of the students for a judicial enquiry into what they called "maladministration, corruption and nepotism prevailing in the university and for the alleged misconduct of a senior teacher of the university". It is not known how much substance there is in these allegations, but there is the recent statement of the Vice-Chancellor that in spite of repeated chances, the students could not produce any evidence whatsoever on the "wild" allegations they were making.

Anyhow, the so-called student leaders behaved in such an irresponsible way as to breakdown the normal working of the university. The authorities had no other option than to close the university from December 10 last. Recently, fearing a breach of the peace, they were forced to request the assistance of the Provincial Armed Constabulary. This was the signal for a fresh eruption of trouble leading to further student hooliganism and resulting in a number of arrests of students. It will be hardly surprising if the university remains closed for many more days till normalcy is restored.

The subject of student indiscipline is naturally causing genuine concern among all those interested in the future of university education in this country since this is not an isolated phenomenon. Only last month, the newspapers were full of reports of student rioting and rowdyism in Mysore when the Inter-University Youth Festival was being held. So far as the Lucknow incidents are concerned, it is obvious that they were caused by a few student "leaders" who were moved by considerations other than academic and with the idea of blocking the progress of a substantial section of the student community. But, elsewhere student indiscipline may be engendered by various other causes. The question is, therefore, how are students' grievances, supposed or real, to be gauged so that they do not prove uncontrollable later. The University Grants Commission has recently appointed a Committee to go into the causes of "mass indiscipline" among university students. It is reported that the Committee is of the view that one of the principal causes of student indiscipline is political interference in the affairs of the universities at various levels. Often the students' unions serve as convenient forums for rival political parties rather than for promoting the educational and cultural interests of the students. It will be, therefore, a salutary principle if political parties impose a self-denying ordinance not to meddle in university matters. Apart from this, the Chairman of the University Grants Commission has recently suggested exemplary punishment for rowdy students. For example, he has even urged the withdrawal of degrees conferred on students if they go out of control.

However, it is evident that student indiscipline is only one facet of the maladies afflicting the universities. When in the middle of 1958, the report of the Lakshmanaswami Mudaliar Committee on the state of affairs in the Banaras University was published, it gave a shock to all those who cared for academic values. At the same time, it was obvious that the Banaras University was no exception and many of the disclosures made in the report reflected only a general tendency. Few can dispute that academic standards have gone down perceptibly in recent years. There is hardly any university that is free from student indiscipline nor is the spectacle of teachers indulging in politics and politicians exerting undue and harmful pressure in academic institution; restricted to a few cases. Student indiscipline has often proved to be the symptom rather than the disease itself which can be traced to deeper causes.

Today, there are nearly 40 universities in the country and the enrolment has increased from two and a half lakhs in 1947-48 to about 10 lakhs in the current year. This immense growth has posed various problems in respect of overcrowding in colleges as well as hostels, and lack of facilities, educational as well as recreational. It has posed other problems relating to administration as well as recruitment of teachers, their status and their conditions of service. It has also posed the problem of finance as well as the maintenance of quality and standards. All these do not admit of any easy solution and there can be no denying many of the irregularities and instances of maladministration often arise from fundamental causes.

It is nearly ten years since the Universities Commission under the Chairmanship of Dr. Radhakrishnan was appointed. In this period great changes have taken place. A high powered commission with wide terms of reference to go into the deeper maladies of the universities seems to be now an urgent priority. And the University Grants Commission has to give its first attention to these matters. One of the criticisms justly levelled at the Chairman of the Commission, Mr. C. D. Deshmukh, is that he seems much more concerned about corruption in what are described as high places than about the terrible disorder in institutions with which he is directly concerned. While his demand for a high-powered tribunal superior to the Government have been rightly resisted, it is time to require of the University Grants Commission a more devoted scrutiny of institutions committed in part to its care. Here — and not for general charges which must be made specific for investigation by the Prime Minister or on his behalf—there is need for a prompt assessment. And Mr. Deshmukh should be in a position to conduct his own enquiries. Events in Lucknow show that this should be done without delay.

The Akali Triumph: A New Punjab Problem

FEW keen observers of the Punjab affairs disputed that the Akalis would win the Shiromani Gurdwara Parbandhak Committee elections. But even the most optimistic among them—the Akalis themselves not excluded—hardly imagined that the Akali Dal would romp home with such a thumping victory over the combined forces of its opponents. The sweeping majority with which the Akalis have been returned to the S.G.P.C. confirms that Master Tara Singh still enjoys a large following in the Sikh community, though a belief had gained ground in some quarters after his sensational defeat in the last S.G.P.C. presidential election and the ridicule poured on him during the past two years, that he belonged to a small declining group which did not enjoy mass Sikh support.

The last minute swing in favour of the Akalis might have been brought about by the arrest of some of their leaders, but the virtual landslide appears to have been caused by two primary reasons—the unholy understanding between the Sadh Sangat Board and the Communists and the widespread disaffection among the masses with the Kairon administration. The Punjab Communists are known for their pro-China feelings and at a time when India faces a grave threat to her security, it was nothing short of a blunder on the part of the Sadh Sangat Board—dominated by the nominees of the Chief Minister Kairon, Giani Kartar Singh and Mr. Gian Singh Rarewala —to have entered into an electoral alliance with them. The Punjab Government's big concession to the Communists withholding collection of the betterment levy against which they had launched a struggle only six months back gave a mighty handle to Master Tara Singh to emphasise the opportunistic approach of his opponents to the elections. The Karnal Case Judgment came in handy for the Akalis to spotlight the administrative misdeeds of the Congress in Punjab and the Sikh masses expressed their disapproval of the administration headed by Mr. Pratap Singh Kairon by overwhelmingly voting against the Sadh Sangat Board. Of course, Master Tara Singh's fight for a Punjabi Suba contributed in no small measure to the spectacular success of the Akalis at the S.G.P.C. polls.

The significance of the outcome of this election lies in the fact that it eclipses—perhaps once and for all—the belief that a true marriage had occurred in the Punjab between the Akalis and the Congress-minded Sikhs. In the general elections of 1957, it looked as though the secular State idea was likely to prevail. Indeed, the prestige of the Chief Minister of the Punjab and his continuance in office depended on the point that he was a symbol of this marriage between progressive Sikhs on the one hand and the secular State propted by Prime Minister Nehru on the other. With the ignominous defeat that Mr. Kairon's group has suffered in this election, both the Prime Minister and the Congress Party have sustained a major reverse, the significance of which cannot underestimated.

While the success of Master Tara Singh adds new fervour to the Sikh demand for a separate Punjabi-speaking State, large question-marks remain on this issue. There is no indication either in this election or in any other event as to the final answer to this problem that the Punjab as a whole can make. In the first place, the Punjabi Suba idea is not as feasible or as important as Master Tara Singh would make it. But even if it were, it would need to have acquiscence from the Central Government of which there is no likelihood of its obtaining in the short period. The Sikh community is dispersed all over the country and is in no position to enforce its demand. On the other hand, the political threat of displacing the Congress and in particular making the Chief Minister's position impossible may enforce concessions somewhat short of the separate State all along the line. If Master Tara Singh should throw his weight on the side of an Opposition Party, the Congress chances of holding the Punjab in the next general elections must be deemed to be bleak. It is not impossible that if the Congress Party fails to accommodate Master Tara Singh at this time, a coalition of the right in which the Swatantra Party and the Akalis come to power will be forged before the next general elections. This is certainly a bear point so far as the compelling unity of the country is concerned.

A DELHI DIARY

ROBIN HOOD AT LARGE?

THE Captains and the Kings have departed from Bangalore and by devious routes are making their way to Delhi for the 'Republic' Day celebrations; alas one of them, Mr. K. C. Reddy, Minister for Works, Housing and Supply, fell among thieves. Happily, they have only stolen his purse with Rs. 7,000 and not injured him personally, or struck at his good name. But some curious people are asking, if this is happening to Ministers, is there an Indian Robin Hood dispensing socialist justice in his own eccentric way? If there were one such would he outshine the Finance Minister at popularity? I fear the answer might well be in the affirmative!

INDEPENDENT DYNAMIC NEUTRALITY

But to return to more serious matters. The tumult and the shouting have died but not the echoes of the Bangalore deliberations. Having been, as I confessed last week, far away from the original tumult, I find it difficult to understand the echoes. Some say that it was a great victory and others that it was a momentous defeat. Since there is only one side playing, the possibility that one side was defeated while another was victorious seems excluded. That wordy duels with imaginary opponents occupied substantial time is true, but this seems no different from previous Congress Sessions. Why then have the critics taken on the view that Bangalore sounded some kind of death-knell for the Congress? For my part, I wonder whether this is even a correct question. We need to discuss not a party, but the state of the nation as a whole. Last week I had occasion to mention how different one felt returning from the Assam oilfields and the vigorous sense of exhilaration which comes from team-work resulting in deeds without words. This week, as promised, I am referring to Durgapur on which—as on the Congress and on a hundred other things—many heads have shaken from time to time. The doubters in India continue, according to a law of Nature, to multiply, but I have decided to disengage—is this not the fashionable word?—from their ranks. Why can we not have a reduction of tensions between optimists and pessimists and truly occupy a neutral zone moving happily between them but with no accretion to either bloc? India needs at this time many live observers with independent dynamic neutrality!

DURGAPUR: THE SHAPE TO COME

And thus I pass to Durgapur which I saw late one night coming in by train from Calcutta. This was the first time I had seen Durgapur after four years, and I can vouch for the sense of exhilaration one obtains even when one sees only one blast furnace belching forth its agreeable light and the coke ovens delivering their fiery output hour after hour. There is nothing new in a blast furnace and nothing new about the coke ovens. But there is everything new about the face of Durgapur which one sees at night and better (she is not feminine!) in the morning. There is something infectious about the dedication shown separately by the officers of the Hindustan Steel and the remarkable ability of the officers of ISCON, who are ready to explain their work at a time when they are terribly hardpressed in doing it. It is not in some respects an integrated team, as can only come in time and (saving everyone's presence!) only when hammered into being at the forge of need. The partnership between Hindustan Steel and ISCON can be closer and — I am sure in the Third Five-Year Plan it will become so — an instrument of Indo-British co-operation in day-to-day management as well and in terms of selling and buying technology and its impressive tools. I think it an amazingly good thing that the new Superintendant of Hindustan Steel at Durgapur is an Englishman. A pattern of Indo-British co-operation is thus being built into the enterprise more in terms of day-to-day working than can be done in the construction stage. When Britishers work under Indian heads and Indians work under British heads with a feeling of complete equality and with a sense of joint responsibility, the newspapers will have nothing sensational to report. I am happy to say that the troubles on some of the construction work for which a joint Indo-British Company seems to have been responsible, have been happily forgotten, and an era of goodwill has been opened appropriately with the first supplies of steel. In April, when the second stage of Durgapur is completed with the second blast furnace coming to life, and next year, when the scheme will be completed, will see a magnificent broadening out of the kind of partnership which both Britain and India need. There is something to be said for the metaphor about binding friendship with hoops of steel.

Let me also say a word about the multipurpose character of Durgapur. Not very far from the steel plant runs the splendid barrage from which canals go out both for irrigation and for the supply of water for the Durgapur Industrial Colony. The grand conception, which has led to the creation of Durgapur as a natural industrial nerve-centre of West Bengal with facilities which few other places in India can have, needs to be assessed on the spot. The great market of Calcutta is a little over one hundred miles away; coal and iron ore are close at hand, and here is virgin country made ready for development with no cramping of style either in shortage of space or in shortage of immediate raw materials. Under a grand design for the steel plant in which future expansion has been provided at every stage, there is growing a powerful instrument of industrial development which cannot fail to be a model for others of this kind. The fact that Durgapur is writing on so clean a slate with such abundant natural opportunities should make this one of the most sought-after industrial areas linked with steel which the country can develop. If ever I were that wonderful thing called an entrepreneur, I would pack up my bags and find a site near Durgapur for an enterprise of my own. Alas as always, they that can do, they that cannot only — write!

HAIL FOR VOROSHILOV

In departing I must pay my tribute to the concatenation of events which occurred at noon on the 20th January when Marshal Voroshilov, President of the USSR arrived. The sun was not exactly darkened at noonday, but it refused to emerge from behind the clouds until the President reached Connuaught Circus. About the same time or shortly after there was a hail storm and I know of no similar occasion when celestial signs have been given that the occasion was well augured. It was good Nature took a hand at the game; for Man that day was niggardly. The Delhi Police were taking no chances with crowds near the procession route: I was stopped two hours before noon by a blanket directive to turn back from every road I tried to get close to Connaught Circus. Surely between the abundance permitted at President Eisenhower's arrival and the famine imposed by traffic restrictions on the 20th, there is some middle ground!

ARGUS

THE WEEK'S NOTES

Kerala

ELECTION EVE

ON FEBRUARY 1, the voters of Kerala will go to the polls for the crucial mid-term elections to the State Assembly. This has evoked country-wide interest not only because of the background to the elections but because the outcome of the elections will have its repercussions on the future course of Indian politics. According to the final picture available, there will be 312 candidates contesting for 126 elected seats from 114 (including 12 double-member) constituencies. The main contestants are the Communists and the Congress-P.S.P.-Muslim League Alliance. The former are putting up 108 candidates apart from 17 independents whom they are supporting whereas the latter are putting up 125 candidates with the division of the seats as follows: Congress 80; P.S.P. 33; and Muslim League 12. Others in the field are the Revolutionary Socialists, the Kerala Socialist Party, the Lohia Socialists, the Jan Sangh and the Karnataka Ekikaran Sangh.

The election campaign is now in full swing and in the next few days will move in a rising crescendo. The prospects of any party are anybody's guess and he will be a rash prophet who can predict what the ultimate verdict of the people is going to be. In the maze of words of the election manifestoes of the parties and the speeches of the party leaders, one should not, however, forget the real issue in the elections. It can be readily granted that the Alliance is not all that one can desire. It may be dubbed pure opportunistic. Its future may also be a matter of considerable debate. But the real issue is what is the duty of the electorate when the State is confronted with an abnormal situation. On the record of the Communist rule lasting 27 months, there is considerable difference of opinion. It is possible that many of the measures that it brought forward might have met even with substantial popular support. It may also be that compared to the record of the previous Congress Government, it was something more worthwhile. But the issue is not whether the Communists can provide a stable government or even a good government. The question is whether the Communists can be trusted to form a government and to work within the framework of the Constitution and whether the electorate can entrust power to a party which would lead to the ultimate extinction of other parties. In other words, can the electorate vote a party to power that will mean the negation of democracy and the enthronement of the will of the party in power through fear and terror.

Here the events leading to the dismissal of the Communist Ministry should provide the answer. As Mr. Sadiq Ali has pointed out in a recent issue of the "AICC Economic Review", once the Communist Party makes itself strong enough to be the ruling party, it has both the opportunity and the inducement for violating the spirit and disregarding the irksome restraints of democracy and the consequences of this isolation and disregard are so great and so harmful that it would be nothing short of treason to the cause of democracy not to take serious note of them. More important still is what Mr. Nehru has called the "crisis of conscience" of the Communist Party. Addressing a meeting in Trivandrum early this week, he said, "If any group in India in a moment of crisis forgets that its basic loyalty is to India, then that group does not represent India, whatever else it might be". This is what the Kerala electorate has to remember and give its verdict unambiguously.

Central Government

ROBBING PETER AND PAYING PAUL

ADDRESSING recently a meeting in Tiruchengode in Madras State, Dr. P. Subbaroyan, Union Minister for Transport, is reported to have hinted at the possibility of raising the rate of the post card from five naye paise to six naye paise. Apart from the propriety of this announcement at a public meeting, what is of interest is the reason given by the Minister for this proposed increase. He is reported to have stated that consequent on the recommendations of the Pay Commission, the expenditure on the Central Government employees would go up by Rs. 23 crores of which the share of the postal employees would be Rs. 3 crores. According to the Minister, an increase in the rate of the post card from five to six naye paise would fetch an additional two and a half crores of rupees. The obvious implication is that this would go to meet the enhanced salary bill of the postal employees.

It is a novel principle in public finance that to meet the obligations of any particular department, the concerned department should itself find means of fulfilling them. If it is carried to its logical extent, it will lead to some absurd result since there are a number of Government departments whose income can hardly meet even a portion of its expenditure. There is also another aspect. At the time of the introduction of the decimal coinage, much virtue was made of the simplicity that would result by rounding off the figures in a convenient form. It was hence that the post card, which was selling at three quarters of an anna was raised to five naye paise and the inland cover, which was selling at an anna and a half to 10 naye paise. In the case of an ordinary cover, which was 2 annas, the conversion after the decimal coinage became 13 naye paise. But because of the need for the so-called simplicity, it was raised to 15 naye paise and soon this worthy example was followed in raising the charges for telephone calls also. Now what is to happen to all this 'convenience' if the post card is to be raised to six naye paise? Apparently, for the Government, what is sauce for the goose is not sauce for the gander and so it can with equanimity indulge in the game of robbing Peter to pay Paul.

India and Nepal

MR. KOIRALA'S VISIT

THE VISIT next week to Delhi of the Nepalese Prime Minister, Mr. B. P. Koirala, is of more than ordinary interest though the current visit of the Soviet President to some extent is likely to overshadow it. Mr. Koirala has stated before leaving Kathmandu that there is no fixed agenda for his forthcoming talks with Mr. Nehru, but it is now common knowledge in political circles that problems of mutual interest with particular reference to the developments on the India-Nepal border with China will figure prominently in the meetings of the two Premiers. This has become particularly necessary after a significant statement made by Mr. Nehru in the Lok Sabha in November last that any aggression on Bhutan and Nepal would be considered as an attack on India. It was then for the first time that Mr. Nehru made a reference to Nepal's position since the Sino-Indian border dispute took a serious turn.

The reaction of the Nepalese Prime Minister to this statement, however, caused some surprise in this country. Mr. Koirala had then said that "no interpretation of any statement in the Indian Parliament could be made that Nepal is not a fully sovereign, independent nation". This, he was particularly anxious to affirm since Mr. Nehru had mentioned Nepal along with Bhutan. He also said, Mr. Nehru's statement was merely an expression of "a feeling of friendship" towards Nepal. Subsequently, while agreeing with the interpretation of Mr. Koirala, Mr. Nehru made it clear that there was no question of India taking any unilateral action and it was a question of functioning as a friendly country and being helpful to each other in case of danger. He, however, quoted the treaty of friendship

signed between the two countries as early as July 1950 to indicate India's responsibilities with regard to Nepal and the subsequent exchange of letters between the two Governments where occurs this sentence, "Neither Government shall tolerate any threat to the security of the other by a foreign aggressor. To deal with any such threat, the two Governments shall consult with each other and devise effective counter measures". Speaking in the House of Representatives on September 4, Mr. Koirala said that Nepal should not "take sides" or "get involved in any way" in the present dispute between India and China. But obviously it has to be in the context of the treaty existing between Nepal and India. It can be presumed that the fosthcoming talks between the two Premiers will go a long way in removing any lingering doubts. The essential point is, as a writer shows in an article in the recent issue of "Foreign Affairs", "Since India considers Nepal an indispensable salient on its front against Communist China, the security of the Himalayan Kingdom comes into question mainly as part of the overall problem of Indian security". This cannot be forgotten.

Textiles Industry

AHMEDABAD'S NEW CRISIS

CLOSE ON the heels of what has been described in knowledgeable circles as a speculative marking up of cloth prices, due presumably to fears of cloth shortage arising out of difficult raw cotton supplies this year, comes the disconcerting statement of the Ahmedabad Millowners' Association spotlighting a new crisis that the textile industry of Ahmedabad faces today. A critical situation is said to have arisen there due to acute shortage of coal that may force some mills to put up notices of closure. Arrivals of coal for the past two months are stated to have been running short of the daily requirements by nearly 20 to 35 wagons. The overall stock of steam coal with the mills is said to have reached a low level of only 11 days' consumption. The statement adds, "It is only on account of transfer of coal from one mill to another carried out under the pool system of the Association, covering both member and non-member mills, that it has been possible to avert the closure of some of the mills."

That this new crisis in the Ahmedabad textiles industry will give a mighty handle to speculators in cloth to push up its prices further goes without saying. But the question arises who is responsible for this crisis in the premier textile manufacturing centre in India? Apparently the crisis has been caused by difficulties in arranging railway wagons to carry coal to Ahmedabad. In the light of the Union Railway Minister's complaint about diversion of goods traffic from the railways to road transport, it is intriguing how a bottleneck has arisen in the transportation of this vital means of production to a major industrial centre.

The Union Government is making strenuous efforts to import cotton to meet the shortfall in indigenous output, caused by unseasonal rains in cotton growing tracts last year; only last week it permitted import of 1.2 lakh bales of American cotton under the U.S. Public Law 480 and has given an assurance that further imports will be arranged to meet the deficit. Welcome though it is, this step can ensure smooth functioning in the industry only if the other sinews of production are made available in the required quantity and in time. Will the Government of India move expeditiously in the matter and rush coal supplies to Ahmedabad mills to avert any dislocation in cloth production?

Agriculture

CULTIVATION OF WASTE LANDS

MR. S. K. PATIL'S concern at the lack of enthusiasm displayed by State Governments in taking up schemes of reclamation of cultivable wastes will be widely shared. The fact that none of the States should have even cared to reply to a circular from his Ministry, sent nearly four months ago, eliciting information on the progress made on this front, is a sad reflection of the interest taken by them in this vital activity, especially when the problem of landless labour is not expected to be solved despite fixation of ceilings on holdings. There are nearly 53 million acres of cultivable waste land in this country which if reclaimed can yield over 13 million tons of foodgrains, bringing within reach the target of 110 million tons of grains by 1966. Besides, as President Rajendra Prasad pointed out recently in his letter to the Prime Minister, reclamation of waste lands in some areas, especially in the dacoit infested tracts of the U.P.-Madhya Pradesh border, can solve the law and order situation to not an inconsiderable extent. The Union Food and Agriculture Ministry's fresh reminder to the States that the work of reclaiming cultivable wastes should be taken up in right earnest is, therefore, just timely.

No doubt, the task bristles with difficulties arising out of the poverty of cultivators, inadequate water supply in some areas, shifting of rivers, malarial nature of various regions and the land invariably being infested with shrubs and tall grass, but they are not insurmountable; the successful cultivation of the Tarai region is a living monument of what human effort can accomplish provided there is a will to do something. The Centre is prepared to meet 50 per cent of the cost of reclamation and provide liberal loans for these schemes. It is time the State Governments show active interest in boosting food output through all possible means instead of looking to supplies from Central reserves to meet deficits. A Committee of Experts, headed by Mr, B. N. Uppal, former Agricultural Commissioner to the Government of India, is surveying cultivable waste lands in various States. It is hoped that the efforts of this Committee will not be allowed to go waste due to apathy of some States to undertake reclamation work.

Jute Goods

A WELCOME STEP

THE 12 PER CENT cut—from 32 to 20 per cent—in the mark-up prices of certain jute goods imported by Britain from India and Pakistan, announced by the Board of Trade last week, is welcome. Though no immediate benefit will accrue to India from this as stocks lying with the Jute Central Board in U.K. are sizeable and the measure meets only partially this country's demand for substantial reduction in the indirect protection enjoyed by the Dundee jute industry, it will surely help in somewhat boosting jute goods exports from India to U.K. in the long run. The fears expressed by Mr J. R. L. Halley, Chairman of the Association of Jute Spinners and Manufacturers of Dundee that the cut would adversely hit the jute industry in Scotland appear to be misplaced as the varieties affected—common hessian cloths used mainly in bag-making—constitute only a small proportion of the average British jute manufacturer's total turnover. Changes in the prices of other jute goods sold by the Jute Control Board are only minor and consequential.

The Board of Trade has done well in reminding the jute interests at home that the unique form of protection that they enjoy through State trading is irreconcilable with U.K.'s trading obligations to India and Pakistan and with the principle of duty-free imports from the Commonwealth countries. The lament for Lord Provost William Hughes, who headed a deputation of Dundee jute interests to the Board of Trade, that the British Government had sacrificed Dundee to the Government of India by taking this decision is in the circumstances unjustified.



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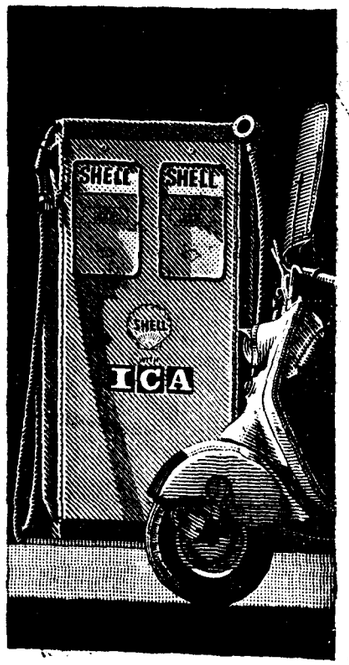
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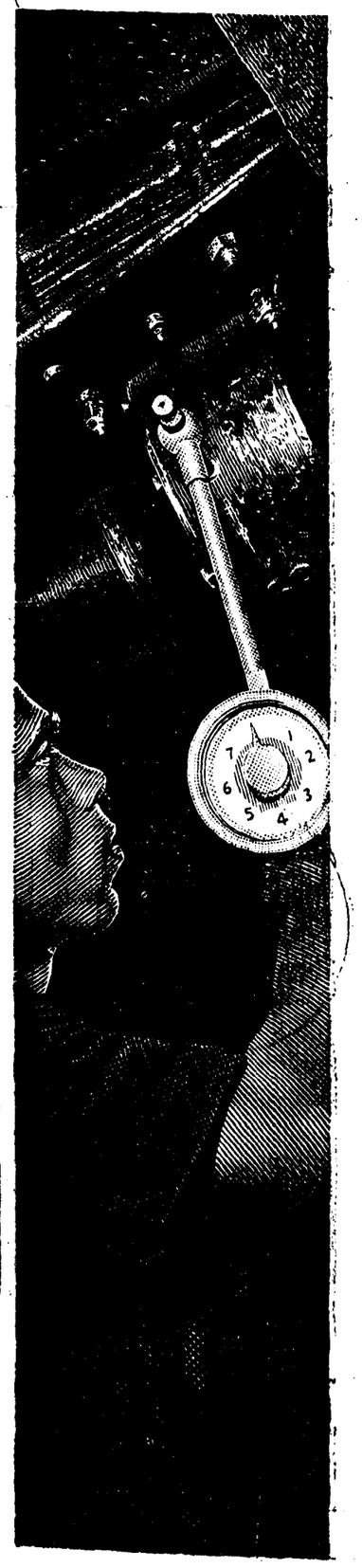
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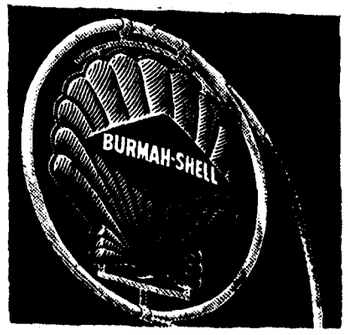
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A Window on the World

HAIL TO THE GOLDEN SIXTIES!

By

ODYSSEUS

OF TREMENDOUS IMPORTANCE to India is a conference that will have taken place in Paris before these words are published. This is a meeting proposed by the UK, the USA, Germany and France, to discuss closer co-operation to provide aid for less developed countries. Those taking part in the conference, besides the four hosts, include Italy, Belgium, Switzerland, Portugal, Denmark, Greece, Sweden, the Netherlands, Canada, and the European Economic Commission—in other words, all seven members of the European Free Trade Association and all six of the Economic Community, plus the USA and Canada.

Now, to my mind, one of the outstanding facts to emerge from the enormous flood of ink that has been spilled over the past difficulties and future relations of the Six and the Seven is their complete agreement, jointly with the USA, on the vital importance to all of them of intensifying aid to the under-developed nations.

Last week, I outlined reasons for believing that Europe was well clear of the Socialist Fifties and was entering on the Golden Sixties. I repeat that this does not mean that the Age of Crises is past, any more than the Age of Colds in the Head is past, but it does mean a tremendous stride forward away from the discouraging atmosphere of the past. As the "District Bank Review" (Spring Gardens, Manchester 2.) reminds us in its latest issue, the economic difficulties of recent years frequently left little inclination or scope for foreign lending. The investment of money in many deserving areas overseas was too perilous to be worth while, and demand for capital at home continued at such a high level that few nations had money to spare. Here, in short, were the classical obstacles; undue risks and lack of funds. But frustrating as this has been, it has made the nations increasingly aware of their financial inter-dependence and of the widespread benefits to be derived from joint action.

Although the millennium is not yet in sight, what is so encouraging is that economic recovery has gone far enough to make intensified action possible. With rising national incomes and balances of payments, mature countries are now better able to lend overseas and, since opportunities for fresh investment are also increasing, prospects for international capital movements seem altogether brighter.

Moreover, joint action in the past has brought into existence a variety of international institutions—the World Bank, the International Finance Corporation, the US Development Fund, the UNO agencies, the Commonwealth Development Finance Co., and the new International Development Association—capable of providing considerable funds for development and, equally important, trained personnel who can grapple with the many technical problems of overseas investment.

WANTED: £25,000 MILLIONS

The nagging question still persists, however, will there be enough funds to satisfy the capital-hungry under-developed countries? It has been estimated that the world's less developed countries will require a net capital inflow of as much as £25,000 m. between 1960-70 if they are to achieve reasonable rates of growth, and much more if they are to approach tolerable living conditions within the remaining forty years of this century. On present estimates it is thought that about £12,000 m. could be forthcoming and that for the rest new sources will have to be found.

That the whole £25,000 m. may be found seems more possible now that the tireless preaching by the UK that overseas investment is not just "do-goodism" but is enlightened self-interest has increasingly taken effect. More and more other countries, less used to overseas investment on a big scale, have come to realise that only by raising living standards everywhere can the industrial countries ensure continuing and expanding markets for their products. There is also far greater recognition throughout the industrialised nations that political stability of the whole world in the sixties may depend on the speed at which living standards can be raised in Asia, Africa and South America.

It is, however, important to note the changes that are taking place in international investment. The first serious challenge is that the USA, which throughout the post-war years has carried much of the economic burden of the West, is at present herself experiencing strains which make it difficult to continue her role of universal aunt. Fortunately, it is precisely at this moment that the accumulating strength of West European countries is beginning to emerge. With prosperity more general it is obviously right that others should relieve the USA of part of the burden.

At the same time, lest what I have said should cause too many hats to be thrown into the air in joyous anticipation of easy capital for all regardless, it does seem necessary to point out that although the countries of Western Europe are no longer in the straitened circumstances of the Socialist forties and fifties, they are, as the "District Bank Review" points out, not endowed with anything approaching the reserves of economic strength possessed by the USA, so that the new lenders are likely to be cautious. They are likely to fight shy of political risks and to be sensitive to threats of expropriation and nationalization, and of aggressive editorials about "foreign exploitation.

Another factor to make countries inexperienced in overseas investment cautious is that while losses through default on overseas investment may, or may not, be higher than the losses on capital invested at home, nevertheless the latter do not necessarily involve a decline in national wealth, whereas overseas defaults constitute a loss for both private and national wealth. This is apt to make lenders reflect that capital exported and lost would have been better employed in developing home industries. Such fears would naturally be less in countries where opportunities for home investment were limited or declining, but the countries from which it is now hoped that others may look for capital are those which, because of their technical development and skilled workers, may be expected to provide increasing scope for domestic expansion.

PRESIDENT EISENHOWER TAKE NOTE !

But while it may be as well not to hope for too much from countries which are new to international lending, these countries should not think that they can afford to hug their wealth to their own breasts. "International investment is a two-day traffic: if funds leave one country for employment in others it in turn receives funds from others," says the "District Bank Review." "How freely, for example, do dollars and sterling cross one another on the Atlantic seeking investment on the other side." International lending prospers international trade: lending countries create markets for their exports, although I cannot emphasise too strongly that (President Eisenhower, please note!) a country which insists that its loan should be spent on its own exports is, paradoxically, not promoting its own prosperity. If there is any lesson that has been learnt from the world depression of the inter-war years, it is that bilateral trade agreements contract the volume of trade and make the whole world poorer.

Because self-interest is so compelling a force, I agree with the "District Bank Review" that it can be relied upon greatly to increase the flow of international capital—provided that a climate more encouraging to lending is created and that there is evidence of a growing reservoir of funds.

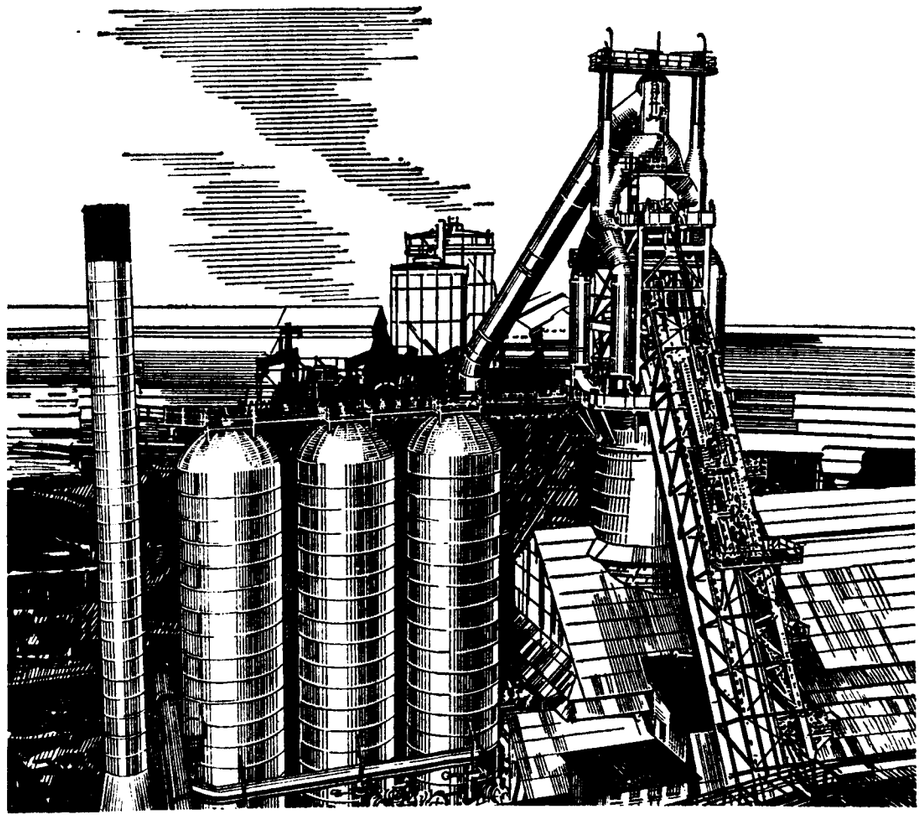
The climate can only be improved by orthodox remedies. Less developed countries will have to keep their finances healthy, avoid inflation like the plague, diversify their economies, and strive for increased production and productivity. Borrowers should be willing to accept the reasonable requirements of lenders: they should not deny lenders adequate rewards and ought to be as friendly to investments in established undertakings as in new ones. To put it with unfashionabl crudeness: borrowers must not allow nationalism t blind them to the economic facts of life.

At first sight, the trail of defaulting and unrepentar debtors in the wake of two world wars suggests tha borrowers never learn any better. That, however, i not so. Defaulters have gradually come to realise tha it is in their own interests to pay up, and borrower are showing better understanding of the elementar requirements of lenders.

As to the reservoir of funds, it is reasonable t assume that investment by government and interna tional agencies will develop on an unprecedented scale But imposing as this public investment may become, i represents only a part of the huge requirements of th underdeveloped countries. That being so, the res depends on the private investor, and one of the mos encouraging signs of recent months is the rising trend of private capital seeking employment overseas. Th changing attitude of those who have saved up money to invest may be due partly to the general freeing o trade and payments and partly to a return of confidenc in the outlook for world trade. Whatever the reason the private investor's participation is now so large a to be comparable to official contributions.

So it comes to this: with overseas borrowers payin increasing attention to the requirements of lenders and with private investors increasingly interested i foreign securities, there appear to be solid reasons fo believing that the flow of international capital will subs tantially rise from now on. If lenders and borrower continue to treat each other as friends like to be treated we may, I think, safely cry: "Hail to the Golde Sixties!"

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PUBLIC DEPARTMENT

The European Scene

INDIA AND AUTOMATION

From Our Special West European Correspondent

PARIS, January 16.

IN India, where industrialisation is naturally connected with the problem of reducing unemployment, few subjects seem less topical than automation. Automatic factories and offices are already common, and are rapidly becoming commoner, in West Europe, Russia and the USA. But in the first two there is a manpower shortage, and in the latter there is traditional acceptance of an unemployment reserve of about four million. Neither is the case in India and so—one might conclude hastily—automation can have no relevance here until industrialisation is much further advanced and until the majority of the population are fully employed. That this reasoning is faulty should be suggested by the fact that there already exist in India several factories which, if not completely automatic, at least employ negligable amounts of manpower in relation to their output: the oil refineries, a fertiliser factory and a few odd plant such as a cigarette-paper factory near Calcutta. But these are dismissed as scandalous exceptions. On the contrary, one should reflect that if there exists an opening for even a small number of semi-automatic factories in an overpopulated, underemployed country like India, then the spread of such methods is governed by special causes which could well go on becoming more widespread long before the national employment problem has been solved. In other words, the introduction of automation will not await full employment in India: it is favoured by technological factors already at work, and far from being a consequence of full employment it could perhaps contribute to it.

Discussion of this subject in India goes on under the influence of two contrary ideal pictures. On the one hand, there is the vision of an industrial system consisting entirely of automatic plant turning out all the nation's manufactures, silent, sterile, with hardly a worker in sight—and hardly any managers either, because instructions are fed into the machines by electronic calculating devices; and outside, in the heat and dust, are India's unchanged millions, just as poor as they are today, shouting "We want work". The contrary ideal picture ("myth", the sociologists would say) is of a busy, fully employed India where cloth is produced mainly by cottage looms, where there is little capital-intensive industry and no automatic plant; the nation is still poor, but not disgracefully so, and every man has a job. Asked to choose between these two utopias, laymen with a good heart naturally plump for the second.

There is no question of such a choice, because both are the merest myths, equally impossible of realisation. It is hard to say which is sillier. An economy that had automatised any significant proportion of its industry would have so far cut costs, increased production and efficiency, and created new demands that there would be many fewer, not more, jobless men outside the automatic factory's gates. As for the other myth, India will never attain full employment or anything remotely approaching it as long as costs are as high as they must be in labour-intensive industry. However paradoxical it may seem to the economically uneducated, a nation that produces its cloth with two million handloom weavers gets less employment (much less) than a nation that produces the same amount of cloth with 100,000 mill workers. And this is not one of those statements that can be answered with Keynes's flippant remark, "In the long run we are all dead."

Since these two visions are irrelevant to the discussion of automation, they may be discarded and particular cases considered on their merits. The first thing that strikes one about any particular case of automation is of course the reduction of manpower on the job. The extent of this reduction is sometimes quite fabulous and so one understands why it monopolises attention. In a group of Russian coal mines, automation reduced the number of trolley-drivers from 237 to 14; in a refinery staff fell from 800 to 12; in 12 US industries ranging from chocolate-making to rail traffic, the average reduction in manpower was 63 per cent, while Westinghouse's Air Arms Division divided its workers by 16. And so on. In the face of such results, it is inevitable that people should think that that is all there is in automation. One needs to balance such reports with the fact that in none of the European and North American countries where automation has been practised is there any evidence of even temporary "technological unemployment" visible at the national level; automation has created new jobs immediately, in fact often before it has suppressed old ones.

But one does not need to appeal to the global, national employment figures to justify automation. On the spot, in the particular factory, there are numerous other consequences, most of which are progressive. These are the technological and commercial motives for automation which, as has been said, apply to present Indian enterprises as much as to any other and which will ensure the spread of these methods in India long before the national employment problem has been solved.

First of all, there are certain industries where automation is virtually inevitable and some of these are assured of an early place in India's industrialisation. There are new products, new processes (especially in chemicals) and new forms of energy that demand automatic factories because they are impossible with classical methods. There are forms of manufacture that require such heights of precision, such perfect continuity of operation and such dangerous raw materials or energy sources that they can only be applied in automatic factories. The physical dangers of atomic energy and radio-active products are an obvious case. Next, there are industries that can be, and are, carried on by classic methods but only at such cost to workers' health that their conversion to automation is well advanced elsewhere and will not be opposed in India; work with sand, where the ravages of silicosis are immense, is a case.

Another motive for automation that has nothing to do with manpower savings and which is therefore operative in India as elsewhere is the improvement in the quality and uniformity of products that it ensures in certain industries. Russian ball bearings produced

in an automatic factory have a life 4.7 times as long as the traditional product; Swedish fuses produced in the same conditions are vastly superior to the old. Moreover in almost every industry the proportion of rejects among finished products falls spectacularly: a television-tube factory saw its rate of rejects fall from 50 per cent to 3 per cent, and whereas hand-assembled fixtures of a certain type were 6 per cent defective, this figure fell to 0.5 per cent after automation.

Next, automation and telemechanisation can reduce breakdowns by as much as 50 per cent, and since in many industries breakdowns are dangerous (e.g. in safety valves, short-circuits and in continuous systems using gas or oil) there is an increase in safety and considerable capital saving. Where all the elements in a productive system are automatically regulated, a rise in pressure or a fall in frequency at one point can be instantly compensated for, whereas manual intervention by a skilled worker might take 15 or 20 minutes, with consequent interruption of continuity and danger of more extensive damage. In the electric power industry this has reduced the requirement of "emergency reserves" and alternative systems to an extent that entails considerable economies, both capital and recurring.

A further factor that has nothing to do with manpower savings is the increased utilisation of machinery in an automatic plant, which means that altogether apart from labour costs the productivity of an item of capital equipment has been raised. For example, Ford found that an automatic sequence producing cylinder blocks had a "coefficient of utilisation" of 80 per cent, against 65 per cent for the same machinery when operated by labour. The main cause here is of course the increased speed of automatic operations, which is often staggering: the Russians have brought the length of one industrial process down from 45 days to three; elsewhere typewriter parts are made in one minute instead of in three hours, and a US food firm can assemble material automatically in one minute that used to take a worker one day.

Next there are raw material savings. An automatic screw plant in Russia consumes one-quarter less metal; the Timken ball bearing plant saves one mile of steel tubing a month; a Swedish fuse plant reduced its loss of silver wire from 20 per cent to 2 per cent and losses of other metal parts from 5 per cent to 0.5 per cent. Less is known so far about the effect of automation on power costs, perhaps because changes are masked by a transition from one form of power to another—in general automatic factories are electric-powered, electricity being a more supple source of energy than coal and other solid fuels or oil and other liquid fuels. In general it seems that the cost of power per unit of output does not decrease with automation, and may even increase, but that savings can appear as more and more industries rely on the one source of power, electricity —which itself can be generated now in automatic plant.

So much for the recurring advantages of automation. But what of the initial capital cost? It is generally assumed without argument that this must be much higher for an automatic factory, and so that alone would retard the introduction of automation into India with its present scarcity of capital. Indeed, this is often the case, but by no means universally. Frequently the capital cost of an automatic factory is less than that of a classic factory. In Russia the value of fixed assets per ton of synthetic ammonia produced was 137.5 roubles in the traditional plant, but only 91.3 roubles in the automatic plant. Austin's automatic sequence for cylinder blocks cost 16 per cent less than the traditional plant. The US Bureau of Aeronautics halved its fixed assets by automating. Obviously, there will be many cases in India where an automatic factory will entail a smaller initial outlay and thereafter cost less to run into the bargain. One of the reasons for the smaller capital cost of automatic factories, and more definitely of automatic offices, is the smaller space required, which cuts down on land costs, rent, and building costs. This space-saving is universal with automation because it compresses the work of numerous separate machines into one process, and it can sometimes reach extraordinary proportions—as in a US machine-tool plant that covered 950 square yards before automation and 50 square yards after. When 200 office-workers are replaced by one electronic machine, of course the space saving is enormous.

Now all the factors listed are motives for automation quite apart from the question of manpower-saving. So they will operate in India whether she has 20 million unemployed or 200 — unless deliberately restrained by public policy. But before public policy took that turn, the question of cost reduction would have to be considered. This I have left to last, because it is hard to say what part of it is due to manpower-savings and what part to the other results of automation mentioned. In any event, it is general but varies widely: a 92.5 per cent drop in the cost of office work in the USA, a 66 per cent drop in the cost of Renault cylinder blocks, a 35 per cent drop in the cost of Russian ammonia, a 10 per cent drop in the cost of Timken ball bearings. Savings of this order, combined with the technological gains listed, will make the spread of automation as desirable, in fact as inevitable, in India as in any other country.

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Economic Report from the U.S.

THE 1960 ECONOMIC SCENE

By GUY SIMS FITCH

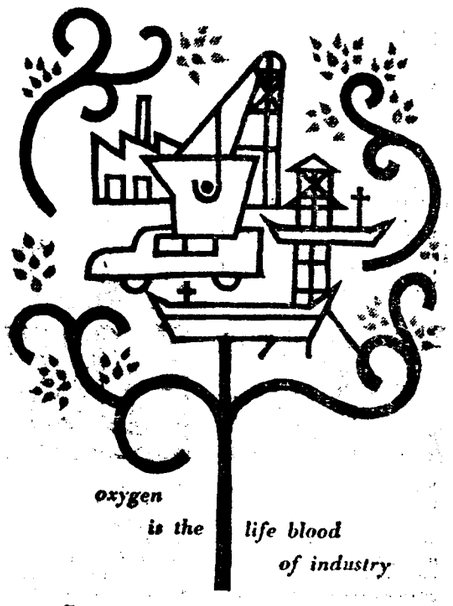
WASHINGTON, Jan. 12.

NEARLY everywhere one looks in these early weeks of 1960, one sees a vibrant United States economy at work. Production and incomes are climbing, international trade is rising, Federal Budget projections show larger-than-expected surpluses and an almost visible sense of confidence pervades the national atmosphere. With the settlement of the lengthy steel dispute one of the few uncertainties finally has been removed from the 1960 economic scene. From here on, the course of the economy may be best described in that somewhat worn but nonetheless apt phrase, "onward and upward." As noted by President Eisenhower in his State of the Union message to Congress last week "1960 promises to be the most prosperous year in our history."

This does not mean, of course, that the road ahead will be uniformly smooth. On the domestic front, for instance, there still is the question of possible inflationary pressures in an expanding economy. On the foreign front, there remain the questions of "internationalizing" the base of economic assistance to developing lands, and of maintaining the momentum toward further trade liberalization. But on each of these fronts obvious progress is being made. The anticipated budget surplus, together with the determined anti-inflationary policies of the U.S. Government, can go far toward heading off any serious inflationary threat. Prices were remarkably stable during 1959 and the consensus is that price rises in the year ahead also will be held within a very narrow range.

On the international front, representatives of the United States, Canada and a number of West European countries met this week in Paris to discuss ways in which trade and aid problems can best be approached on a co-operative basis. Meanwhile, the U.S. Government will have at its disposal a new and improved statistical tool with which to measure the nation's economic performance—which of course, always forms the back-drop to problems and the policies for meeting them. After many months of careful study and research, the U.S. Federal Reserve Board finally has come up with the long-awaited revision in its important industrial production index the first major revision since 1953. What stands out sharply with regard to the new index—which carries statistical data back through 1947 —is the revelation that over the entire post-war period, and particularly since 1950, U.S. industrial output and productivity have grown more rapidly than was previously assumed. Industrial production growth in the post-war period now is seen to have averaged 4.1 per cent per year instead of the previously indicated 3.1 per cent. Using the 1947-49 period as a base of 100, the new index this past November was up to 156, compared with 148 for the old index. About one-third of the upward revision reflects the broadening of coverage beyond manufacturing and mining to include electric and gas utility. This broader coverage thus provides a more complete representation of fuel and power production and makes the new index more nearly comparable with the industrial production measurements used in other countries.

The remaining two-thirds of the index revision reflects, essentially, refinements of statistical methods. For instance, the number of items being measured has been increased and the composite elements of the index have been reweighted so as to be more accurately attuned to the nation's industrial complex as it existed in 1957, rather than in 1953. Another feature in revised index is a new grouping of the statistical components—now 207 in all as against 175 previously—into consumer goods, equipment and materials. The most interesting information emerging from this new grouping is the indication that the rise in consumer goods production thought to average three per cent a year since 1947 has actually been 3.7 per cent. This kind of periodic revision is, of course, important to take account of the ever-shifting patterns of industrial activity and of technological advance in a free economy. The new index naturally has its most immediate performance. But it also can have a profound effect on future developments—for it will provide instrument for measuring and analysing the dominant industrial trends of the 1960's.



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SAN. 59.1A

Special Article

AUSTRALIA'S ECONOMIC DEVELOPMENT

BY BRIAN JOHNS

AUSTRALIA'S developmental achievements in the last 10 years give confidence that economic growth will be at an even quicker rate in the next decade. Australia Day (January 26) provides a good occasion for a review of what has been and is being done. Though still a primary producer of world importance, Australia now has a greater diversity of secondary industry; and the growth of population (30 per cent in the last decade) implies an expanding work force. At present, one out of every three Australians is employed in a factory. The development of Australia's mineral resources provides a good barometer of the country's expansion, as about 70 per cent of Australian mineral production is used in domestic industries.

In recent years, important discoveries of uranium, copper, cobalt, lead, iron ore and bauxite have helped to give new life to Australia's tropical north, which occupies almost 40 per cent of the Australian mainland. Bauxite discoveries at Weipa, in Queensland, and at Gove, in the Northern Territory, have added greatly to Australia's mineral wealth (preliminary testings at Weipa revealed an estimated 200,000,000 tons of economic grade bauxite). Consideration is being given to establishment in the region of an alumina plant to support a large industry with a possible export potential.

Australia, already the largest world producer of lead and the third largest producer of zinc, is spending Rs. 10,33,33,000 approximately at Cockle Creek, New South Wales, on a newly-developed type of smelter to produce zinc metal and lead bullion. The project, scheduled for completion in 1961, also includes a sulphuric acid plant. There are plans to increase lead smelting capacity at Port Pirie, South Australia, as well as electrolytic zinc production at Risdon, Tasmania. The development of new copper reserves in the Northern Territory and at Mt. Isa has brought a dramatic change in the copper position. Mt. Isa, which already produces more than half of Australia's copper, will double its copper smelting capacity, to 80,000 tons a year. An electrolytic coper refinery at Townsville to handle blister copper produced at Mt. Isa has also commenced operation. Australia will now be an exporter of refined copper besides being self-sufficient in her domestic requirements of the metal. Copper exports could earn Rs. 15,50,00,000 a year within the next decade.

The Australian iron and steel industry has developed impressively in the 1950s, and investment, which for several years has been about Rs. 20,66,66,000 approximately per year, is continuing in order to produce extra pig iron, ingot steel, and steel mill products. Ingot steel production has increased from 1,440,000 tons in 1950-51 to 3,100,000 tons in 1958-59. Additions have been made during the period to rolling mill capacity, and the range of products has been extended, especially to match the rapidly increasing demand for flat steel products by the motor vehicle and domestic appliance industries, and to provide feed stock for the newly-established tinplate industry.

In 1958-59 at Port Kembla, New South Wales, centre of the greatest post-war expansion in the steel industry, a Rs. 10,33,33,000 blast furnace, having a capacity of 1,700 tons per day and ranking with the world's largest, was completed. The first of two additional open-hearth furnaces was also commissioned, and tinplate capacity was increased to 85,000 tons a year. Other works in progress at Port Kembla include the installation of three more tinning lines at the tinplate mill, enlargement of ore-storage and handling facilities, and construction of a battery of 96 coke ovens and by-product plant and a wharf. Steelworks at New Castle, New South Wales, are being overhauled and an ore-handling and sinter plant is being installed. A third steelworks at Whyalla, South Australia, is under construction.

The Australian motor industry is one of the most spectacular developments in manufacturing. In the past decade the industry has progressed from assembly and body-building to virtually complete manufacture of a large portion of the motor vehicles in Australia. Of the 240,000 new vehicles registered in 1958-59, about two-thirds had a large local content, and most of the remainder were assembled, using Australian components in varying degree. Already vehicles made in Australia are being exported.

Investment in the industry now exceeds Rs. 1,03,33,33,000, and there are development projects in hand involving further capital expenditure of around Rs. 41,33,33,000. The investment in the subsidiary industries which manufacture parts and components has given considerable stimulus to the development of Australia's manufacturing industries.

The establishment of oil refining on a large scale in the early years of the decade has made Australia self-sufficient in most of the major petroleum products, and enabled her to become an exporter. Petroleum exports earned Rs. 16,53,33,000 approximately in 1958-59. Expansion in this industry is continuing. A Rs. 16,53,33,000 refinery near Adelaide, South Australia, which will include a catalytic reformer and bitumen producing plant, should be completed in early 1960. The capacity of one of the three refineries in New South Wales is to be doubled. Modern oil refining facilities have made practicable a rapid expansion of the petro-chemical industry, which in a few years will emerge as one of Australia's major industries.

At Altona, Victoria, near an existing oil refinery, four inter-related petro-chemical units are to be built, costing about Rs. 23,76,66,000. When this new industry is operating, it will produce the basic chemical components for the production of synthetic rubber and plastics. Further developments of the petro-chemical industry, such as the production of tetra-ethyl lead and alkyl halides, will follow.

Capital expenditure on electricity and transmission to meet the power demands of industrialisation has averaged nearly Rs. 1,03,33,33,000 annually for the last eight years. The Federal Government is spending Rs. 18,60,00,000 a year on the huge Snowy Mountains hydro-electric project in the Australian Alps, which is estimated to cost more than Rs. 4,13,33,33,000. Atomic energy will play an important part in Australia's development during the next decade. The Australian Atomic Energy Commission, with a High Flux Australian Reactor in operation at Lucas Heights, Sydney, is pushing ahead a programme of research which foreshadows interesting developments. Isotopes for use in industry, agriculture and medicine, are already being produced at Lucas Heights. Research and training in the Australian universities, as well as an exchange of information with the United Kingdom, the United States and Canada, also will make a valuable contribution to developments in this field in the coming decade.

(ESTD. 1919)

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THE BUSINESS WORLD

An America Week

By CROESUS

THIS has been a veritable American week in Bombay. Apart from the "Life in America" Exhibition on show, commencing from Monday, eminent business men or US State Government officials have been addressing one meeting after another practically throughout the week. The first was a meeting of the Indian business men addressed by the Six-man US Department of Commerce Trade Mission. This provided an opportunity for the business community of Bombay to know the purpose and programme of this fourth US Trade Mission to visit India. Comprising experts and men holding important positions in private industry and led by a prominent member of the US Department of Commerce, Mr. James McNally, the Mission seeks to assist in the development of trade between India and America by discussing import and export proposals, capital investment, technical assistance, licensing arrangements and joint ventures with Indian business men, particularly small business men. At the end of their tour of Western India, which will take them the rest of the present month, the members will establish a Trade Information Centre at the American Small-Scale Industries Exhibit here, so as to be available for further individual consultation. Already the Mission has met and had discussions with members of important commercial bodies like the Indian Merchants' Chamber and the All India Manufacturers' Organisation, among others. In the course of these discussions, the Leader of the Mission answered specific points such as the need for concluding a Treaty of Commerce and Navigation between India and the US and the necessity of establishing an organisation for the joint inspection of Indian goods for exports. The impression one got from these replies is that, in so far as the US Department of Commerce is concerned, it is in favour of concluding a Treaty of Commerce, Navigation and Friendship. If this is so, it is for the Government of India to explain what is holding up the conclusion of such a Treaty. Neither on the question of joint inspection of Indian goods for exports, nor on the reported malpractices in the United States in the trade of Indian handlooms nor on the point about protective barriers against the entry of some Indian goods to the US were the replies of Mr. McNally wholly satisfactory, although it must be said, in fairness to him, that he outlined the innumerable difficulties involved.

But, more than the Trade Mission, it was Mr. Vance Brand, Managing Director of the US Development Loan Fund and the other US officials, including Mr. Edwin D. Kirby, Deputy Managing Director of the Fund, Mr. John A. Ulinski, the D.L.F. Loan Officer for India, and representatives from the I.C.A. and the T.C.M., who came here for joint discussions with the Governor and other officials of the Reserve Bank of India and meetings with leading business men that dominated the week. Indeed, it was this part of Mr. Brand's stay in India that can be said to have proved most fruitful, although before coming to Bombay, it is true he met and had discussions with Government officials and business men in New Delhi and Calcutta. For Mr. Brand could meet here practically all the leading business men and also pay a visit to an industrial concern helped by the Fund even in the midst of his otherwise tightly packed programme. As a result of the several discussions and meetings that Mr. Brand had, one may say, there is today a much better understanding of the D.L.F. than at any time before. In having explained the aims and objects of the D.L.F. and reasonably met all criticisms, especially about the latest change in the D.L.F. loan policy, Mr. Brand has certainly paved the way for a closer co-operation between the D.L.F. and the people of this country. This means that the problem of financing our economic development undertakings in the future is, at least to some extent, facilitated. Although Mr. Brand made it very clear that the resources of the D.L.F. are limited and that the purpose of the D.L.F. assistance is at best to serve only as a catalyst—he made this point at a dinner given in his honour by Mr. G. L. Mehta, Chairman of the Investment Credit and Industrial Corporation of India — the fact remains that the D.L.F. will continue to be an important element in the further financing of our economic development programmes, in particular the foreign exchange part thereof. In this context, it is gratifying to note, from the latest budget statement of President Eisenhower, that, by the end of the fiscal year 1960, the Fund will have made commitments aggragating $1,400 million. This would leave, as estimated by Mr. Brand, only a little less than $450 million for further loans by the D.L.F., as against loan applications to the tune of $1500 million already pending consideration. However, the new obligatory authority that the President has sought in respect of 1961, namely $700 million, represents an increase of $150 million over the amount enacted for the current year (1960), which means that, at least in so far as 1960-61 is concerned, the D.L.F. will be fairly comfortably placed to extend a good part of the assistance that this country and some other underdeveloped countries may need.

While the two objects set out by Mr. Brand, namely to promote long-range economic growth and to do everything to encourage the opening of other sources of financing are unexceptionable, one has perforce to wait and see how these will actually operate in practice. For one thing, it remains to be seen whether the same experience that Mr. Brand spoke of about his own home community will be repeated here. Secondly, while the US Government may do everything in its power to encourage American private business to participate in the economic development of this country, the ultimate decision, it should be noted, has to be taken by US private enterprise.

On this second point, one must admit that the circumstances as of today are extremely favourable. American enterprise, as Mr. Brand outlined, has not only enormous resources but also talent, experience, and skill in the use of all these resources for the achievement of selected goals. And leading American industrialists like Mr. Edgar F. Kaiser, who also has been in Bombay, take a very optimistic view of the investment opportunities in this country. It was heartening to hear Mr. Kaiser categorically state that he was not

very much worried by such slogans as "Socialist Pattern of Society" in reply to a pointed question at a Press conference. Like his eminent Indian business associate in the proposed aluminium venture, Mr. G. D. Birla, he too does not seem to be bothered about the increasing role of the Public Sector. For, according to him, the development field to be explored is vast enough to permit both the public sector and the private sector functioning simultaneously for years to come.

To revert to the D.L.F., despite all that the D.L.F. Chief has had to say, it is necessary to caution, the D.L.F. loans cannot be taken for granted. Between the sanctioning of a D.L.F. loan in principle and its actual materialisation, a series of hurdles may have to be crossed, as the experience of Indian business men with the Export-Import Bank's loans has amply demonstrated. Obviously American red tape is none the less red for being American, even though the observation of Mr. Brand that "Indian private industries have been able to absorb more than their originally intended share of credits provided by the US Export-Import Bank" seems to convey a different impression. Furthermore, if all the cases ruled out by Mr. Brand himself for the D.L.F. loan are taken into consideration, the choice becomes severely narrowed. Thus, the D.L.F. loans are available "only for those projects for which financing cannot be found on reasonable terms from any other source, public or private"; they are generally not given "for importation of goods for re-sale, nor for working capital, nor for purposes of refunding or re-financing, nor for projects which will have an appreciable adverse effect upon the economy of the US." It is perhaps the last condition that might not prove very easy to establish. Nevertheless, considering that India has already accounted for about 28 per cent of the fully signed loans of the D.L.F. and the disbursements under these loans amounted to 44 per cent of the Fund's total world-wide disbursements, there is no reason to be unduly pessimistic.

A Policy for Ores, Coke and Limestone

WHATEVER may emerge the final shape of the Third Five Year Plan, it is quite certain that, in its formation, significant importance would be given to the production of capital goods. Decisive steps have, therefore, to be taken in view of the fact that the changing pattern of world trade preclude any major rise in the volume of India's traditional exports and consequently it would be difficult to find foreign exchange necessary for the import of required quantity of capital goods. The country has to move towards self-reliance in capital goods, as early as possible.

Sir Jehangir Ghandy, Managing Director of the Tata Iron and Steel Co. Ltd., while addressing recently the Mining, Metallurgical and Geological Institute of India, pointed out that steel had to be given the primary importance because it was the first requirement for the production of capital goods. Although it was correct that India had an adequate raw material base to sustain a very large and flourishing steel industry, there was a fundamental imbalance in the country's mineral resources, he added. "To put it simply, we have something like 21,000 million tons of iron ore which will last us for centuries, even discounting the new deposits that will certainly be uncovered in the years to come. Although we need 1½ tons of coking coal to make 1 ton of steel, the reserves were, as estimated in 1950, a bare 2,000 million tons". Deposits, so far developed, of limestone within an economic distance from the steel plants would hardly provide 100 million tons, although each ton of steel required half-a-ton of this vital raw material. Basing on this analysis, Sir Jehangir said that the country could well afford to step up iron ore exports, while massive effort was clearly necessary to expand and stretch out the supplies of coal and limestone.

Although the major effort initiated since the Second Plan for mineral development had not yet yielded any dramatic results, there was every reason to regard the future with optimism. Only one-fifth of the country had been covered by detailed geological maps at the beginning of the Second Plan. Even in this limited area, prospecting had been confined to surface observation without taking advantage of modern geo-physical and geo-chemical methods on any scale. A limiting factor in extending these activities was the dearth of qualified personnel. The present strength was approximately 1,700 geologists and 200 geo-physicists, with new entrants numbering not more than 150 and 25 respectively. Considering that India had one geo-scientist for every 660 sq. miles compared with six times as many in the United States, where the work of intensive prospecting was largely completed, he advocated urgent steps to expand facilities for technical education in these vital fields.

The lack of good coal was proving an increasingly serious drag on industrial development, particularly in the metallurgical industries. Considering the falling tempo in the expansion of the coal industry, which was unlikely to achieve more than 50 per cent of the additional output of 22 million tons envisaged in the Second Plan, there was the need for a thorough-going review of the policies governing the industry to eliminate the present dis-incentives and brakes on production. Sir Jehangir expressed that there was validity in the argument that profits in coal were entirely inadequate to attract fresh capital or to plough back enough money into the industry. The paucity of capital for development was reflected in the fact that the output of selected grade coals was almost stationery in the last three years. It may not be out of place to add that 95 per cent of these grades of coal were produced in the private sector.

In connection with iron ore exports it may be pointed out that the long-term contract negotiated with Japan, the principal buyer, indicated a sound policy. It may be worth while investigating the possibility of negotiating similar contracts with continental countries which could offer machinery and capital equipment in return. Sir Jehangir disclosed that in 1952 Tatas were negotiating a contract for export of 4 million tons a year to an American-German Combine but the proposals were dropped for want of official support.

He advocated setting up Sinter plants which, apart from yielding larger production of pig iron from the same blast furnace facilities, made possible an economy in the consumption of coke and limestone. The shortage can further be relieved by building up railway facilities to open up new deposits of better grade limestones. The present concentration of demand on a few sources close to railheads was responsible for the current difficulties.

While not under-estimating the seriousness of the present raw materials problem of the steel industry, Sir Jehangir thought that pessimism was out of place. There was, however, a need for a suitable machinery to keep these problems under review and initiate suitable action. This void could be filled by setting up an Iron and Steel Board, which would concern itself with the overall problems of the industry, with sufficient authority vested in it by statute to get action taken to meet difficulties, not as they arose but a long way in advance.

Business Notes

Planning

PLACE OF FOREIGN ASSISTANCE

The first Five-Year Plan, which was rather modest in size, could do with just Rs. 300 crores of foreign assistance. The Second Plan was conceived on a comparatively large scale and on account of certain basic weaknesses it ran into difficulties. It must be accepted that a large volume of foreign assistance was a major factor that helped the Second Plan to tide over the crisis and retain its original shape to a large extent. At the time of the formation of the Second Plan, Rs. 800 crores had been earmarked to be raised externally. It has now come about that in less than four years (upto November 1959, to be precise), authorisations of foreign assistance have been received to the extent of Rs. 1,367 crores, comprising Rs. 1188 crores as loans and Rs. 188 crores as grants. Even after deducting Rs. 178.6 crores, a loan authorised only for the Third Plan, we can say that the total external assistance has been fairly large. In a way it is a measure of the appreciation of the friendly countries in India's efforts to raise the living conditions of her vast population.

These friendly countries have come forward to make available technical skill and economic resources in various forms, partly as grants and partly as loans and deferred payments facilities. During the period of the Second Plan (upto November 1959) assistance was authorised mainly by USA (Rs. 566 crores), the USSR (Rs. 261 crores), the UK (Rs. 103 crores), West Germany (Rs. 96 crores), Canada (Rs. 55 crores), Japan (Rs. 28 crores), Czechoslovakia (Rs. 23 crores) and Rumania (Rs. 5 crores). Loans from the IBRD (Rs. 224 crores) assisted a number of vital development projects both in the public and private sectors. Various agencies of the United Nations and private agencies like the Ford Foundation and Rockefeller Foundation also provided valuable assistance in diverse fields of development. One important development during the last two years was the additional aid received through the co-operation of the IBRD. As a result of a meeting in August 1958, and again in March 1959, substantial additional credits were made available to India by countries like the UK, West Germany and Japan. In the light of the prevailing climate, especially after President Eisenhower's expression that "India is the greatest investment opportunity of our time," the role of external assistance for the Third Plan will also be considerable.

Steel

SHIFTING OF THE CONTROLLER'S OFFICE

SEVERAL TRADING and manufacturing interests are reported to have requested their representative organisations immediately to initiate a representation urging the Union Ministry of Steel, Mines and Fuel to shift the head office of the Iron and Steel Controller to New Delhi, a more centrally located place than Calcutta. It is argued by these interests that such a proposal is perfectly in keeping with the Government's own progressive policy of re-organising and re-locating the principal offices of its different executive wings at a central place so as to be of more or less equal convenience to commercial, industrial and trading communities from all parts of the country. Such a re-location would also facilitate speedier disposal of matters and better co-ordination between the head office of the Iron and Steel Controller, the Ministry of Steel, Mines and Fuel and the Ministry of Commerce and Industry, it is argued.

Again, for industrial regions like Bombay, Bangalore, Kanpur, Madras, etc. it is pointed out, Calcutta is any day a remote location 'vis-a-vis' Delhi. Practically all important Government offices with which trade and industrial communities are concerned are concentrated in Delhi. Also the business community maintains permanent establishments in Delhi for liaison work so essential today to follow-up and expedite any matter pending with the principal execution and policy-making branches of the Central Government. It is only with respect to Iron and Steel Control matters, however, that the business community has either to make special trips to Calcutta, since its principal office is located in Calcutta or maintain another costly establishment there. This is felt to be an avoidable and unnecessary hardship, and much inconvenience would be eliminated by shifting the head office of the Iron and Steel Controller to New Delhi.

The present location is stated to be uniustified even on the basis of proximity to steel producers and steel-consuming industries, because both are tending these days to get dispersed all over the country. Moreover, Kandla and Cochin in the West Coast are growing ports of importance and might shortly need independent regional offices of the Iron and Steel Control, and when this need arises, it is pointed out, the control and co-ordination of such distantly located regional offices would be much better achieved from a more central location like New Delhi than from the Eastern corner of Calcutta. The present existence of the head office at Calcutta, we are told, is purely an accident!

THE LD-PROCESS FOR STEEL MAKING

THE NEWS that 75 per cent of the steel produced at Rourkela will be made according to the LD-process developed in Austria is encouraging and augurs well for the future of the steel industry in this country. Only a quarter will be produced by the open-hearth process. It goes to the credit of India that she is the first Asian country, except Japan, to adopt the LD-process. As to why the entire production of steel at Rourkela was not thought proper to be produced by the LD-process was due to the feeling lurking that a high carbon steel could not be produced by this process. But now doubts have been set at rest by the successful developments, in several plants abroad of the manufacture of medium carbon and high carbon steels as well as certain grades of alloy steel by this process which consists of blowing in of oxygen at supersonic speed directly on the surface of molten pig-iron.

The advantages of the LD-process are considered to be higher rate of production, lower rate of capital and operating costs and saving in space and ancillary equipment compared to that of conventional open-hearth process. It is considered that the output of an LD-steel plant is pretty high. With three 30-ton crucibles it is possible to produce 800,000 tons of steel per annum. With 60-ton crucibles the production will be 1,500,000 tons. Open hearth steel plants of the same capacity need 6-7 and 12-14 200-ton furnaces, respectively. This goes to prove that an LD-steel plant involves very considerable savings on investment costs; the savings amount to 40-60 per cent. Lower processing costs are another advantage of the LD-process.

It is equally of interest to note that Mr. Krupp and Mr. Walter Hitzinger, General Manager of the Voest, the Austrian partner of Krupps in the Rourkela project, are prepared to extend liberal credit arrangements for further expansion of the project. This would certainly be helpful in drawing up plans for expansion of steel industry in the Third Five-Year Plan.

Foreign Trade 162516.

US TRADE MISSION IN BOMBAY

THE SIX-MAN US Government-sponsored Trade Mission to Bombay and Western India, comprising five

prominent American business men and a top official of the US Commerce Department, designed to expand "the exchange of goods and services between the two countries" has had a number of meetings with both business men and officials in Bombay last week. The mission, which is the fourth US Trade Mission to visit India in recent months, will tour several business centres of western India, such as Nagpur, Bhopal, Indore, Ahmedabad and Baroda, and explore the possibilities of greater economic collaboration and co-operation between the USA and India.

Explaining the objectives of the Mission, Mr. James W. McNally, the leader, stated that his mission was not concerned with inter-government negotiations. "Our identification with the United States Government is complete, in so far as the official endorsement is concerned," but—and he underlined this—"our dealings will be primarily with private enterprise in India." Both the leader of the Mission and the other members have expressed the opinion that there exists a vast scope for the development of trade between the two countries for the mutual advantage of both. Making a pointed reference to the "voracious market" for consumer goods in America, they say that American consumers have evinced tremendous interest in Indian goods.

Regarding investment opportunities in general, the mission feels that, broadly speaking, investment opportunities in this country could be grouped under two categories—provision of foreign exchange and supply of productive equipment. In view of the difficulties experienced by Indian business men in securing import licences, they will be naturally interested in hard goods, says the leader of the Delegation.

Despite there being a strong urge on the part of American as well as Indian business men to expand trade, if commercial relations have not became as wide as they should be, it is because of lack of mutual contact. In attempting to bring "interested parties, otherwise unknown to each other, into profitable contact", apart from providing information about specific projects and dealings, this Mission will be rendering a signal service to the cause of Indo-US trade. A free flow of commercial and economic information between Indian business men and their American counterpart should give a fillip to the expansion of Indo-American trade. In this connection, it is gratifying to note that the Technical Co-operation Mission has been finalising arrangements for opening an Investment Centre in India, corresponding to the one proposed to be established by the Federation of Indian Chambers of Commerce and Industry in the USA. All this is to the good, but why is there still no progress with the signing of a Treaty for Trade, Navigation, etc. between the two countries.

Industry

PRODUCTION OF MACHINE TOOLS

IT IS needless to stress that machine tools are an indispensable prerequisite to all forms of industrial production, With this basic importance in mind, Mr. S. L. Kirloskar, the President of the Indian Machine Tool Manufacturers' Association at the Thirteenth Annual General Meeting of the Association, called on the Government to provide encouragement to the existing machine tool manufacturers to expand their activities and to develop congenial climate in which the industry could prosper. In view of the rapidly increasing demand for plant and machinery, it is, of course, necessary that encouragement be given to the existing engineering factories to take up the manufacture of machine tools besides having a large number of machine tool manufacturing units in the country. It is time that the Development Council for the Machine Tool Industry considered this matter and made suitable recommendations to the Government in this respect.

The machine tool industry has made good progress with the establishment of the Hindustan Machine Tools Factory at Jalahalli. The share of indigenous production in the total machine tools required by the country has increased from 16.03 per cent in 1957 to 24.65 per cent in 1958. Much, however, remains to be done to fill the gap. The imports of machine tools are still considerable as the following figures show:

(Rs. Crores)

Year	Imports of Machine Tools
1954	3.86
1955	5.29
1956	8.37
1957	14.64
1958	15.31
1959 (Jan.-Oct.)	8.56

The present assessments point to the need for as high a target as Rs. 30 crores per year for this industry by 1965-6 in terms of value to meet the increasing requirements. This calls for a dynamic development programme for the industry. To achieve the objective of rapid and adequate progress, the activities and programmes of both the public and private sector will, of course, have to be properly co-ordinated.

Research

THREE NEW INSTITUTIONS

WITH THE going into operation of the three steel plants in the public sector and the expansion of those in the private sector, India's industrial potential is bound to expand rapidly. To divert this additional quantity of steel and other resources that will soon be available to proper channels, it is necessary that research in all the fields of engineering is persued. It is quite timely, therefore, that operational plans for three research projects—Central Mechanical Engineering Research Institute at Durgapur and two Power Engineering Research Organisations in Bangalore and Bhopal —have been approved. These three projects will be the first that will be implemented with assistance through the UN Special Fund; UNESCO will act as the Executive Agency. The dollar cost amounting to $2.62 million will be met by the Special Fund and the rupee cost, the equivalent of $5.85 m. by the Government of India. For the Durgapur Institute, UNESCO will provide three experts over a period of three years and four 2-year fellowships. Similarly, for the Bhopal and Bangalore Organisations, UNESCO will provide one expert each and three 2-year fellowships for Bangalore and five 2-year fellowships for Bhopal. The fellowships are intended to enable the members of the Technical Staff of these organisations to obtain further training abroad. Equipment for Bhopal will be worth $1.46 million and for Bangalore $295,000.

It may be pointed out that there is a distinct advantage in initiating such research institutes with the collaboration of the representatives from the advanced countries. Industrial research in those countries has already made significant progress and we are likely to avoid certain mistakes committed by them. Dr. Vernese, Director General of UNESCO, expressed the hope that soon this Special Fund can operate at the level of $100 million annually. He added that the aid to India channelled through UNESCO would be doubled in the next four years. Plans are awaiting in respect of four more projects—an Industrial Instructors' Training Institute to be set up near Calcutta and three Regional Labour Institutes to be set up in Calcutta, Kanpur and Madras.

Current Topics

TEXTILE INDUSTRY: WAGE BOARD AWARD

The Central Wage Board on Textile industry, which recently submitted its report to the Government of India has, it is understood, made recommendations regarding wages, dearness allowance, consolidation of dearness allowance with basic wage and rationalisation. Some of its recommendations are given below.

ON the subject of wages, the Board has come to the conclusion that the industry should be divided into two categories. In the first category will fall the following centres; Bombay State; Bombay City and Island (including Kurla), Ahmedabad, Baroda, Billimora, Navsari, Nadiad, Surat; Punjab State: Phagwara, Hissar; Delhi; Uttar Pradesh: Modinagar; West Bengal: Calcutta City; Madras: the whole of Madras State; Mysore State: Bangalore. The mills in all other centres will fall within category II.

The Board has come to the conclusion that an increase at the average rate of Rs. 8 per month per worker shall be given to all workers in mills of category I from January 1, 1960, and a further flat increase of Rs. 2 per month per worker shall be given to them from January 1, 1962. Likewise, an increase at the average rate of Rs. 6 per month per worker shall be given to all the workers in mills of category II from January 1, 1960, and a further flat increase of Rs. 2 per month per worker shall be given to them from January 1, 1962. These increases are subject to the condition that the sums of Rs, 8 and Rs. 6 shall ensure not less than Rs. 7 and Rs, 5 respectively to the lowest paid, and that the increase of Rs. 2 from January 1, 1962, shall be flat for all.

DEARNESS ALLOWANCE

The Board has recommended that dearness allowance should be linked to the cost of living index in all centres, and if any centre has no such cost of living index, the index of the nearest centre should be taken for that purpose. The Board says that it has come across some cases where there is only a consolidated wage or a fixed dearness allowance. In both cases, it has found that the total wages are comparatively lower and, therefore, recommends that in these cases also, the dearness allowance should be made adequate and linked to the cost of living index number by a suitable machinery. It recommends that for Madras State, the dearness allowance should be increased so as to give full neutralisation for the rise in cost of living to the worker on the minimum basic wage with 1936-1939 as the base.

The Board says that the consolidation of dearness allowance with basic wage in each mill should take place at an index which will yield an amount equal to three-fourths of the average dearness allowance of the first six months of 1959. It says that it is their intention that the remaining 25 per cent dearness allowance, which will continue as dearness allowance, shall have a flexible character, and shall rise and fall according to the future cost of living; and the difference between the future index and the point at which the current index is merged shall be compensated according to existing method and at the existing scale. It recommends that the amount of gratuity, wherever calculated in terms of basic wages, shall be paid in terms of the existing basic wage upto December 31, 1959; but from January 1, 1960, the basic for such purpose will be that basic wage plus the increase given in the report but excluding the dearness allowance consolidated.

POSITION OF CLERKS

The Board, having given its recommendations on the principal points concerning the emoluments of the lowest paid, is of the view that the consequential adjustments in the emoluments of the rest of the workmen should be worked out by the employers and the workmen in accordance with the tenor of the Report and subject to its terms. It recommends the following pay scales for the junior clerks: 1. Junior clerks of mills in category I: Rs. 75-5-105-7½-150-EB-10-200-12½-250; 2. Junior clerks of mills of Category II; Rs. 60-5-90-6-120-EB-7½-150-10-200; 3. Semi-clerks of mills of Category I; Rs. 50-3-80-EB-5-125; and 4. Semi-clerks of mills of Category II; Rs. 40-3-70-EB-5-105.

The Board says that there shall be no grade of clerk below the grade of the semi-clerk. Barring the semi-clerk, the lowest paid in the clerical staff should be deemed to be the junior clerk, whatever he may be in the cotton textile industry, and he must be given and fixed in the scale of the junior clerk as prescribed.

The Board stipulates as general propositions that (a) there shall be no discrimination between men and women doing the same work, (b) by the introduction of its recommendations, no existing amenities or benefits shall be affected and (c) higher emoluments wherever they are being paid shall not be reduced.

The Board says that the first and foremost requirement of a happy and prosperous industry is industrial peace and it is the first recommendation of the Board that for a period of five years from January 1, 1960, no claim for further revision of minimum wages should be made by either the employers or the workmen.

RATIONALISATION

The Board says that the basic conditions which have been accepted as the 'sine qua non' of any scheme of rationalisation should be followed, and they postulate that as a consequence of rationalisation:

1. There should be no retrenchment or loss of earnings of the existing employees, i.e., the existing complement should be maintained barring natural separation or wastage;

2. There should be an equitable sharing of the gains of rationalisation as between the community, the employer and the worker and;

3. There should be a proper assessment of workloads by experts mutually agreed upon, and also suitable improvements in the working conditions.

The Board also agrees on the subject of rationalisation with the relevant observations in the Joshi Committee's Report. It says that in order to avoid disputes, and indeed in order to put an end to disputes, there should be some machinery to settle questions of rationalisation unit by unit. There are cases where rationalisation has been arbitrarily imposed, and there are also cases where rationalisation has been unreasonably obstructed. It is not only labour, but employers too at times, who are not prepared for rationalisation or are indifferent to it. It, therefore, endorses the recommendations of the Joshi Committee for the setting up of National and Regional Committees to deal with essential matters concerning rationalisation, as also their implementation within the industry.

In the view of the Board, the time has come for the active participation of the Governments concerned for the speeding up of the process of rationalisation. The good of the industry demands that wherever rationalisation and modernisation are resisted by either side, the Government should intervene so as to ensure that a reasonable scheme of rationalisation is put into force. Unless this is done, it says, the industry in those regions where it is stagnant will fail to resuscitate itself, and that will be to the detriment of all.

A DELHI NOTEBOOK

DEVELOPMENT OF HEAVY INDUSTRIES

PRIME MINISTER NEHRU'S statement at his last monthly Press Conference that the defence needs of the country shall be accorded top priority in the formulation of the Third Five-Year Plan has been reiterated at the recent Congress Session at Bangalore. An implication of this, as pointed out in this column last week, is that greater emphasis will be placed on the development of heavy industries during the Third Plan period. In the past few days, the Union Government has taken some important decisions to strengthen the industrial base of the Indian economy.

Mr. Manubhai Shah, the Union Minister for Industries has disclosed that broad agreement has been reached between the Government of India and Lord Chandos on a proposal to raise the annual production capacity of the Heavy Electrical Plant, currently being set up at Bhopal, from the original target of Rs. 12.5 crores to Rs. 50 crores. The cost of the project will consequently go up from Rs. 48 crores to Rs. 78 crores.

India's total requirements of heavy electrical equipment at the end of the Third Plan are estimated around Rs. 100 crores. The Bhopal Plant will meet about half of this. Two other electrical plants are, therefore, proposed to be set up with the collaboration of Russia and Czechoslovakia. They will produce equipment like hydro and steam turbines, diesel generators, motors, transformers and switch-gear.

HEAVY ENGINEERING WORKS

The Government of India has also decided to establish a Heavy Structural Fabricating Works and a Heavy Plate and Vessel Works, both in the public sector. The work on these two projects will start before the end of the current Plan. The production capacity proposed for the Heavy Structural Fabricating Works is 10,000 tons per annum and that for the Heavy Plate and Vessel Works 10,000 to 12,000 tons. The former will be located at Bhalai and the latter at Rourkela. The project reports of the two works, prepared by a British firm of consulting engineers on the lines recommended by the U.K. Heavy Engineering Mission, headed by Sir Eric Coates, which visited India in 1956, are being examined by the Government.

The decision to double the production capacity of the Ranchi Heavy Machine Building Project to 80,000 tons of plant and machinery per year has already been taken by the Government of India. The Soviet Union has promised financial aid for it. When the Ranchi Project goes into full production, it will turn out machinery enough for setting up a steel plant of one million tons capacity every year. Expansion of the Durgapur Coal Mining Plant to almost double its capacity is also envisaged. Beside manufacture of coal mining machinery, this plant is likely to produce oil drilling equipment.

Another project for setting up a Heavy Machine Tools Plant is being undertaken with the collaboration of Czechoslovakia. The exact size and scope of this project, however, are yet to be settled. Also under discussion with Czechoslovakia are the third stage of the Foundry/Forge Project and a project for the manufacture of high pressure boilers, ball-bearings, roller bearings and taper bearings. Talks are being held with Russia for setting up a plant to produce compressor valves and pumps.

Yugoslavia has offered a credit of Rs. 25 crores in addition to Rs. 10 crores already provided for the development of Indian shipping. Talks will shortly be held in Yugoslavia to settle the projects to be financed by this credit.

D.L.F. LOANS

Mr. Vance Brand, Managing Director of the U.S. Development Loan Fund, who visited New Delhi last week, stated at a Press Conference that the Fund's "Buy American" policy would not apply to the 195 million dollars loan already made to India, nor would it be applicable to hard cases such as the expansion of the existing non-American plants or machinery. In justification of the change in the Fund's loan policy he said that 56 per cent of the purchases made out of the D.L.F. allocations to this country upto August 31 last year were effected in USA. He was confident that the new policy would foster India's trade with the United States. Mr. Brand on his return to USA will discuss with Mr. B. K. Nehru the question of utilization of the new 160 million dollars loan proposed for this country.

LOCKHEED AIRCRAFT

The representatives of the Lockheed Aircraft manufacturers have gone back to USA for consultations with their directors. The main hurdle in the way of setting up a unit in India in the public sector for the manufacture of Lockheed aircraft appears to be the Rs. 4.5 crores foreign exchange component of the cost of the project. There is a proposal that the US collaborators may purchase from the proposed Indian unit aircraft to pay for the foreign exchange required for the project.

WHEAT UTILISATION MISSION

The five-nation Mission, sponsored by the Wheat Utilization Committee, reference to which was made in these columns last week, will be in this country from February 29 to April 4, after its tour of Japan and Indonesia. While in India, it is expected to visit Calcutta, New Delhi, Nagpur, Madras, Mysore, Cochin and Bombay. A local Committee, representative of the five nations—France, USA, Canada, Argentina and Australia—has been formed to collect the necessary data for the Mission.

The Wheat Utilization Committee has as its objective the study of (1) the possibilities of increasing the use of wheat to improve nutritional standards in underdeveloped countries, (2) the extent to which wheat can be utilised in furthering the economic development of specific countries and (3) the extent to which promotional and market development projects might increase over time, the commercial outlets for wheat in these countries. India and Indonesia have been selected for this study for both these countries have low standard of nutrition and there is a need in both for extensive economic development and scope for considerable expansion of wheat usage. Japan has been selected for the study because of the increase in consumption of wheat there.

BRIEFS

Among ports, Calcutta, it is expected, will again be the major beneficiary from the Third Five-Year Plan. Two minor ports—Mangalore and Tuticorn—are likely to be converted into major ones at an estimated cost of about Rs. 12 crores each.

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The Ministry of Defence, it is learnt, is negotiating an agreement with the Japanese firm NISSAN for the manufacture of one-ton trucks in this country.

DEVELOPMENT DEPARTMENT 27 JAN 1960 PUBLIC DEPARTMENT

BOOK REVIEWS

New Zealand

NEW ZEALAND IN THE MAKING: Second Revised Edition by J. B. Condliffe (George Allen & Unwin London, 1959: 30 Shillings)

THE WELFARE STATE IN NEW ZEALAND by J. B. Condliffe (George Allen & Unwin Ltd., London, 1959: 35 Shillings).

THESE two volumes by Prof. J. B. Condliffe, now happily in India, give a most comprehensive account of the economic development of New Zealand ever since the first organised settlers arrived at Wellington on January 22, 1840. "New Zealand in the Making" was orginally published in 1930 when it took its place immediately as the most authoritative economic history of this new Dominion. Since then, the country had passed through the severe depression of the 1930's, there had been a large increase of population and the Labour Party, in its fourteen years of office from 1935 to 1949, had carried through a new programme of social legislation. There had also taken place a great development of pastoral production and of secondary industry, particularly after the Second World War. All these necessitated not merely a complete revision of "New Zealand in the Making," but also the writing of a sequel, carrying the story forward to "The Welfare State in New Zealand." The two volumes together constitute a most fascinating study of this inadequately known member of the British Commonwealth.

Although even the revised edition of "New Zealand in the Making" is confined primarily to the period before 1935, its importance lies in the fact that it provides a most satisfying explanation of the success of the Welfare State which was brought into existence by the Labour Party during the period 1935-49. Until 1890, the political power was held largely by the landowning oligarchy which had appropriated to themselves the colony's best land and would not part with any portion of it in favour of the new immigrants. The increasing unemployment among the latter and the poor state of the colony's finances led to the overthrow of the Conservatives at the elections of 1890 and the coming into power of a Liberal-Labour Party pledged to drastic land reform, protection of labour against exploitation, and experiments in State Socialism. It is interesting to read that the main source of inspiration was John Stuart Mill. "His views were sought on the functions of government, loans for housing, immigration restrictions, land nationalisation, electoral reform, protective labour legislation. It would be difficult to point out any of New Zealand's social experiments to which this economic oracle would not have returned a favourable answer."

The Liberal Labour Party remained in power from 1891 till 1912. It was during this period that there took place a very large enlargement of State functions —because of the weakness of both local bodies and private enterprise. Taxation, particularly direct taxation, also became more and more progressive, while a regular Labour Code was evolved giving complete protection to the wage earner in respect of his earnings and conditions of employment. The Liberal-Labour alliance broke up in 1912, but by then the monopoly power of the big landowners had been broken and there had come into existence a much more numerous body of small farmers on the one hand and industrial workers on the other. The rise of these new vested interests naturally led to a re-alignment of political parties and their programmes.

As stated already, "The Welfare State in New Zealand" continues the story Prof. Condliffe has narrated with such consummate skill in his earlier volume. It begins with the great depression that followed the First World War, but the Labour Party came into power only in 1935 when the worst of the depression was over. Within less than three years, it had set up a comprehensive system of social security and installed a new regulated pattern of economic organisation. Shortly thereafter came the Second World War and the new regulated economy was mobilised, with conspicuous success, for the war effort. In 1949, however, the Labour programme was put to a severe test, the elections having brought an unfavourable verdict from the voters. Even so, most of the Labour innovations were continued and even extended between 1949 and 1957, when Labour again came to power, though with a very reduced majority.

The Welfare State which was brought into existence in New Zealand was not, however, based on the doctrine of class conflict nor did it have as its sheet-anchor the "essentially aristrocratic faith" in expert bureaucracy. There was no "soak the rich" policy and little reliance was placed on taxation as a method of income redistribution. Domestic price stability, social security and liquidation of unemployment were achieved mainly through manipulation of the credit system and a gigantic public works programme. It is interesting to note, however, that the business of the Welfare State in New Zealand is "to direct, watch, stimulate and restrain, and only incidentally to operate." The State operates mainly the public utilities, and although Government stepped into the field of life insurance as early as 1870, it has no monopoly, private companies still handling more than 75 per cent of the total business.

New Zealand embarked on social security schemes well ahead of Great Britain, the Old Age Pensions Act having been passed as early as 1898. The pension payable was small—only £18 a year to those whose income was less than £34 a year—but this was only the beginning. By 1939, the coverage had been extended to include all men above the age of 60 and women above the age of 55 who had an income of less than £100 a year, the actual pension payable being in the neighbourhood of £58 10s a year. The State has also accepted responsibility to provide to every member of the community "full and adequate hospital, sanatoria, medical, pharmaceutical, maternity and other health services."

Of course, New Zealand has the advantage of being a small country with a population of just under 2¼ millions (1956), but this can also become a handicap. It is to the credit of the New Zealanders that they have built up one of the most progressive States in the world within the short space of a century.

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STP 53

WORLDGRAM

India

Rail Concession for Export Promotion: To help in the drive to stimulate exports, the Railway Board has approved concessional freight rates for some more commodities from certain stations to specified ports. These commodities are electric motors, cotton and hair belting, grinding wheels, machine screws, automobile hand tyre inflators, bare copper conductors (ACSR and AAC), plywood, tea chests and sheet glass. The concessional freight, which has already become effective, is given in the form of 50 per cent rebate on normal tariff rates by goods trains.

*

Export of Bicycles: India has recently built up a modest but significant export trade in bicycles with countries like Burma, Ceylon, Malaya, Afghanistan, Mozambique and Nigeria. From just five bicycles exported in the first eleven months of 1958, the number increased to 2,804 in the same period of 1959, fetching foreign exchange worth Rs. 4.2 lakhs. Besides, bicycle accessories worth about Rs. 1.8 lakhs have also been exported in the same period. This welcome but impressive result has been achieved not without considerable planning and effort. An "export pool scheme" has been introduced to facilitate sales abroad at a price lower than the domestic price, the scheme being operated by the Cycle Manufacturers' Association of India. The railway freight for movement of cycles from factories to ports of export has been reduced by 50 per cent. Arrangements are also being made to supply iron and steel on priority basis and at concessional prices to manufacturers, depending on their export orders. With these incentives, the prospects for building up a sizable export trade, in the coming years are indeed very bright.

*

Schemes for Diversification of Production: Schemes for diversifying production in three Public Sector Undertakings have been finalised. The National Instruments Factory in Calcutta has undertaken the large-scale manufacture of clinical thermometers in collaboration with a Japanese firm. The factory will produce 6 lakhs thermometers per annum by 1962-63. The Hindustan Machine Tools Ltd., at Bangalore, has finalised an arrangement with an Italian firm for the manufacture of cylindrical grinding machines of 16 types. The first batch of these machines is expected to be ready by the end of 1960. The Nahan Foundry, another Union Government Undertaking, has initiated a scheme for the manufacture of electric motors. The foundry will initially manufacture 1,200 motors per annum which will be increased later to 3,600 motors per year. It has already manufactured successfully pilot models of electric motors of certain types.

*

Pre-stressed Concrete Factory for Bombay: A British firm, in conjunction with Indian associates, is planning a new factory in Bombay to produce pre-stressed concrete. The British investment in the project will be about £20,000 and the Indian investment slightly more. The British firm is Pre-stressed Concrete Equipment Ltd., of Uxbridge and its associates are Freyssinet Pre-stressed Concrete Ltd., a wholly Indian concern. Plans for the Bombay factory include facilities for a technical advisory centre dealing with designs, site liaison and instruction to contractors. Training in new methods required for pre-stressed concrete will be given on the sites of projects.

*

Mortgage Loans by L.I.C.: This new scheme of the L.I.C. will enable owners of properties in the cities of Calcutta, Madras and Bombay to obtain loans on the first mortgage of their existing properties. Loans will be for a maximum term of 15 years and they will be granted only to approved parties and on the security of approved properties (both new buildings as well as old buildings which are not dilapidated). Where a loan is granted for a period not exceeding five years, interim retirement of debt will not be obligatory, but where the term of loan exceeds five years, there will be a provision for amortisation by regular annual or more frequent payments of principal. The amount of the loan will not exceed 50 per cent of the value of the property, the minimum amount advanced to a borrower being Rs. 25,000 and the maximum Rs. 5 lakhs. The loans will carry interest at the rate of 7 per cent per annum reducible to 6½ per cent on punctual payment.

*

Bituminous Emulsions Developed: A process has been developed at the Railway Testing and Research Centre, Chittaranjan, for obtaining stable bituminous emulsions from all types of bitumens including those ordinarily considered non-emulsifiable. Ingredients used in the new process are bitumen, cashewnut, shell liquid, bentonite and phosphoric acid. This type of bituminous emulsions is not so far known to be manufactured in India. Various grades of "Flint-Kote", which are similar to this emulsion are being imported but the exact import figures are not available. Different grades can be manufactured to suit different requirements which embrace all branches of industry from adhesives to anti-corrosives.

*

Chemicals from Low-Grade Manganese Ore: Over a million tons of low-grade manganese ore, now rejected every year as waste, can be used profitably as a result of a process developed recently at the National Metallurgical Laboratory, Jamshedpur. The ores, containing about 39.5 per cent manganese-dioxide, can be processed chemically to yield battery-active manganese-dioxide for torch cells and for other chemical industries.

U.S.S.R.

Aid to Ceylon: The Soviet Union is helping Ceylon to build an iron and steel plant with an annual capacity of 35,000 tons of rolled stock, a tyre and tube factory, and two hydro-electric power stations in the central part of the island. Among the projects under construction are a flour mill, a grain elevator and a cotton ginnery. Besides, the Soviet Union is assisting Ceylon in survey work as well as in designing irrigation and hydro-technical projects in the basin of the Malwatu Oya river, where 14,000 hectares of land is to be irrigated. Work is under way with Soviet assistance on clearing the jungle for cotton plantations on an area of 1,400 hectares and on preparing soil for sugarcane planting on an area of 1,500 hectares. A 120-million rouble credit has been extended by the Soviet Union to finance this work.

*

New Process of Steel Smelting: Over-heated steam can successfully replace oxygen as an intensifier of steel melting permitting to increase output by 10 per cent without additional expenditure. This has been proved by a year's practice of using over-heated steam in open-hearth furnaces at the Dzerzhinski Metallurgical Plant in the Ukraine. A group of engineers have proposed to blow over-heated steam together with a torch of flame into the furnace at a pressure of 12 atmospheres. The production of steam requires no costly

technical equipment and big power consumption as in the case of oxygen production.

*

Remote-Control Equipment for Irrigation System: Construction of a plant for the production of automatic and remote-control instrumentation for irrigation systems has begun near Tashkent, Uzbekistan. It will meet largely the irrigators' needs in machinery and equipment. Already this year the plant will produce the first consignment of automatic instruments for controlling and regulating the distribution of water and a set of automatic machines for checking the operation of suction dredges and excavators.

U.S.A.

Common Market Counselling Service: The First National City Bank of New York has announced the establishment of a Common Market Counselling Service at its Paris Office to meet the growing interest of American and other business men in entering the European Common Market. The services to be offered by the newly-formed group will include making personal contacts for bank customers with prospective clients' firms in the area and lending advice and information on such matters as local financing, economic trends and trade potentialities.

United Kingdom

Automation in Shoe Industry: An important step forward has been taken in the field of automation in the shoe manufacturing industry. The results of eight years of research work are being tested under factory conditions. Mr. R. Forster, head of the Forster Equipment Company, who has been working on the project in conjunction with A. Pemberton and Co. of Leicester, has now produced an automatic shoe stiffner moulding machine and it is believed to be the first of its kind in the world. Companies in Canada, Austria, and Germany are taking interest in the development.

*

New Devices for Safety in Mines: Two important new mine safety devices have been developed by the Safety in Mines Research Establishment at Sheffield. One of them has been entered in a worldwide competition organised by the European Iron and Steel Community. It is a meter for measuring the amount of explosive gas, methane, in the pit. Compact and simple to use, it has been produced for less than £20 — about half the price of most meters now in use. The other device is the newly-style mines rescue breathing apparatus.

West Germany

Artificial Paper: An artificial paper, made from chemical fibre, has been announced by Feldmuhle of Dusseldorf, a German firm. Although many attempts have been made in the U.S. and Japan to produce this type of paper, this, it is believed is the first time that it has met with success. The new paper, it is claimed, has a high degree of resistance to light, water, chemicals and dirt. It is also mechanically strong, dimensionally stable and crease-resistant. For these reasons, it is specially recommended for banknotes and documents. Other suggested uses are as a basis for emery paper, hospital bedclothes, handkerchiefs, filters and electrical insulation. The basis is chemical fibre rather than the cellulose used in previous artificial paper products.

Israel

Credit Rating Service to be Introduced: A credit rating service on the basis of that operated by Dun and Bradstreet in US is shortly to be established in Israel. This forms part of a drive by the authorities to give greater encouragement to the investment of private capital, both local and foreign. Other such steps are the amendment of the Capital Investment Law and the more recent establishment of a body paralleling the Securities and Exchange Commission.

Japan

Oil Contract With Soviet Union: Asian Oil Co., has signed a long-term contract with the Soviet Union to import 1½ million tons of crude oil from Russia. The oil will come from the Tuimanjinskaya oilfield, Baku. The contract valued at U.S. $22.5 million covers imports to be made over the next six years. The import price for the first year will be $14.75 per metric ton c.i.f. Japan . During this period the company is to import 160,000 to 170,000 tons. After the first year, the import price will be decided annually by negotiation.

*

Surplus in Balance of Payments: Japan is enjoying a surplus in her external payments position in the first half of the current fiscal year. Foreign exchange earnings totalled $2,012 million and payments $1,789 million, leaving Japan with a substantial surplus of $223 million. If allowance is made for an increase during the period of $107 million in deferred payments balance, Japan's net receipts come to $116 million. The foreign exchange receipts in April-September are $308 million higher than in the corresponding period of last year and payments $319 million higher. Details are as under:

(Million U.S. $)

	Visible	Invisible	Total for 1st Half of 1959-60	Variation of (3) Over 1st half of 1958-59
	(1)	(2)	(3)	(4)
Receipts ..	1,579	433	2,012	+ 308
Payments ..	1,407	382	1,789	+ 319
Balance ..	172	51	223	— 11

The continued expansion of exports particularly to the United States and the remarkable improvement in terms of trade due to the continued rise in export prices on the one hand and the softening trend of import prices on the other, contributed by and large to the great improvement of her balance of payments position.

Australia

Bank Reforms: The Commonwealth Banking Corporation set up under the Government's reform legislation passed early last year, assumed on January 14 the control of the policy and affairs of the Commonwealth Trading Bank, Commonwealth Savings Bank, and the new development bank. Several principles vital to a free-enterprise economy have been embodied in the legislation. Under the reforms the Central Bank is separated from other Commonwealth banking institutions and is re-constituted as a Reserve Bank. On the whole the re-arrangement of banking functions under the new law is welcomed by the Australian Bankers' Association.

Pakistan

Loan For Development Of Railways: As a result of negotiations with the U.S. Development Loan Fund, Pakistan has been granted a loan of 22 million dollars for the development and rehabilitation of the Pakistan Railways. This is the second loan to be advanced by the DLF for the development of the Pakistan Railways. The first loan amounting to $9.1 million was given in February last.

NEWS IN BRIEF

INDIAN

It is reported as part of the Government's big food storage programme, silos for the bulk storage of foodgrain, mainly wheat, are being built at Kalyani, near Calcutta, and Boriville, near Bombay.

*

The Central Warehousing Corporation has decided to hold a training class in New Delhi in March 1960, to train warehousemen who will be posted to State and Central warehouses before the rabi crop comes into the market.

*

The Indian Standards Institution has published a standard of interest to the agriculturists. This relates to endrin emulsifiable concentrates (IS: 1310-1958) which are largely used for controlling insect pests in agriculture and has been prepared to facilitate the supply of this material of a quality most suitable for use under subtropical conditions.

*

Letters were exchanged recently extending the validity of the Trade Agreement between India and Hungary for a further period of six months ending June 30, 1960. The main items of export from India are iron ore, cotton waste, jute products, vegetable oils, raw wool, coffee and mica.

*

The total electricity produced by the public utility power stations in India in September 1959, amounted to 1,235.6 million kWh of which 996.2 million kWh were sold to ultimate consumers.

*

The Government of India have decided to establish a Heavy Structural Fabrication Works and a Heavy Plate and Vessel Works in the public sector. The implementation of the two projects will begin in the Second Plan period.

*

The Government of India have announced that a quantity of 180,000 bales of American cotton of stapling one inch and below would be permitted to be imported by mills into the country.

*

An ambitious programme for the exploitation of mineral resources of the State and the establishment of heavy industries is proposed to be taken up in the next two or three years by the Kashmir Government. The programme is likely to cost Rs. 35 crores.

*

The Government of India have decided to license freely for export pickled goatskins to all permissible destinations, states a trade notice issued by the Joint Chief Controller of Exports.

*

It is reported a fertiliser factory at an estimated cost of Rs. 35 crores is proposed to be set up in Madhya Pradesh during the Third Five-Year Plan period.

*

An Indian concern is planning a factory in Bombay to produce prestressed concrete in collaboration with a British firm. The British investment in the project will be about £20,000 and the Indian slightly more.

*

Letters were exchanged recently embodying a trade arrangement between India and Jordan. The two Governments have agreed to take all appropriate measures to promote trade between them particularly with regard to items mentioned in the schedules appended to the letters exchanged.

FOREIGN

The Development Loan Fund has approved a $31 million loan for a Greek hydro-electric power project. Construction will be undertaken by U.S. firms.

*

It is reported Japan and Britain have agreed to open trade talks in London on February. The talks are for the conclusion of a new trade pact to replace the one due to expire at the end of March.

*

Dresdner Bank had announced that another new West German investment fund will come into existence soon. To be known as "Transatlanta", it will invest in leading companies in Western Europe and North America

*

Britain's exports in December were valued at £297,100,000, her imports at £371,900,000 and her re-exports at £10,700,000 according to provisional figures issued on January 13 by the Board of Trade in London.

*

It is reported that assistance to developing countries is made available in development loans by the Development Loan Fund to the tune of more than five hundred million dollars annually.

*

Daily average crude oil output in the U.S. in the week ended January 1 amounted to 6,854,000 barrels, according to the American Petroleum Institute.

*

The number of wholly unemployed men in Holland at the end of 1959 was 69,700 about 30 per cent below the end of 1958 figure

*

The first Danish Food Fair will be held at Aalborg from 3rd to 12th June, 1960. On a 100,000 square metre site will be displayed the choicest agricultural products, dairy produce, fish, fruit and vegetables.

*

An artificial paper, produced by machine, was announced by Feldmuhle, of Dusseldorf. Although many attempts had been made in the U.S. and Japan to produce this type of paper, this was believed to be the first success. Feldmuhle describes it as having a high degree of resistance to light, water, chemicals and dirt.

*

Soviet technicians have completed preliminary air survey of the proposed 900-mile road to be built along the Nepal foothills. Land survey will start some time in March. Under the Soviet aid agreement a tobacco factory will be constructed at Janakpur, South-West Nepal.

A Letter to the Editor

"TELEVISION AND INDIA"

Sir,

I am writing to complement you on the Blue Supplement regarding television in the November issue of "The Eastern Economist".

I happened to have lived in Japan during the period 1955-1959 and watched the remarkable growth of television and the changes in Japanese society wrought directly and indirectly thereby.

I understand that in 1953 when television was just beginning in Japan, many people in the Japanese Government and virtually everyone in the Embassy community (of which I was then a part) felt that Japan should not indulge in the seeming luxury of television at a time when reconstruction needs were of transcending urgency. The first transmitting towers for TV were viewed as an extravagant waste of steel and foreign exchange. The vigour, however, with which business interests pursued the goal of television soon prevailed over the opposition and the number of TV channels in Tokyo alone rose from a pioneering two in 1955, when I first arrived in Tokyo, to six when I left Japan in 1959. Today virtually every city throughout the nation has one or more channels of its own.

In precis, here are some of the consequences of television in Japan as I saw them. The people of Japan were put into closer contact with their Governmental leadership; members of the Diet and the executive branch of the Government were seen daily in news coverage and the popular distrust of leadership, reinforced by the still fresh recollection of World War II experience, has begun to diminish. At the same time, the behaviour of Government officials and especially members of the Diet has tended to improve as the public is quick to notice shortcomings such as emotional outbursts, irrelevant and irresponsible statements, and extremism.

Television has played a major part in the popular desire for better education and health and especially in the heightened craving for material comforts such as beds, western-style furniture (which serve to elevate the Japanese people off the floor!), air conditioning, electric blankets, heaters, radios, electric lighting in rural areas, highways, telephones. This trend was, of course, foreseen and was used by opponents of TV as a criticism, namely that TV would stimulate consumer demand and hence aggravate Japan's already precarious external accounts. However what has since happened is that the people and the business community of Japan have developed a mutual interest in doing something to raise Japan's standards of living and culture—new industries, unheard of pre-war, have emerged such as electronics, automative transportation, mass produced furniture of western design, office machinery, cosmetics, anti-biotics, vitamins, steel construction, new food products, amateur motion picture cameras, all of which have combined to boost Japan's exports, raise foreign exchange earnings, and hence feed the appetite for better things. While numerous factors have interacted to stimulate the total process, television certainly was a strong force.

In large measure because of advertising on TV, the sense of responsibility felt by industry toward the consuming public has improved. Conscious of public scrutiny, industrial management has sought to standardize quality and upgrade products. Concurrently, consumer groups have just now begun to emerge as an articulate force and to encourage industry to undertake more research and quality control.

Culturally, television has been an influence in the evolution of women's dress from the pre-war (artistic to be sure but) cumbersome coiffures and "kimono" to less time-consuming and more functional styles. An interest in foreign languages has begun to emerge in a country which by temperament is non-linguistic. Interest in music, sports, science, general education, and the standardization of rural speech with national norms has all benefitted from television.

As is true even in the poorer sections of the United States, often the most squalid hut is equipped with television in Japan. This might be an undesirable allocation of meagre resources except that on balance the TV-owner feels himself obliged to augment his daily income by greater diligence so that his enjoyment of TV may continue and so that he may purchase the exciting new products displayed on the screen. It is also pointed out that low-income TV users have very few pleasures from life as a general rule and access to TV blunts their interest in fruitless and sometimes predatory agitation against society.

Above all television in Japan has brought about an awareness of the fact that there is something bigger and possibly even more important than Japan itself, namely the world at large. It can be said that isolationism in Japan—a very expensive indulgence for any nation today—has begun to diminish.

All these developments in Japan are healthy, abundantly conspicuous, and serve to underline the importance of television even for the poorly endowed nations of the world. Undoubtedly, the growth of television in India would be slower than that of Japan. It would seem, however, that a need does exist, possibly a more urgent need than in some of the richer nations.

Palo Alto, California,
January 8, 1960.

Yours faithfully,
FRANK L. TURNER.



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HEAD OFFICE: NEW DELHI



COMPANY AFFAIRS

MUKAND IRON AND STEEL WORKS LTD.

The Directors of the Company have reported that the supply position of billets has helped the Company in maintaining the upward production trend of the rolled products during the year ended March 31, 1959. The Company received permission from the Government of India to substantially increase its steel-making capacity. A new electric furnace with a roughing mill will be installed at a new site to be acquired. With these expansions the Company will have to rely less an outside sources for supply of billets. The estimated capital investment for this project is Rs. 1.2 crores. The Industrial Credit and Investment Corporation of India Ltd., has agreed to advance a loan of Rs. 60 lakhs in the required currency to meet the foreign exchange component of the scheme. The Company is making arrangements for the issue of fresh equity capital to meet part requirement of rupee finance.

During the year ended March 31, 1959, the Company recorded a profit of Rs. 33.82 lakhs. A sum of Rs. 3.87 lakhs is provided for depreciation and Rs. 15 lakhs for taxation. The Directors have proposed to set aside a sum of Rs. 8 lakhs for General Reserve and Rs. 2 lakhs for Development Rebate Reserve. The dividend at the rate of 5 per cent is proposed to be paid on Preference Shares and 80 nP. as dividend and 20 nP. as bonus on each Ordinary Share.

KAMANI METALS & ALLOYS LTD.

The new Strip Mill of the Company went into production on January 2, 1960; the opening ceremony was performed by Mr. Manubhai Shah, Union Minister for Industry. One special feature of this mill, (the first of its kind in India), is that it is rilling thinner gauge brass and copper strips up to 47 S.W.G., (0.002 inches in thickness). Previously Indian manufacturers were able to produce up to 37 gauge (0.0068 inches thickness) only. In view of the fact that India imported 223 tons of brass sheets and strips valued at more than Rs. 8 lakhs and 363 tons of copper sheets and strips valued at more than Rs. 17 lakhs in 1958, this Company will be responsible for a saving of foreign exchange to the tune of Rs. 1 lakh per month by utilising its annual capacity of 1,200 tons per year. By the end of 1960, the Company hopes not only to meet the internal demand but also export to the foreign markets.

During the year end June 30, 1959, the Company reports a profit of Rs. 10.50 lakhs. Separating Rs. 7.30 lakhs towards the arrears of depreciation for preceding years down to December 31, 1955, Rs. 99,404 towards taxation and Rs. 25,000 towards development rebate reserve, there is a balance of Rs. 2,65,912 at the disposal of the Directors. They have recommended the payment of a dividend of the rate of 5-1|2 per cent on each cumulative preference share and Rs. 10 (7-1|2 per cent) on each equity share, without deduction of tax, which will absorb Rs. 2,60,000. The Directors have pointed out that the arrears of depreciation (Rs. 5.50 lakhs) now remain to be set off for the period ended June 30, 1957, (eighteen months).

MACHINERY MANUFACTURERS CORPORATION LTD

One act of lesser wisdom can cause not one but a series of maladies. It so happened at least in the case of the textile crisis of 1957. The Machinery Manufacturers Corporation, for instance, had to bear the full impact of this recession. In 1958-59 the demand for textile equipment declined. In order to effect economies, the Management introduced a scheme of a five day week as a trial measure for a period of 3 months The officers and staff of the Company accepted a corresponding 10 per cent cut in their salary. Even these measures did not succeed in retrieving the position. As there appeared no signs in the near future of improvement in the Company's Order Book position for Carding Engines, the Directors of the Company resolved with great regret to retrench 249 workers on June 12 1959. Immediately the workers went on strike. Eventually the strike was called off by the Workers Union at the end of October 1959.

The financial position of the Company continued to be critical. Government of India granted a loan of Rs 5 lakhs to enable the Company to complete the Foundry. The Company suffered a loss of Rs. 5.09 lakhs during the year ended March 31, 1959. This amount is to be added to debit balance of Rs. 19.29 lakhs brought forward from the previous year, making a total of Rs. 24.38 lakhs, which is carried forward.

THE UNITED COMMERCIAL BANK LTD.

The net profit (subject to audit) of the United Commercial Bank, Ltd., for the year ended December 31, 1959, after taxes, is Rs. 60.42 lakhs, and including the sum of Rs. 62,098 brought forward from the previous year's account, the disposable profit amounts to Rs. 61.04 lakhs. The Directors have transferred Rs. 27 lakhs to the Reserve Fund, raising it to Rs. 1.75 crores and provided Rs. 11 lakhs for bonus to the staff. The Directors propose to recommend to the shareholders at the next Annual General Meeting the payment of a dividend at Rs. 5.50 per share (11 per cent), subject to deduction of tax, which will absorb Rs. 22 lakhs, leaving Rs. 1.04 lakhs to be carried forward to the next account.

The corresponding figures for the year ended December 31, 1958 are: Profit, subject to tax Rs 45.38 lakhs; Tax Provision Rs. 9 lakhs; Net Profit, after taxes Rs. 36.38 lakhs; Transfer to Reserve Fund Rs. 14 lakhs; Bonus to the staff Rs. 7.25 lakhs; Dividend at Rs. 3.75 per share (7-1|2 per cent) free of Income-tax Rs. 15 lakhs.

THE BANK OF INDIA LTD.

The profit of the Bank of India Limited for the year ended December 31, 1959, after making the usual provisions for contingencies and subject to audit, including the sum of Rs. 12.79 lakhs brought forward, amounts to Rs. 95.48 lakhs. Provision for Income Tax and Super Tax will absorb Rs. 18 lakhs. Interim Dividend at the rate of 6 per cent subject to deduction of tax at the prescribed rates for the half-year ended June 30, 1959, absorbed Rs. 18 lakhs. The balance available for distribution is Rs. 59.48 lakhs. The Directors propose to pay a final Dividend at the rate of 10 per cent subject to deduction of tax at the prescribed rates making 16 per cent for the year absorbing Rs. 30 lakhs and propose to carry forward, subject to the payment of a bonus to the staff, a sum of Rs. 29.48 lakhs.

THE ANDHRA BANK LTD.

The net profit of the Andhra Bank Ltd. for the year ended December 31, 1959 was Rs. 12.12 lakhs (subject to audit) as against a profit of Rs. 8.26 lakhs for the previous year. In view of the good result, one month's pay was sanctioned as bonus to the staff of the bank.

COMMODITY NEWS AND NOTES

CEILINGS FOR LONG STAPLE COTTON RAISED

The Government of India have decided to refix with immediate effect the ceilings for long staple cotton of staple length 1-1/32" and above. This step has being taken after considering the representations from growers of long staple cotton that the present ceilings are operating to their detriment. It has been the Government's policy to encourage increased production of such long staple variety. The ceilings originally fixed were higher than the international prices. World prices of such staple have since gone up appreciably and Government consider that in the interest of production of such cotton, it is desirable to secure for the grower at least a share of the increase in the international prices.

KHETRI AND DARIBO COPPER BELT

Definite indications of economically workable reserves in the Khetri and Daribo copper belt of Rajasthan State are now available as a result of exploratory mining started by the Government of India some time ago. Three zones of interest have been located in the Khetri copper belt extending over an area of 16 miles in the Jhunjhunu district of Rajasthan State. Some sections of those zones with more promising geological data have been taken up for detailed exploration. A new zone has also been brought to light in the Daribo area in Alwar district of the State. The final results of the exploratory mining operations would determine the size of the deposits in the areas, the order to which they could be developed, the amenability of the ores to treatment and the targets for production of metal from these deposits during the Third Plan period. Nearly 10,000 tons of copper is expected to be produced from the areas if adequate reserves are established by the Indian Bureau of Mines, who are at present engaged in the proving work. The present annual consumption of metal in various forms within the country is about 50,000 tons and is likely to go up to 60,000 tons by 1961. On an average, it is likely to increase up to 75,000 to 80,000 tons during the Third Plan period. The country produces nearly 8,000 tons from the mines in Bihar worked by the Indian Copper Corporation.

AUGMENTING ZINC SUPPLIES

The Government of India have arranged for the import of substantial quantities of zinc to relieve the present shortage in the country. During the next two months or so, in all about 10,000 tons of imported zinc will be available in the market. Part of the imports will be effected through the State Trading Corporation of India which has already entered into arrangements with foreign suppliers. A portion of this has already been shipped and will be available in the market very shortly. The balance will arrive well before the end of the current licensing period viz., March 1960. Besides this, supplies will also be augmented through imports, under the quota licences granted to established importers and also the licences granted to actual users during the current licensing period.

BRITAIN'S RISING STEEL OUTPUT

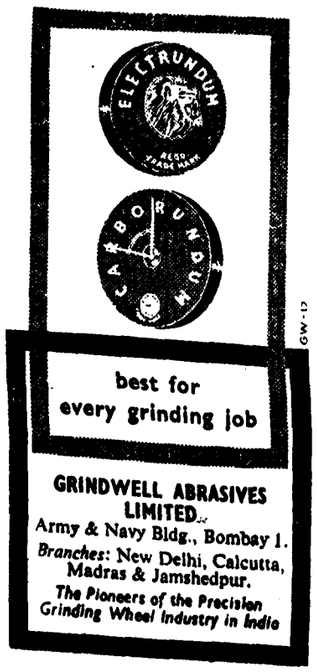
Britain's steel production in December averaged 432,900 tons a week — 38 per cent more than a year earlier and the highest rate for any December, the Iron and Steel Board announced in London. In the first three weeks of the month, steel output averaged 474,300 tons a week, or 3.4 per cent higher than in November. This production rate continued the rise of between 3 and 4 per cent a month begun in October. Output in 1959, which was a 52-week year, totalled 20,200,000 tons, compared with 19,600,000 tons in 1958 (a 53-week year). The Iron and Steel Board estimates that production is currently running at about 23,500,000 tons a year.

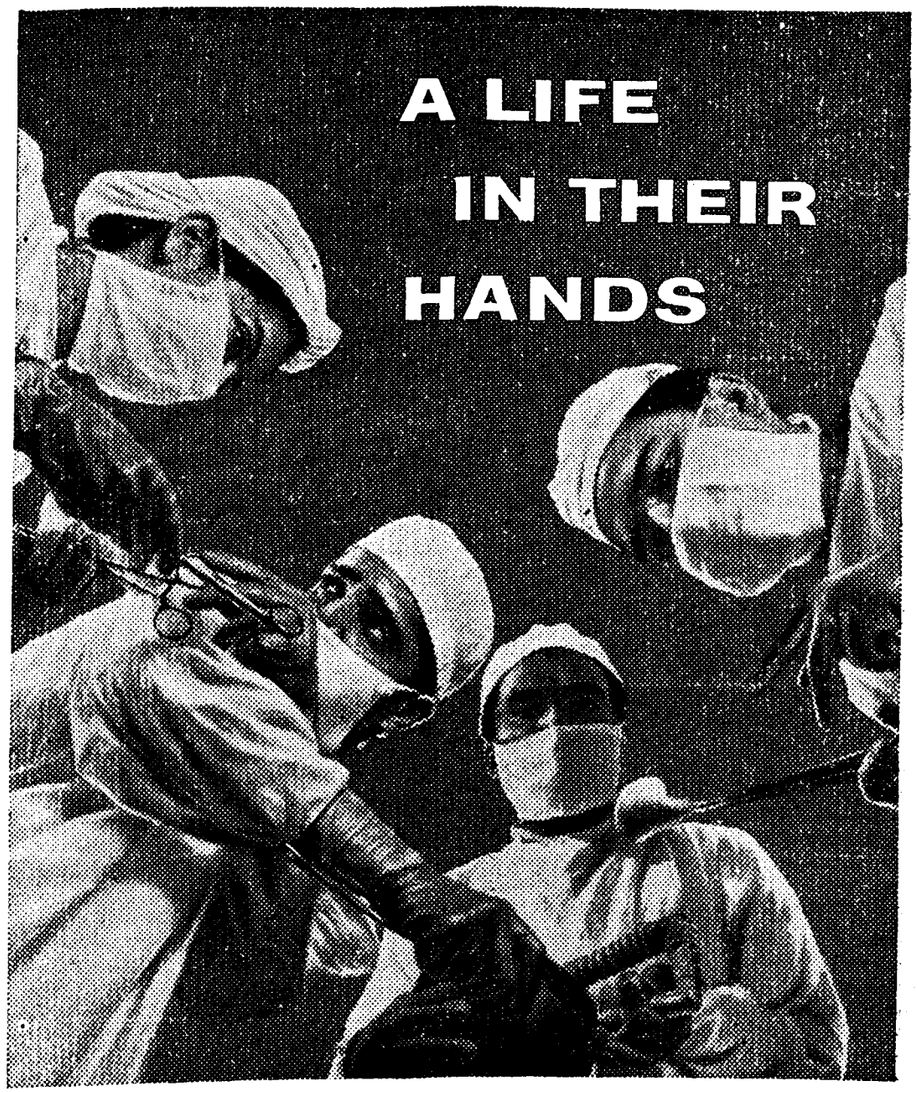
LOWER U.K. MARK-UP ON IMPORTED JUTE GOODS

The Board of Trade has announced to lower U.K. mark up on certain jute goods imported by the Jute Control from 30 per cent to 20 per cent. The goods concerned are common hessian cloths, used mainly for bagmaking. This follows representation from the Government of India and the U.K. Jute Goods Association (representing bag makers and merchants in this country) that the existing level of protection afforded to the United Kingdom jute industry by the State trading arrangements is adversely affecting their interests and should be substantially reduced. In reaching the decision, full account has been taken of the views expressed at the meeting which the President of the Board of Trade and the Secretary of State for Scotland held on January 11 with the Lord Provost of Dundee and a delegation from both sides of the jute industry. "Although the Government have been unable to accede to the full requests of the Indian Government or the U.K. Jute Goods Association, they believe that the change which is being made—applying, as it does, to the class of trade in which India has traditionally been most interested — will provide the greatest benefit to India and to the United Kingdom bagmaking industry which is possible without serious disturbance to the United Kingdom jute industry."

GOVERNMENT BAN FORWARD TRADING IN VANASPATI

The Government of India have decided to ban forward trading in vanaspati or vegetable oil product, as defined in clause 2(e) of the Vegetable Oil Products Control Order, 1947, with immediate effect. A notification under Section 17 of the Forward Contracts (Regulation) Act, 1952 has been issued in the Gazette of India Extraordinary.





SKILFUL HANDS... that know the innermost secrets of the human body...that bring new hope to the suffering. These are the hands of a friend, be it surgeon or physician, dedicated to the service of mankind

And just as you trust and respect your doctor, the name HOECHST has been trusted and respected by doctors for seventy-five years. Because at HOECHST, medicine and research are an honoured tradition...a way of life, a way to the future.

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Company Meeting

ASSAM SILLIMANITE LIMITED

In the course of his statement to shareholders of Assam Sillimanite Ltd. at the Eighth Annual General Meeting held at Gauhati, Assam, on Saturday the 19th December, 1959, Mr. S. M. Wahi, the Chairman, said:

1958-59 has been again a good year in the Company's history and after eight years of waiting this Mining Company has transferred its profits to Reserves for larger dividends next year. When I was speaking to you last year, I mentioned that the last three years of operation enabled us to maintain a steady profit which went to make up the losses of the earlier years. After wiping out the losses amounting to Rs. 6,80,021-1-11 we carried forward a net profit of Rs. 11,746.38 nP. Adding the profit of this year of Rs. 1,62,236.73 nP., and writing off an amount of Rs. 734.50 nP. on account of freight rebate, as also providing an amount of Rs. 13,366 for Wealth tax and Rs. 76,668 for income tax the net balance is Rs. 83,214.61 nP. I hope the Company will continue to maintain the same upward trend of profits in the coming years.

The Directors' Report and the Balance Sheet along with the Auditors' Report have been with you for some time and, with your permission, I shall take them as read.

During the year under review we maintained the quality of the material, and, because of this, the growing demand for Khasi Sillimanite is being progressively maintained. In fact, our quality control is attracting new customers notwithstanding the fact that Mullite or some other substitutes are being marketed under the trade name "Sillimanite.' Even with the increased production of 6,255 tons this year we could not meet the market needs. Once again we are left with large pending orders for 7,742 tons valued at Rs. 25.00 lakhs, which would have to be executed next year. This situation and increasing demand have come about even after our accepting orders with much restrictions and only against confirmed letters of credit from new parties.

Last year, I mentioned about the proposed refractory Project which was one of the major conditions imposed by Government in liberalising our export quotas. With the rapid expansion of the steel and other industries in the country there is a gap between the installed capacity for Refractories and the anticipated requirements in the Second and Third Five-Year Plan periods. The present installed capacity of Refractories in India is 444,000 tons per annum approximately whereas the anticipated requirements by the end of the Second Five-Year Plan period alone are estimated at twice the present installed capacity. Imports of refractories have registered a steep rise; from Rs. 30 lakhs in 1953 to Rs. 3.32 crores in 1958, entailing large foreign exchange to the country. This, therefore, necessitates augmenting the indigenous production of refractories. With the big developments in steel plants these requirements will continue to rise even beyond the 1 million ton target envisaged at the end of the Second Plan period.

REFRACTORY PROJECT

In this context I have the pleasure to inform you that your Company has been granted a licence No. 6(37)/L.IND.58 dated 15th September, 1958, by the Ministry of Commerce and Industry, to manufacture 44,720 tons of refractories per year.

I mentioned in the last report that a project of this magnitude is beyond the resources of your Company — both technical and financial — and that it was proposed to get financial and technical collaboration with some established and renowned Refractory Works in Europe and that negotiations were going on. These negotiations have been successfully concluded with the Vereinigte Grossalmeroder Thonwerke, A.G., Grossalmerode, West Germany, for technical collaboration and tentatively with the International Finance Corporation, Washington, for financial participation. Under the proposed arrangements, the IFC of the World Bank will meet the financial requirements of capital plant and machinery to the extent of US $1,400,000 represented for increasing the authorised capital of the Company by the creation of 600,000 Equity shares of Rs. 10 each with a view to taking care of the needs of the Project.

The total investment on this Project is estimated at Rs. 65.00 lakhs for the first stage and Rs. 42.00 lakhs for the second stage. IFC has agreed to put up the entire foreign exchange composition i.e. Rs. 44.00 lakhs in the first stage and Rs. 21.00 lakhs in the second stage. Balance rupee capital required for the first stage of Rs. 21.00 lakhs is being arranged locally and, with the wide requests of investments from several parties, the raising of this amount would not present much of a problem. Of course, in due course, the Company shall call for subscription and every one of our friends would have equal opportunity to invest.

As per scheduled programme, the first stage investment of Rs. 65.00 lakhs on the refractory project during 1960-61 should result in production of Refractories worth Rs. 40.96 lakhs by 1961-62. Additional investment of Rs. 42.00 lakhs for second stage in 1961 should result in a total production of Refractories worth Rs. 99.07 lakhs in 1962-63 and Rs. 1.31 crores in the financial year 1963. Net estimated profits after paying taxes etc. available to shareholders, on this project are likely to be low at Rs. 14.64 lakhs in the earlier two years but would steady out to an average between Rs. 24.65 lakhs to Rs. 27.00 lakhs.

MINING PROJECT

With extensive and valuable contacts with the Refractory Works in the World Market as also with Industrial Works in India, it was considered essential to expand the mining activities of the Company to enable it to meet the requirements of raw materials needed for Refractory Industry. With this end in view the Company applied for and has obtained Certificates of Approval for prospecting Quartzite and Chrome Ore in Orissa; Magnesite and Steatite in Uttar Pradesh, Kyanite, Quartzite and Fireclay in Behar. In some cases Mining leases are in course of being signed by the Company.

Thus the Company would be shortly in a position to offer good quantities and excellent qualities of Kyanite, Magnesite, Chrome and Quartzite ores to the overseas customers; as also meet the needs of industries in the country, including our Refractory Works.

The Directors wish to express their appreciation of the endeavours of the Mine Manager who continues to look after the Mine work in increasingly difficult and hard conditions. They specially commend the welfare work that has been done for workers in this period by the Managing Agents and hope that the hard work of all those deeply attached to their duty, would continue to be recognised and respected.

[The above statement is not a report of the proceedings of the Annual General Meeting referred to.]

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months / Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
October 1958 ..	121.2	93.0	115.4	116.9	110.3	108.5	108.7	116.1
November ,, ..	118.0	96.0	114.5*	113.2	110.0	108.6	108.8	114.0
December ,, ..	113.3	96.4	115.1*	112.5*	110.3	108.0	108.3	111.4
October 1959 ..	124.0	101.4	116.3	122.6	114.4	110.5	111.1	119.3
November ,, ..	121.4	104.6	116.6	122.5	116.0	110.9	111.6	118.2
December ,, ..	118.2	103.7	116.8	127.2	117.8	112.4	113.1	117.8
5-12-1959 ..	119.9	103.5	116.5	124.3	117.2	111.3	112.1	117.9
12-12-1959 ..	119.1	103.1	116.5	125.9	118.3	111.7	112.6	117.7
19-12-1959 ..	117.3	103.1	116.8	127.3	117.8	112.9	113.5	117.4
26-12-1959 ..	116.7	102.5	116.8	129.2	118.6	113.5	114.2	117.6
2-1-1960 ..	116.6	102.5	116.9	129.4	119.5	113.3	114.6	117.7*

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	-	..	105	104	-	106	—	—	—
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
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	—	—	—	158	—	—	—	—	—	—	—	—
1959 February	380	399	300	167	364	492	485	166	411	174	165	163
March	382	401	290	164	364	474	488	159	411	174	167	161
April	381	400	296	156	364	454	489	157	414	169	167	161
May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	162	179*	173*
October	408	427	324	158	406	470	510	—	441	162	179*	174*
November	405	424	322	158	399	475	511	—	449	—	—	174*
December	—	—	—	157	—	—	—	—	—	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 15-1-1960 High	15-1-1960 Low	15-1-1960 Average	8-1-1960 High	8-1-1960 Low	8-1-1960 Average	1-1-1960 High	1-1-1960 Low	1-1-1960 Average	25-12-1959 High	25-12-1959 Low	25-12-1959 Average
Gold [per fine tola] --	129.53	128.22	128.81	128.25	126.12	127.41	126.62	125.37	125.87	126.25	125.03	125.62
Silver (per 100 fine tolas)	214.56	212.44	212.93	213.37	210.75	212.11	213.12	210.12	211.51	212.19	208.94	210.49

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
1951-52* ..	1,189.84	27,78	1 217.62	49,02	625,27	665,29	54 64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	49,02	564,40	604.02	52 89	80,22	458,08	1,142,72
1953-54* ..	1,133 95	23,03	1,156,97	49,02	594,02	634,04	54 80	92,83	430,11	1,156,97
1954-55* ..	1,196 19	22,98	1,219.18	49,02	648.81	689,83	56.58	102,26	428.09	1,220.18
1955-56* ..	1,339,39	17,08	1,356,47	49,02	656 52	696,54	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1.494,52	49,02	545,61	595,63	39.95	115,93	755,22	1,494,52
1957-58* ..	1,529.36	23,18	1,552 53	(117,76)		(663,37)	(44.37)			
1958-59* ..	1,593,88	19,34	1,613,21	117,76	329,65	447.41	28.79	130,06	975,06	1,552,53
Average of Fridays				117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
October 1958 ..	1,539,36	16 65	1 556,01	117,76	166,68	284,44	18.28	139 14	1,132,44	1.556,01
November ,, ..	1,569 09	22.76	1,591,84	117,76	164.68	282,44	17.74	137,18	1,172 23	1,591,84
December ,, ..	1 589,09	11,82	1,600,90	117,76	164.68	282,44	17.64	136,22	1,182.25	1,600,90
October 1959 ..	1,674 26	19.69	1,693.95	117,76	163 01	280,77	16.58	135,67	1,277,51	1,693,95
November ,, ..	1,690,84	20.51	1,711.35	117,76	163 01	280.77	16 41	133,89	1,246,68	.711,35
December ,, ..	1,725,18	11,46	1,736,64	117,76	163,01	280,77	16.17	132,74	1,323,13	1,736,64
Week-Ending										
11-12-1959 ..	1,731,37	8.36	1,739,73	117,76	163.01	280,77	16.14	132,27	1,326,69	1,739,73
18-12-1959 ..	1,723,97	11,26	1,740.23	117,76	163,01	280 77	16 13	132,75	1,326,71	1 740,23
25-12-1959 ..	1,730,11	11,01	1,741,12	117,76	163,01	280,77	16 13	132,93	1,327,43	1,741,12
1-1-1960 ..	1,742,63	8.01	1,750,64	117,76	163 01	280,77	16.04	132,44	1,337,43	1,750 64
8-1-1960 ..	1,775,08	12,93	1,788,01	117,76	163,01	280,77	15.70	129,81	1,377,43	1,788,01

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									
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	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	35,34	51,82	13.60
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
1958-59* ..	57,62	20,80	87,53	118,72	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
Avr. of Fridays														
October 1958 ..	55,53	27.27	110,02	114,24	307,06	63,55	455,61	16,71	2 61	13,91	16,72	52 67	343.33	9.66
November ,, ..	59,29	21,55	88.21	115.15	284 20	63,44	432,84	22,82	3,48	16.34	21,34	55 92	302.51	10,24
December ,, ..	60,44	14,40	76,33	116,55	267,72	69,19	421,91	11,88	9,57	21,61	24,31	62,45	281,37	10,73
October 1959 ..	58,32	18,90	76 83	118.73	272.78	69.69	427.47	19,82	27,98	22,48	20.23	84.61	242 36	9.99
November ,, ..	50.55	20,41	81 23	119.16	271.35	78.47	434.83	20.60	13 19	39,88	23,77	83 31	243 33	10,76
December ,, ..	55,33	18,65	73,42	117,60	264,98	83,86	433,84	11,52	15,82	44,83	83,80	90,67	235,92	11,29
Week-Ending														
18-12-1959 ..	49,49	25,96	73,84	116.88	266.17	88,57	439,75	11,32	20,18	45,78	21,43	92,77	236,97	11,30
25-12-1959 ..	58,87	24,65	73,02	116,35	272,89	83,77	441,66	11,07	20,32	50,13	19,24	92,36	236,83	11,71
1-1-1960 ..	55 56	20,76	106,58	115 76	298,65	86,20	469 85	8,07	41,34	49 62	19,94	112 55	225,77	12,56
8-1-1960 ..	64,37	12,54	68,25	122,43	267,58	80,66	433,25	13,00	48,12	48,35	24,55	102,89	183,46	12,88

* 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 of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs 2 crores from July 5, 1957 and of Rs. 3 crores from ... § Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4	Advances	Bills Discounted	(8+9) as percentage of (4	Investments in Govt Securities in India
	Demand	Time	Total (2+3)							
	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	51,32	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	628,03	155.56†	71.39	369,35
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										
July 1959 ..	741,04	1060,28	1,801,32	42,97	75,54	6.58	848,98	125,85†	54.12	675,81
August ,, ..	739,09	1084 55	1,823,64	42.07	79,65	6.67	822.34	124,59†	51.93	721,57
September ,, ..	741,75	1106,74	1,848,48	42,21	73,60	6.26	799 58	128.41†	50.21	762,18
October ,, ..	738,50	1118 84	1,857 34	41,69	75,12	6 29	795.39	137,83†	50.25	788,34
November ,, ..	737,36	1137,78	1,875,14	44,18	76,78	6.45	781,59	146,31†	49.49	800,78
December ,, ..	731,80	1142,04	1,873.84	43,39	70,03	6.05	800,59	150.29†	50.75	798,02
Week Ending										
4-12-1959 ..	724,01	1150.93	1,874,94	42.95	75,17	6 30	786 25	149,14†	49 89	811.55
11-12-1959 ..	731,03	1141.22	1,872 25	42.93	65,52	5.79	795,89	148,56†	50.44	803.34
18-12-1959 ..	732,59	1139.49	1,872,08	43.03	69,96	6.04	808,06	151,13†	51 24	789,35
25-12-1959 ..	739,57	1136,52	1,876,09	44,64	69,47	6.08	812.18	152,33†	51.41	787,82
1-1-1960 ..	754,51	1132,08	1,886,59	51,66	101,64	8.13	822,91	153.75†	51.77	763,79
8-1-1960 ..	747.11	1128,66	1,875,77	45,33	68,46	6.07	836,88	160,31†	53.16	775,83

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(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 ..	1.920,63	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 ..	2,388,83	1 606,60	782.22	762.36	19,87	+75.94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
January 1959 ..	2,391,02	1,644.40	746,62	730,69	15,92	+41,17
February ,, ..	2,437,36	1,677 94	759.43	743,59	15,84	+46,34
March ,, ..	2 498,75	1,724,53	774,23	754,98	19,25	+61,39
April ,, ..	2,581,10	1,772.97	808.13	789.97	18,16	+82,35
May ,, ..	2 538 48	1,765.48	773.00	754.08	18,92	—42,62
June ,, ..	2,530.81	1,735.07	795.74	775.60	20,14	—7.67
July ,, ..	2.460.88	1,692 07	768 81	747.83	20,97	—69 93
August ,, ..	2,451 38	1,671.49	779 89	758.35	21,54	—9.50
September ,, ..	2 431 08	1,663,52	767.56*	748 04	19 52	—20.30
October ,, ..	2.470.25*	1,715.36*	754.89*	737.21*	17,68	+39.17*
November ,, ..	2,472,84*	1,702,80*	770,04*	752,60*	17,44	+2,59*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

CHEQUE CLEARANCES

(Rs. lakhs)

Period	Numbers ('000)	All Centres	Bombay	Calcutta	Kanpur	New Delhi	Madras	Other * Centres
1951-52	28,076	7,878,61	3,039,07	3,254,50	145,80	59,36	474,88	786,39
1952-53	29,700	6,570,36	2,613,95	2,495,89	138,37	65,72	416,99	729,70
1953-54	32,030	6,714,48	2,669,08	2,569,24	146,19	75,27	389,33	734,46
1954-55	34,620	7,249,41	2,811,61	2,854,04	143,30	83,38	367,91	851,53
1955-56	37,199	7,956,21	3,071,23	3,014,05	149,24	131,13	426,58	1,009,52
1956-57	40,008	8,724,35	3,312,72	3,197,51	166,62	247,22	512,74	1,101,96
1957-58	41,672	8,954,80	3,428,35	3,092,43	182,47	326,17	515,07	1,212,92
1958-59	45,172	9,767,12	3,724,36	3,306,35	176,23	371,57	528,88	1,427,04
1958 January	3,797	831,96	318,75	283,50	16,83	36,86	44,83	111,93
February	3,538	764,56	290,92	266,63	14,08	26,65	40,31	109,29
March	3,875	872,76	319,44	315,44	14,95	34,36	49,62	118,44
April	3,834	791,58	296,96	263,12	17,57	28,52	44,28	121,41
May	3,832	791,23	315,17	254,73	17,30	25,61	39,90	120,55
June	3,238	662,92	242,44	230,50	12,53	24,27	36,68	100,20
July	3,836	834,13	320,40	282,92	16,62	28,86	45,31	119,20
August	3,451	754,00	302,95	255,34	11,75	25,30	37,98	103,20
September ..	3,557	805,88	291,58	298,90	12,26	27,78	49,09	109,29
October	3,938	798,53	298,47	280,89	12,12	31,18	43,28	113,92
November	3,528	773,01	287,02	270,95	12,86	36,49	41,51	106,09
December	4,035	887,34	337,29	307,04	15,90	31,42	47,80	127,95
1959 January	4,072	894,45	366,23	277,46	16,84	34,98	44,92	132,91
February	3,821	828,47	320,92	266,65	15,30	32,91	45,80	127,83
March	4,030	945,59	344,93	317,85	15,18	44,24	53,08	144,48
April	4,128	923,19	355,85	293,52	17,11	34,59	50,05	147,78
May	4,060	848,53	323,65	262,53	17,77	34,34	46,63	142,44
June	3,817	792,48	299,23	247,95	16,15	31,30	44,90	132,01
July	4,248	907,46	347,36	290,36	16,47	38,98	51,77	140,09
August	3,846	855,11	328,56	282,66	14,39	34,72	48,19	125,04
September	4,070	891,11	328,10	305,83	14,20	34,05	53,70	132,66
October	4,121	875,15	345,01	271,46	14,47	40,10	46,77	136,97
November	4,246	919,09	335,67	307,70	15,37	38,97	51,66	148,24

* Comprising clearing houses managed by State Bank of India, State Bank of Hyderabad and Sangli Bank.

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53: 100)

Group and Sub-Group	Monthly Average Dec. '59	Monthly Average Dec. '58	Percentage change of (1) over (2)	Annual Average 1959	Annual Average 1958	Percentage change of (4) over (5)
	(1)	(2)	(3)	(4)	(5)	(6)
I. FOOD ARTICLES	118.2	113.3	+ 4.32	118.2	112.0	+ 5.54
Cereals	100.8	105.0	— 4.00	104.3	104.7	— 0.38
Pulses	91.9	111.1	—17.28	99.8	94.0	+ 6.17
Fruits and Vegetables	118.7	115.6	+ 2.68	127.6	111.9	+14.03
Milk and Ghee	107.1	103.6	+ 3.38	112.2	106.2	+ 5.65
Edible Oils	128.4	118.1	+ 8.72	127.0	123.2	+ 3.03
Fish, Eggs and Meat	114.3	108.1	+ 5.74	110.4	106.9	+ 3.27
Sugar and Gur	150.0	120.6	+24.38	143.0	122.8	+16.45
Others	186.6	152.7	+22.20	163.4	145.7	+12.15
II. LIQUOR AND TOBACCO	103.7	96.4	+ 7.57	100.7	93.7	+ 7.47
Tobacco	102.3	94.9	+ 7.80	99.3	91.9	+ 8.05
III. FUEL, POWER, LIGHT & LUBRICANTS	116.8	114.8	+ 1.74	116.0	114.9	+ 0.96
IV. INDUSTRIAL RAW MATERIALS ..	127.2	112.5	+13.07	119.7	114.7	+ 4.36
Fibres	123.2	105.2	+17.11	110.2	109.3	+ 0.82
Oilseeds	130.9	122.1	+ 7.21	131.2	123.6	+ 6.15
Minerals	95.6	107.3	—10.90	100.0	106.9	— 6.45
Others	129.8	109.0	+19.08	117.3	103.9	+ 7.71
V. MANUFACTURES	113.1	108.3	+ 4.43	109.7	108.2	+ 1.39
(A) Intermediate Products	117.8	110.3	+ 6.79	111.0	109.4	+ 1.46
(B) **Finished Products**	112.4	108.0	+ 4.07	109.5	108.0	+ 1.39
(a) Textiles	109.4	101.9	+ 7.36	104.6	104.3	+ 0.29
(i) Cotton	117.9	110.6	+ 6.60	113.5	113.0	+ 0.44
(ii) Jute	94.2	85.3	+10.43	87.2	87.7	— 0.57
(iii) Woollen	104.2	105.9	— 1.61	104.6	104.9	— 0.29
(iv) Silk and Rayon	99.7	90.2	+10.53	93.8	92.5	+ 1.41
(b) Metal Products	144.6	143.1	+ 1.05	143.7	143.1	+ 0.42
(c) Chemicals	106.7	110.5	— 3.44	108.2	103.9	+ 4.13
(d) Oilcakes	145.0	143.0	+ 1.40	143.7	128.6	+11.74
(e) Machinery & Transport Equipment	106.0	104.4	+ 1.53	105.8	103.2	+ 2.52
(f) Others	113.7	114.3	— 0.53	113.5	113.2	+ 0.27
VI. ALL COMMODITIES	117.8	111.4	+ 5.75	115.5	111.0	+ 4.05

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(Organised by the Federation of Indian Chambers of Commerce and Industry)

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CONTENTS

Page

Leading Articles:

INDIA AND NEPAL: EQUAL PARTNERSHIP 321
CLOG ON COTTON TEXTILES 322
THE ALL-INDIA BUSINESSMEN'S CONVENTION 323
DELHI DIARY 324
THE WEEK'S NOTES 327
Finance; United States; The Legislature.
A WINDOW ON THE WORLD: Odysseus on "Regional Unemployment" .. 329
THE EUROPEAN SCENE: France After Pinay 331
ECONOMIC REPORT FROM THE U.S.: The Annual Economic Report 333

Page

The Business World:

ECONOMIC RELATIONS BETWEEN CZECHOSLOVAKIA AND INDIA .. 334
PRAGMATISM IN THIRD PLAN .. 337
BUSINESS NOTES 338
Prices; New Issues; Sugar; Industry.
A DELHI NOTEBOOK 340
WORLDGRAM AND NEWS IN BRIEF .. 345
COMPANY AFFAIRS 349
COMMODITY NEWS AND NOTES 350
CURRENT STATISTICS 361

India and Nepal: Equal Partnership

THE thousand-word communique issued after the final meeting of the Prime Ministers of India and Nepal on Thursday, unlike many similar communiques, has a heart and a substance. Too often, platitudes enter into these communiques which have nothing to do with fostering new understanding. In this case, there were uncertainties to be removed. The magnificent manner in which total understanding has been reached has dispelled the belief that Nepal was hesitant about equal partnership with India and on a joint security programme. It is not less good that India has recognised that this must mean that Nepal should have control of her own foreign exchange resources, which should not be subject to sanction or limitation in any way by the Reserve Bank of India. Equally, it is vital that we should recognise that the obligations of this partnership are such that financial assistance in rupees to Nepal must, year after year, go on increasing. This is no more than to say that, since Nepal has not the resources at the present time to develop in the manner in which both strategic and humane considerations require, a primary obligation rests on us to see that her development is not impeded in areas where we can be of assistance.

If this were all to be said, there would be no cause for further exhortation. Unfortunately, there still is on both sides a wall of misunderstanding which, while cleared at the highest level, still rests with the mass of the people. Very few people in India understand the handicaps of Bigness. They do not recognise that, while Bigness in terms of the Indian Union can only be used in a Pickwickian sense with reference to the highly industrial countries of the West, it still is an image in the minds of smaller nations such as Ceylon and Nepal, which consider that bigness in itself is an element in power. We in India have dissociated ourselves with the idea of the exercise of power in areas near to us. But, curiously irrationally, we argue that bigness is inseparable from power in the West. Thus, we are hoist with our own petard. For, while we deny our association with power politics in spite of our bigness, we are very loth to assume that other big or rich nations can permit themselves similar acts of self-abnegation. In the case of Nepal no less than of Ceylon, it remains a widespread belief that India is in a position to exercise undue power. The more mistaken this belief, the more necessary it is for us to encounter it by an imaginative public relations programme suited to

the particular conditions of these countries. Unfortunately, for the last ten years, so far as public relations is concerned, whatever little we have done in Nepal has tended to work the other way.

Now that we are pursuing equal partnership, it is essential that officers, who are posted in Nepal on our behalf, should free themselves of any sense of superiority or impatience such as comes to those conscious of higher technical skills than those enjoyed by less developed countries. There is not a little to be learnt by us in this process of mutual education. Both in terms of countries of South-East Asia and countries in Africa, the Indian mind is as insular as the European mind often is in respect of Indian problems in the technological field. Impatience has no place in the character of the relations which are now under way. While we wear chips on our shoulders we often blind ourselves to similar feelings in our small neighbours. Thus we are not less blind than those whom we accuse of superiority in their relations with us.

The agreement which has been reached is thus both an opportunity and a challenge. It is much more a challenge than is readily appreciated in Delhi; for the outlook on these matters in Delhi is still complacent, and on the whole relatively unimaginative in terms of feelings in Kathmandu or, worse still, in the lonely valleys of Nepal. We must stir ourselves to a far greater passion for service abroad, if we are to commend ourselves as equal partners to the people of Nepal. A great beginning has been made by the successful visit of Nepal's Prime Minister this week. It is necessary that we should assist him to carry the new message to his people. There should also be no misunderstanding, for example, if he should, walking on a razor's edge, conclude a non-aggression pact with the People's Republic of China, as Gen. Ne Win seems to have just done for Burma. These are all the hard facts of a border situation. We must understand, and even encourage, Nepal at this time to place her own security above question, so that she might, like ourselves, start on the pressing problem of raising the standard of living of her poverty-stricken population. Here is a task in which the best of both countries can join together without fear of dissension.

Clog on Cotton Textiles

SINCE a pre-view of the crux of the recommendations of the Wage Board on the Cotton Textile Industry appeared in this journal a week ago, initial reaction to the Board's central approach to the problem has not been slow to crystallise. It is significant that the general tenor of the reaction has been to focus attention on the impact of the impatience for social objectives on the competitive potential of export industries at a time when they are confronted with a continued prospect of having to fight a hard battle. If the Cotton Textile Wage Board's central approach gives a foretaste of the approach likely to be adopted by the wage boards for other industries and it is endorsed by the Government, the conclusion cannot be resisted that the Government's attempt to hold the price line will proceed in future on *ad hoc* measures instead of on the basis of an integrated strategy.

The basic recommendations, in so far as they have seen the light of the day, need to be assessed in a broad manner. Cotton textile manufacturing areas have been classified into two categories on the principle that mills in category I should bear a higher wage structure than those in category II. The increase said to have been awarded in category I is presumed to work at an average of Rs. 8 per month per worker and for category II at an average of Rs. 6 per month per worker. The rock bottom increase is stated to have been fixed for the lowest paid worker at Rs. 7 in category I and at Rs. 5 in category II. This dose of increase for each category is to be effective retrospectively from January 1, 1960. It is to be followed by a second dose exactly after two years at a flat rate of Rs. 2 per worker per month in each category.

There is then the other major recommendation about the merger of the dearness allowance into the basic wage to the extent of 75 per cent of the average dearness allowance paid in the first half of 1959. The remaining 25 per cent of the dearness allowance is to retain its character as such, but it is to be linked to the cost of living index on a suitable formula in order to impart to it capacity of automatic adjustment with the cost of living index. It is not feasible to venture a guess about the likely increase in the industry's wage-bill. This is a matter for detailed calculation from centre to centre on the basis of different wage grades. It is reasonable to assume, however, that the increase in the wage-bill will be substantial.

It has been emphasized by those who can speak from knowledge of the industry's prevailing wage structure that the brunt will fall heavily on mills in the South and those, for instance, in Kanpur and Calcutta. The attempt to impose uniformity in basic wage-scales over widely different areas in the textile industry will create distortions in different ways. The cost of mill-made yarn in Madras will disturb the local handloom industry which is heavily dependent on it. What is equally vital, this increase will set a chain reaction among local organized industries, which, so far, have found no reason to agitate for wage increases.

Has the Wage Board addressed itself to its task on the assumption that the cotton textile industry, in which trade unionism has been entrenched to a high degree of militancy, suffers from a marginal wage below the subsistence level? At this stage of public knowledge of its report, it is not at all clear as to which criteria it has accepted in urging a substantial levelling up of the wages. One major criterion, however, is stated to be solicitude for maintaining industrial peace. The Board has expressed the desire that there should prevail a truce for five years on the wage front. Obviously, it feels that the link of the dearness allowance with the cost of living index will serve as a full absorber of any future increases in the index. While this principle may be demonstrably fair, there is a total lack of sanctions to ensure the observance of the truce after the award of two instalments of wage increases.

The appointment of the Wage Board for the cotton textile industry in close proximity with its acute crisis of closures and prolonged depression in market demand was anomalous in the extreme. All tall talk, in which the Minister for Labour and Employment indulged from time to time since the crisis, about setting up a special fund to assist labour rendered jobless and to enable Government to take over closed units could not materialise and bring relief to the industry. Improvement in the general climate for the industry had to await better consumer demand. Lancashire, caught in the grip of a more acute distress, is being helped by the Government of the country with liberal financial assistance to modernise its equipment to cheapen the cost structure and to divert production to new lines. In India the Government will oblige the industry to raise its costs and create higher obstacles in the way of recovery and stability if it accepts the Board's recommendations.

The Wage Board could not be unmindful of the effect of its recommendations on cloth prices and hence it seems to have touched the perennial problem of rationalisation. It has taken the attitude, highly respected by tradition, that rationalisation should be achieved without tears, partly to counteract the inflationary effects of its recommendations. Wherever it is essential, so runs the Board's reported injunction, rationalisation should be enforced by the Government irrespective of the resistance of any of the two parties. Platitudes could not have been reiterated more emphatically.

The blunt truth is that a substantial part of the wage increase will be translated into price increase. The fact cannot be ignored that expenditure on cloth is an important ingredient in the wage-earner's budget and it will stimulate the inflationary spiral. Further, it would be unwise to price our textiles out of the export market by our own policy at home. These are considerations weighty enough to override the fact that the Board's report is unanimous. Another potential risk is that the clog of the variety in question may be extended to jute and tea—two other important traditional export industries.

The All-India Businessmen's Convention

THE All-India Convention of Businessmen sponsored by the Federation of Indian Chambers of Commerce and Industry, which met for two days this week in the Capital, was in one respect a unique event. For the first time, it gave an opportunity to a large number of men belonging to the business community, who do not normally find a place in recognised chambers of commerce and trade associations, to meet, exchange ideas and express themselves adequately on problems of economic policy that ultimately affect them no less than they affect big business. This is as it should be. According to 1951 census, about 16 per cent of the total population, or nearly 6 crores including dependants derive their principal means of livelihood from business, that is, industry, commerce and transport. There are numerous problems confronting them like supply of raw materials and provision of finance, the cumulative burden of various taxes on articles of daily consumption, the cumbrous regulations, which are often difficult to comply with, and the innumerable procedural difficulties causing endless hardships. The statement issued at the end of the Convention generally confined itself to these issues and called for a reorientation in the thinking on the subject of legislation and controls if the business community is to function unhampered. It is necessary that these grievances should receive prompt attention if a proper climate is to be created, not only for ensuring the progress of business in a developing economy but for encouraging men of the younger generation to enter the field with pride in their calling and faith in its future.

Of the many speeches delivered, two were notable for "keynoting" the basic situation today. These were by Mr. G. D. Birla and Dr. A. Ramaswami Mudaliar. Mr. Birla recorded powerfully on the proliferation of rules and regulations of the administration and the growing incidence of taxation as a deterrent to enterprise. His point was that, unless the trend towards regimentation caused by the present craze for laws and more regulations was arrested, the country's march towards economic progress will be defeated. This is because the plethora of rules and red-tape is causing a heavy strain on the administration, which is unable to cope with the routine demands of the new situation. That the ruling party itself is not unaware of the need for prompt action in this regard can be seen from the resolution on economic development adopted at the recent session of the Congress. Though the reference to modification of the administrative procedure probably related more to the operation of the public sector, it cannot be denied that it has an equal relevance in so far as the administration impinges on the operation of the private sector to the extent that the progress of industrialisation gets delayed by red-tapism in Government dovecots. The need, therefore, is to make the administrative machinery more responsive to the public by simplifying the existing procedure for making the running of business less irksome.

On the subject of tax burdens, Mr. Birla pointed out how even in Soviet Russia, one finds a relaxation from the point of view of giving the individual greater initiative and freedom. The essential point here is that in the absence of incentives, development will get stultified. When complaint is made of high taxation, it is not in relation to taxation as a proportion of national income, which may not be high compared to some other countries, but how the incidence of taxation on particular classes acts as an inhibiting factor in the development of the economy. What is needed, therefore, is a subordination of ideological claims to the needs of investment and for the creation of confidence in the private sector.

The Prime Minister's address to the Convention was largely couched in general terms and it is a moot point whether the delegates concerned were satisfied that their cause had received the attention it merited. Mr. Nehru, however, conceded that in principle, he believed that there should be no hindrances in the way of the business community except when they were necessary in the interest of the general community. How this is to be reconciled is the real crux of the problem. The criticism at the convention was not that there was no need for controls but that many of the regulations were avoidable and unnecessary as they stood in the way of improving business conditions. On the subject of taxation again, though the Prime Minister generally agreed that it may be high, he did not give room for hope that the Government were thinking of any revision.

In the light of these reactions of the Prime Minister to the two fundamental demands of the convention on controls and taxation, sceptics may have reason to feel whether the convention has served any useful object. But this is to take a narrow and pessimistic view of things. For, there can be no denying that recent experience has confirmed that even apart from the policies of the Government, excessive concentration of power in the hands of officials has been one of the reasons for causing delay in economic progress besides giving room for corruption. It is not therefore easy to ignore the criticism of the administration levelled from this point of view from a large forum as the one organised by the business community. In spite of a general sense of dissatisfaction and discontent of Government policies, the convention had no hesitation in affirming its support to the present political leadership. If this spirit of co-operation finds an echo in the administration and differences are treated as part of the spirit of a democracy, the convention will have done no harm and may have done some considerable good.

A DELHI DIARY

TENTH REPUBLIC DAY

I CAN at least make one original comment which has escaped the daily newspapers. This is that January 26, 1960, was India's tenth Republic Day. There is some magic in the figure 10 and, I suppose, multiples thereof. How else could the decimal or metric system have acquired its astonishing superiority over other systems? Almost no one has recognised that a decade is the proper time for momentous assessments such as belong to what economists call "the long period." The yearly assessments, of which we have examples in every daily newspaper, have become stale. I rebuke "The Eastern Economist" for its Blue Supplement on 'India 1959' for the same reason that I rebuke the daily newspapers, which must have two annual assessments, one at Independence Day and one in Republic Day supplements. They all say the same thing and not even in a different way. Here was an opportunity to show what ten Republic Days in a row have given to the Indian Union. Why has no one exploited the decimal system in Republican India?

Again on the parade practically everyone now sees the same thing. One expects a certain amount of repetition, when events recorded are so similar to the year before. I cannot help feeling that the Republic Day parades, magnificent as they are, suffer from this quality of sameness, which is getting more and more monotonous each year. It is nice to see minute-to-minute perfection and a smart military turn-out. But there is at least one respect in which the non-military units with much less perfection and much less turn-out are more interesting. The floats of the States change every year, and so apparently do the women groups participating. At least I noticed a more workmanlike (workwomanlike?) swing of the arms on this occasion, and a young lady, who could throw her mace as high as any male regimental bandmaster. What, however, the tail end of the parade still needs (which tends in the public mind to get associated with something second class after the disciplined military parade) is a compensation in that it is, or is made to look, perpetually new. I thought that the float of Hindustan Steel with "the Man of Steel" was just that kind of novelty that was required for the great mass of India's population. The steel plants have started to deliver this year and the point needs to be driven home that Hindustan Steel is coming of age. The breaking up of the line of monotonous State floats, none of which was outstanding this year, by new arrivals seems to me pre-eminently the kind of thing which is required. I cannot see why State after State contribute floats on which practically no new imagination is spent? Why should not new institutions, which have new messages take their places instead of a mechanical and a wasteful pretence at publicity, which records not at all? Even my little boy, aged less than four, found no interest in any of the floats, but fell completely for the Man of Steel and, of course, for the live elephants with golden covering on their trunks. Some little imagination must go into the latter portion of the parade, if it is to be rescued from the monotony, which comes to those, who have seen the parade for ten years in a row. That at least is my record. Who else but the President and the Prime Minister can claim that they have not missed one single Republic Day parade since 1950?

WHICH LANGUAGE?

The whole week has been an exciting one. Quite apart from our dignitaries, firstly, President Voroshilov who has made many friends, and, secondly, Mr. B. P. Koirala, Delhi has been full of interesting people. Lady Mountbatten was clearly visible at the parade carrying on a conversation with President Voroshilov. My curious question was not what were they saying, but where was the interpreter? Or does Lady Mountbatten speak Russian or the President English or do both speak French. Can it be that, doing in Rome as the Romans do, they have found some agreeable sentences in Hindi for which I am told on good authority, excellent co-existential phrases have been invented.

PHILOSOPHERS TO THE FORE

The Honours List has been generous in Padma Shris but both Padma Vibhushans and Padma Bhushans were fewer than expected. The single Padma Vibhushan in this case was most welcome—it went to Sir N. R. Pillai, who has been Secretary-General of the Ministry of External Affairs for many years and is known to be a major pillar of support for the Prime Minister both at home and abroad. What is not generally known is that Sir Raghavan contrives by a mysterious process, which must be seen to be believed, to be nearly ubiquitous. He works all hours at the Ministry of External Affairs, but on every important social occasion, which requires his presence, miraculously he is there, and, even more mysteriously, he carries himself with no sense of rush, and indeed with a feeling of complete relaxation. We poor journalists who feel that our little world consists of one rush to another wonder how Sir Raghavan maintains this superb calm of mind. It is true that he read philosophy in Cambridge University, where he distinguished himself far before he won distinction in the 'ancien regime'. But I know of many people who have all read philosophy, but who have not been able to cultivate that calm of mind, all passion spent. I must also make mention of another distinguished philosopher who is here at present. This is no other than Sir Oliver Franks, Chairman of Lloyds Bank, who has filled almost every office with superb distinction. He was Provost of Queens College, Oxford —I believe, the youngest Master of any college at any time—then worked his way up as a don to be Secretary of the Ministry of Supply in World War II; then British Ambassador to Washington and so on to one of the biggest banking assignments that the world can offer. And now on behalf of the World Bank he is one of a triumvirate who is to report on India. What is cooking?

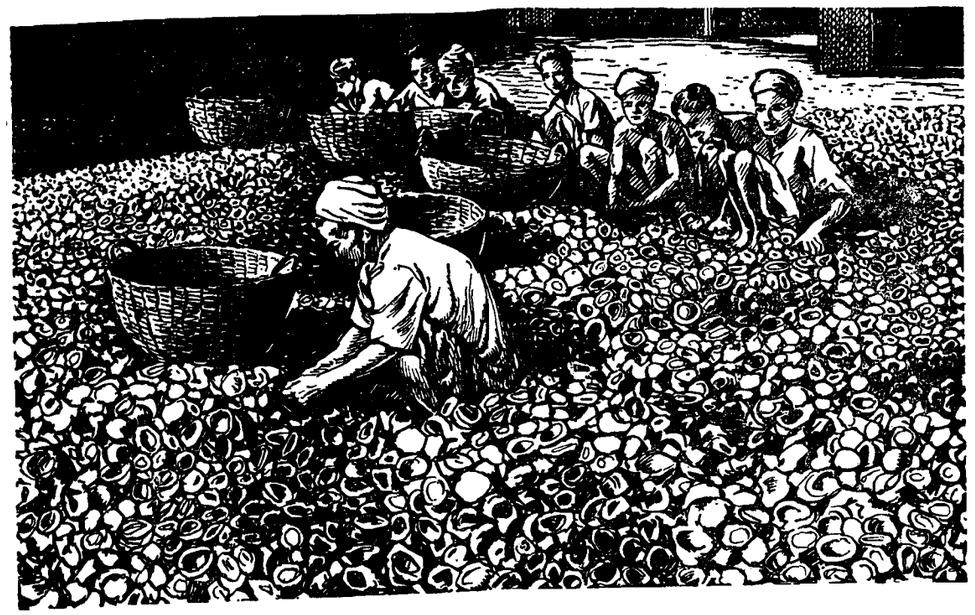


"You don't believe in the dangerous doctrine of neutrality, do you Mr Koirala?"

Courtesy: The Hindustan Times

In departing I must only show how our excellent understading with Mr. B. P. Koirala looks to a disrespectful cartoonist for whom I am beginning to provide undue publicity!

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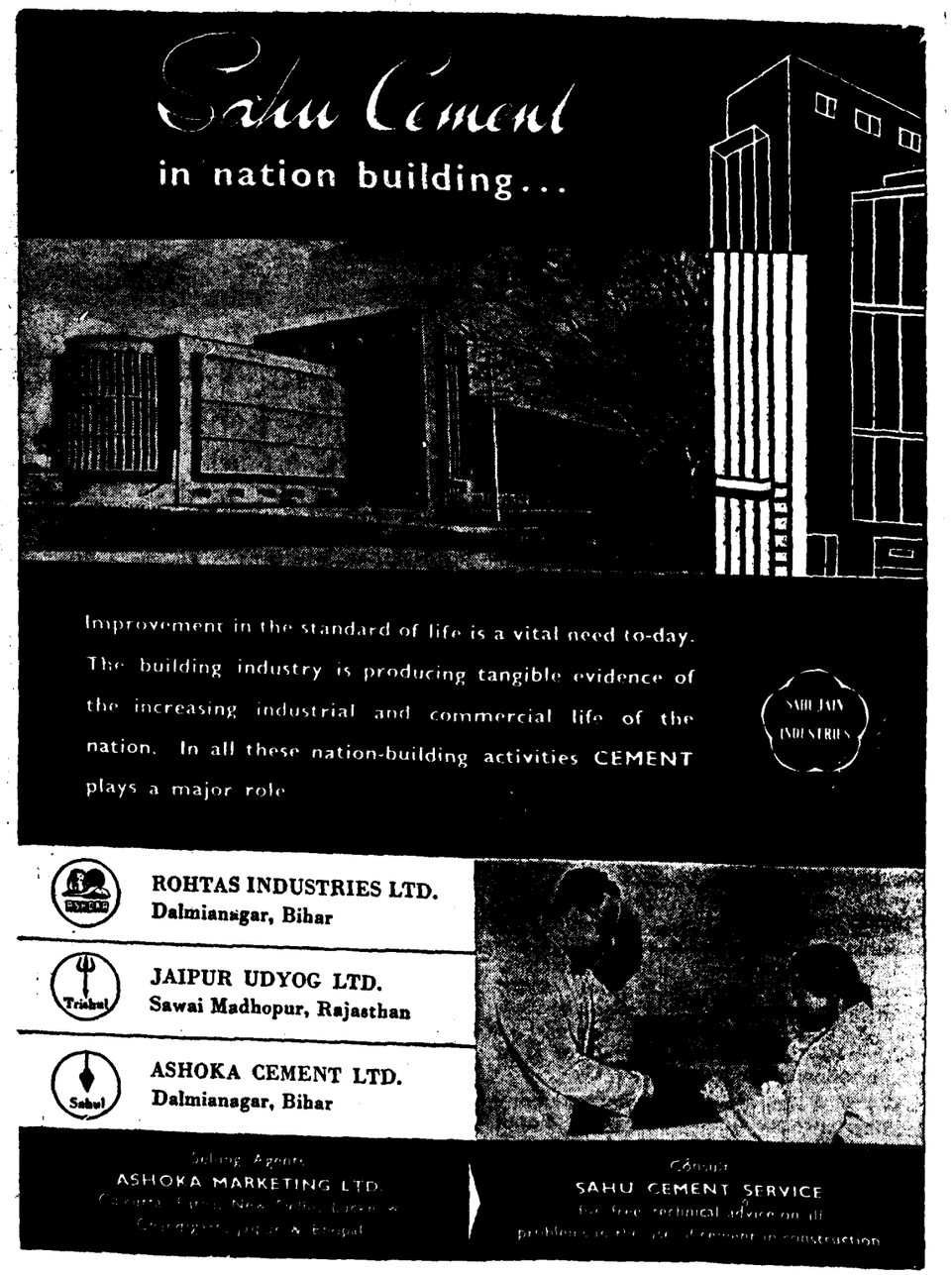
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THE WEEK'S NOTES

Finance

RISE IN U.K. BANK RATE

THE REASONS for the rise in the UK Bank rate by 1 per cent to 5 per cent announced on Jan. 21 seem to be based on both internal and external considerations. On the domestic front, there have been indications that the economy is coming under pressure. The consumer goods industries have been stretched considerably and the capital goods industry is also in a state of rapid recovery. It was feared by the authorities that the current year would see a combination of high consumer and capital expenditure with rebuilding of stocks and high pressure in the export industries. All these indicated a state favouring excessive imports and also big wage claims. So they were anxious to avoid the dangers of an inflation consequent on the straining of the home economy further.

On the external front, there has been a loss in reserves going on for the last 2½ months at the rate of £20 million a month. The main reason seems to have been the fact that London was a centre where borrowing was easy and interest rates were low. In fact, there was a gap between interest rates in London and New York. According to a London contemporary, the increase has come rather earlier than most people expected; the main reason for doing so has been domestic and not external, and the present rise marks the first turn in official economic policy towards active restraint. Since the beginning of the year, industries in Britain have made considerable upward revisions in investment plans, which would suggest a resurgent boom capable of surpassing the investment boom of 1954-57. The rise of one per cent bank rate would mean a commensurate rise in overdraft rates, but it is not expected to have any drastic effect on most investment plans. But at the same time, it is expected to discourage the more speculative ventures, and it is also likely that a similar effect may be felt on stock building. It is also possible that it would act as a restraint on consumer spending. All in all, it would appear that the present move of the U.K. Treasury is meant more as a forestalling measure rather than as a corrective device to meet the changed conditions in the money market.

While a high interest rate will have a disinflationary effect within the country and check spending, it will have its repercussions on exports, and on prospective overseas buyers. It is too premature to assess its effect so far as India is concerned. But it is generally felt that the Bank rate increase is primarily aimed at preventing short-term credit flowing from the U.K. to the U.S. and the European continent, and it is unlikely to be felt immediately on long-term credit for countries such as India. The fact, however, remains that from the point of view of India's Third Five-Year Plan, this new development has also to be taken into account, since an increase in the Bank rate will have its effect in the long run on British lending to India. It would appear in the case of the Durgapur Project, for a long time, the credit offered by British Banks was not utilised, because of high interest rates, and it is likely that the present rise will increase the cost of the Steel project to some extent. One redeeming feature however, is that India's sterling balances in London, which are of various classes, besides gold holdings, will now earn a higher rate of interest.

United States

EISENHOWER'S LAST BUDGET

THE BUDGET presented by President Eisenhower last week for the fiscal year 1960 beginning July 1, was the last before he vacates office by the end of this year. The budget estimates a revenue of $84 billion against an expenditure programme of 79.8 billion leaving a surplus of $4.2 billion. This is considered to be the first sizeable one for the last many years in the fiscal history of the United States. Some of its main highlights are: expenditure for major national security to remain firm about the same, at $45.6 billion; a virtual doubling of expenditure for non-military space projects; an allocation of $4.2 billion for mutual security programmes; and a record total expenditure of $1.2 billion for water resources projects. The most outstanding feature of the budget is that most of the increases in revenue will come from growing tax receipts as the gross national product rises from $480 billion in the calendar year 1959 to an estimated $510 billion in 1960. To maintain federal revenues, the President has asked that the present tax rates on corporation earnings and certain excises be extended to another year beyond their scheduled expiry date of June 30, 1960. He has also recommended increase in taxes on highway and aviation fuels and in postal rates. Since the development of a comprehansive tax revision programme will take considerable time, he has also proposed that certain changes in the tax laws be considered.

The most controversial of the President's proposals relates to the utilisation of the estimated surplus of $4.2 billion. He has announced that the surplus should be used to reduce slightly the national debt which will stand at about $285 billion on June 30. But his critics, especially amongst the Democrats, hold the opinion, that it should be spent on greater defence effort particularly missiles and do not agree with the President in keeping down defence spending. This arises particularly because, in their view, the present Soviet missile strength will place the United States in "a second best" position and thus put the West in a poor bargaining position at the ensuing Summit Conference. Apart from this, there has also been criticism that the Administration has not taken seriously the decay of the cities and the urgent problems of educating adequately a rising population. Some of the President's own supporters seem to hold the opinion that he has failed to reduce what they feel as the excessive burden of taxation. By proposing to devote the rather large surplus to reduction of the public debt in the forthcoming fiscal year, the Administration is now well set on initiating a new and fundamental policy that the budget should not only be balanced but should also show a substantial long-term surplus. This stems from the consideration that the combating of inflation should receive high priority, relagating other problems to a secondary place. From the point of view of the under-developed countries, what is of significance is the Mutual Security Programme, which includes economic assistance also. The programme includes $700 million for the Development Loan Fund for the coming fiscal year, which is a rise of $150 million appropriated for the current year. The Development Loan Fund is one of the main agencies for channelling aid to India and the augmentation of its funds should be of some consolation to this country, notwithstanding the somewhat rigorous conditions attached to credits from this source recently.

The Legislature

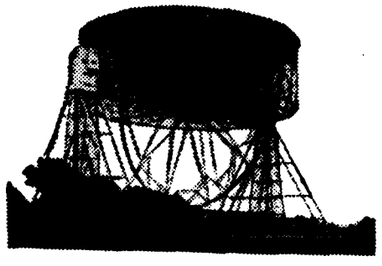
BENEFIT FUND FOR MEMBERS

SPEAKING at a conference of presiding officers of legislative bodies in India in Hyderabad last week, the Speaker of the Lok Sabha, Mr. Ananthasayanam Iyengar, suggested the establishment of a fund for the benefit of members of Parliament and other legislatures. Here, he cited the example of Britain where a fund has been created under the House of Commons Members' Fund Act. The Speaker was of the opinion that a provision in this regard similar to what is obtaining in the House of Commons should be made in India also since membership of Parliament and other legislatures has now become a wholetime job. Prima facie, there seems to be a good deal of justification in the suggestion made by the Speaker of the Lok Sabha. But it would be worthwhile here to recapitulate certain essential features of the British Act to understand its real purport. The House of Commons Members' Fund Act came into force in 1939 and its main object was to create a Fund (which will be administered by a Board of Trustees) for enabling grants to be made to persons who have been members of the House of Commons or to their widows (or widowers) or in respect of their orphan children. The Fund was to be built by the contributions from the members themselves through appropriate payments that should be deducted from their salaries. The important point about the operation of the Fund relates to the provision that no payment shall be made to any person by virtue of his past experience of the House of Commons unless he has attained the age of 60 or in the opinion of the trustees, he is, by reason of bodily infirmity, incapable of earning his living. There is also a provision that the income of any person shall be ascertained on such lines as the trustees may determine before one can be entitled to its benefit. It can, therefore, be seen that the fund is mainly intended to give relief in cases of genuine difficulty and especially for those who reach the age of 60 and after certain conditions to the satisfaction of the trustees have been fulfilled.

If such a fund is to be created for the benefit of our own legislators to afford relief to those who need it, there can possibly be no objection. However, in the formative years of the Indian Republic, there seems to be a good deal of substance in the suggestion made by Mr. C. Rajagopalachari on this subject. The elder statesman, based on his long experience of public affairs, has urged that no one should aspire to enter public life and especially contest elective offices unless he has an independent source of livelihood. Though it is possible that a rigorous application of this salutary principle may cause some hardship in certain cases, on the whole, the balance of advantages would seem to lie in adopting this suggestion. This would remove at one stroke any lingering suspicion that a person taking to public life is actuated by monetary considerations. At the same time, it would ensure, that without in any way impinging on any of the Fundamental Rights, only those, who have some qualifications by virtue of experience in a particular field, will enter public life. Another advantage would be, like in the case of western countries, once a person gives up politics, he need not feel like fish out of water, but can resume his own avocation.

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A Window on the World

REGIONAL UNEMPLOYMENT

By ODYSSEUS

OF INDIA'S fourteen States and six union territories, most, I take it, hope to set up new industries inside their areas. Closely related to their schemes are the activities of the Rehabilitation Finance Administration to enable displaced persons to set up new trades. These 21 authorities, together with the National Planning Commission, might profitably study the lessons to be derived from the Distribution of Industry legislation in the UK.

Professor A. T. Peacock and Mr D. G. M. Dosser have contributed an important pioneer analysis on the subject to the January issue of Lloyds Bank magazine (which, the Bank being a fairy godmother, may be obtained free from 71 Lombard Street, London E.C.3.). Under the Distribution of Industry Act, 1948, the UK Board of Trade was empowered to help firms to open up in areas which had suffered prolonged unemployment, providing that their proposals coincided with the planners' ideas of a "properly balanced" distribution of industries. Factories were built and let at artificially low rents in designated "Development Areas." But as persistent unemployment emerged in other areas, an Act of 1958 authorised the Board to extend their activities. A new 1959 Bill proposes to authorise the Board to buy land compulsorily in order to erect buildings for new industries, or to make grants for firms to erect their own buildings. Grants and loans can also be made for other purposes, not necessarily "productive." Amenity projects or improvements to basic services can be launched in areas of high employment. The Board can issue, or withhold, certificates to build. It can assist the transfer of key workers to start new firms but not their emigration away from an afflicted area.

Before trying to assess these measures, Messrs Peacock and Dosser invite us to consider why regional unemployment persists in certain areas in the midst of the UK's general situation of full employment.

Given competitive conditions and national full employment, the fall in the demand for the products of a particular area will cause a reduction in the demand for workers in that area. This should correct itself by a movement of workers into jobs in other areas or by the removal of unemployment without emigration by a fall in local wage rates. The conditions of a competitive market in labour do not, however, exist in the UK today. National agreements impose rigid wage-rates, and there are other factors. If wage adjustments are prevented by collective bargaining conventions, the mobility of workers must be all the greater if regional unemployment is to be cured without government intervention.

If nation-wide collective bargaining cannot be modified, the obvious solution would be to compensate workers prepared to move from areas of high unemployment to areas where workers are scarce. The 1959 Bill does not provide for this. Liberal compensation to workers prepared to move would be a major policy measure, were it not that its success is likely to be limited, largely because of the barriers to movement which the Welfare State has erected in the form of such social services as subsidised council house rents. Then there are the traditional barriers to migration, such as the severing of social and family ties and the difficulties of setting up in a new environment.

NATIONALIST SENTIMENT

There is also a nationalist sentiment against the depopulation of certain regions, such as Wales or Scotland, with cultural heritages. Such nationalists are impressed by suggestions that the cost to the rest of the community of maintaining them in their national strongholds may impose substantial burdens on tax-payers, such as the English, who do not share these nationalist urges. (Citizens of the Indian Union have an assortment of substitutes for England, Scotland and Wales).

While it may be difficult to guage the importance of these cultural factors, it is clear that to finance large-scale migration within the UK would have repercussions on Government finance in other directions. Those encouraged to leave areas of high unemployment, who already enjoyed subsidised housing, good local health and education services, would expect similar subsidisation in the places to which they moved. The net cost to the Social services would depend on complicated factors such as the incidence of rent subsidisation among migrant workers and the flexibility of transfer of health and education services. Subsidised housing would present the biggest financial problem. Moreover, local authorities would also have a strong vested interest in preventing emigration, because the decline in their local incomes, out of which they would have to continue to provide social services for those remaining behind, might be greater than the fall brought about in their expenditure on continuing overheads.

Once it is accepted that regional unemployment is to be reduced by providing jobs without migrations of workers, what measures will be the most effective? The short answer obviously is those which create the most employment for the least expenditure of the tax-payer's

SALES —> / PURCHASES V		1 To industries in Region I A	B	C	2 To industry in other regions	3 To foreigners	4 To government	5 To domestic buyers of consumption & capital goods	6 Total value of gross output
1. From industries in Region I	A	—	5	10	40	30	10	5	100
	B	15	—	10	20	10	5	40	100
	C	15	—	—	45	15	15	10	100
2. From industry in other regions		5	40	20					
3. From foreigners		—	25	20					
4. From factors of production (wages, salaries, etc. before tax).		60	25	25					
5. Business saving (including depreciation).		5	5	15					
6. Total value of gross input		100	100	100					

money. But how can this be estimated? Messrs Peacock and Dosser point out that the first need is a classification of the sales and purchases of industry in the areas affected. Firms in one region will sell to other firms and consumers and government bodies inside the region, and to others outside it. Firms' purchases will be reflected in the direct demand for workers, as well as in indirect demand for them through purchases of raw materials from inside the region, while, equally, purchases of raw materials from other areas will set up indirect demand outside the region. We need also to know the pattern of consumption of those employed inside a region. How will a rise in wages be reflected in increased demand for goods produced in the same region, or for products from other regions or from abroad?

The accompanying table brings out the importance of economic interdependence in trying to decide which are the most effective measures for curing local unemployment. In Region I, the table shows three groups of industries, A, B, and C, of equal size measured by gross value of output. Assuming (1) that we have the choice of expanding gross output in any one of these groups by 20 per cent, and (2) that the value of each type of purchase would expand in proportion to the rise in sales, then it would be best to expand Group A because this is the group with most workers (as measured by wage and salary payments) and which buys most from other groups in the same region.

There are, however, two important qualifications to these assumptions. First, it is possible that if the expansion in gross output in fact takes place in some other part of the country, the employment-creating effect inside Region I could be greater. Secondly, we must consider the indirect effects of expansion. In Region I, expansion of employment and incomes will increase demands for consumer goods and the extent to which it will benefit from this multiplier will depend on the pattern of consumption. For example, if Region I were in Scotland an expansion of employment and incomes might well cause a more than proportionate demand for goods from England, because the production of consumer durables, such as furniture, television sets, and cars, is concentrated in the Midlands and the South-east of England. So while you may boost employment in Scotland, you may boost it even more in England. The fact is that as long as consumer durables (on which a high proportion of increased income is spent) are mostly manufactured in England, efforts to cure unemployment in Scotland inexorably end in increased inflationary pressure in Birmingham and London.

For Scotland and England, Indian readers should substitute those Indian States with whose industrial structure they are familiar. The conclusion is that Indian States seeking to attract new industries should not think only in terms of those industries which employ the largest numbers, but also of those likely to benefit from a rise in total incomes, not merely inside their States, but throughout India. Thus, in the case of the UK, looking to the future and projecting present patterns of consumption, the efforts of Scots pressure groups to lure the UK motor industry northwards make sound sense.

In a concluding article next week, we will consider further the problems of local unemployment and the reluctance of workers to move to areas of high employment.

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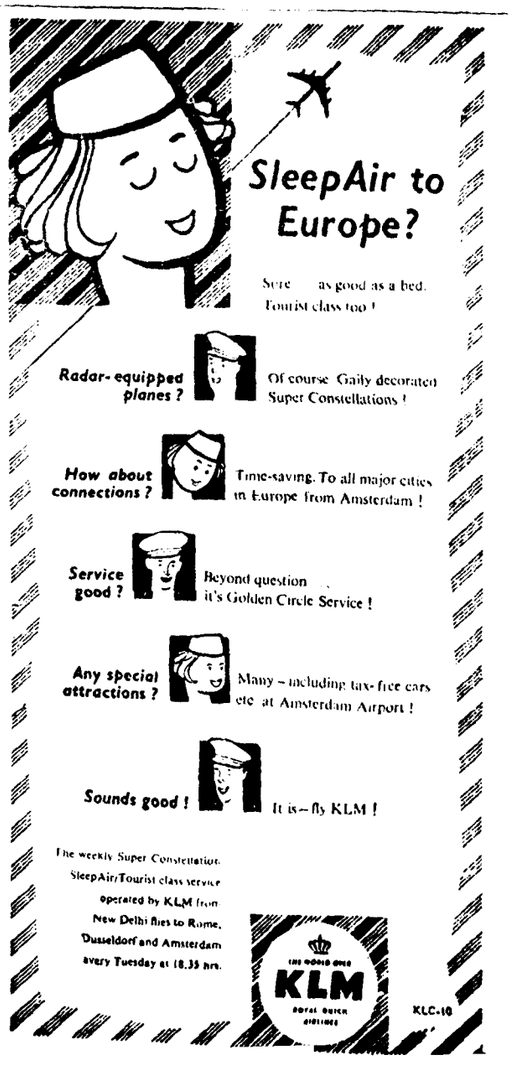
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The European Scene

FRANCE AFTER PINAY

From Our Special West European Correspondent

PARIS, January 23.

SINCE M. Pinay was dismissed, the French Government has been assuring everybody, at home and abroad, that its economic policies remain unchanged. This is no doubt true, although foreigners and many Frenchmen find it hard to understand why one should want to practise Pinay-ism without Pinay, why one should sack a Finance Minister in order to continue his programme. The reasons for the change concerned are, on the one hand, matters of general policy especially defence, and on the other hand, simple jealousy. Base and childish passions play a certain role in politics, and the renovating Gaullists found it intolerable that the country's economic saviour should be a non-Gaullist (worse, a Petainist) who perfectly epitomised the detested old regime. Now that his policy has worked, they prefer to get rid of him and take the credit for themselves. M. Pinay can only solace himself with Marshal Joffre's remark when he was denied credit for the victory on the Marne: "I don't know who was responsible for the winning of the battle of the Marne, but I know who would have been held responsible if by ill-luck we had lost."

To prove that it intends to continue M. Pinay's policies, the Government points to the character of the successor it has nominated, M. Baumgartner of the Bank of France. And indeed this gentleman offers every security. But the whole point of M. Pinay's achievement is that he has put economic policy above the level of personalities. In other words, he prepared his own downfall by successfully creating conditions in which no man is indispensable. He did this by re-integrating the long isolated French economy into the world trading community, so that now it is under the sovereign influence of forces that no personal policy can defy. The personal prestige of Messrs. de Gaulle and Pinay was indeed essential in the first, dangerous phase of this operation. But once it has succeeded—once the currency is convertible, imports freed, capital movements liberated both for entry and exit, and once exports support a good part of economic activity—then no Finance Minister has the freedom to indulge in demagogic or ideological experiments that risk undermining confidence in the money or raising domestic production costs.

This is the real reason why French economic policy remains unchanged. If it were departed from, all the fruits of the recovery would evaporate in a week and the collapse of the currency and of the balance of payments would pronounce instant judgment on the transgressor. And as every month carries further the integration of the economy both into the Common Market and into the trade nexus of the Western world, the Finance Minister's freedom of movement becomes narrower. Ministers may indeed have personal views—one more liberal, another more interventionist—on such limited questions as the role of the State in the distribution of petrol or in the reconversion of decrepit industries, but although such issues arouse the passions seen in Indian dispute about the public and private sectors, they are ultimately of minor interest alongside the major question of the rate of expansion and its effects on costs and prices.

What dominates an economy that is trading more freely and has a convertible currency is the relation of its production costs to those of its trading partners. It is in the shadow of this domination that the Government must seek the optimum rate of economic expansion. For those who take the short-term view, this is a problem in reconciling opposites; the highest rate of expansion desirable tends to push costs up by the familiar mechanism of investment generating inflationary demand; whereas the desirable stability of costs and prices restrains the rate of growth, because it is secured by limiting home demand and/or increasing imports. That there is, in the short run, some tension or incompatibility between these two objectives cannot be denied. But on the longer view, they are not opposed; rather, one, relatively stable costs, is the condition of the other, durable economic expansion.

For an economy that is artificially isolated from the main currents of world trade, as France was for years past and as many developing countries necessarily still are, the static picture of increased investment as the enemy of stable costs, and vice versa, is largely true. But once that economy has been brought back into the international trade and capital nexus, as France has been by M. Pinay, then stable costs appear as the inevitable condition of continued expansion. On the one hand, export industries play a more important role in the level of activity (French exports increased by 33 per cent in volume in 1959) and their competitiveness is determined by production costs. On the other hand, the home market is opened up to imports from abroad (as by France's adhesion to the Common Market and her other deprotective concessions to all GATT countries) and here again competition between foreign and domestic products is governed by relative production costs more than it used to be. So it is no longer just a question of whether a given investment is going to create purchasing power that will indirectly push up all prices; it is a question whether that investment is going to be worthwhile at all, whether it will lead to the production of goods that can find a market, given the comparison between home and foreign costs in that particular line.

If home costs are kept in line with foreign, exports can continue to keep a proportion of the population employed, and thus contribute to expansion. And an economy that can produce at satisfactory cost will never want for the investment needed to promote expansion. This was the secret of the West German miracle of the 1950's; production costs were kept so steady that it was easy to expand industry in order to absorb the unemployed and refugee labour force. A similar problem now faces France because of her post-war demographic wave, which will mature between 1963 and 1975. In that period the labour force will increase from 19.7 million to 22 million, so that over 2 million new jobs will have to be created—without taking account of the effects of an Algerian settlement, which would produce more jobseekers, either demobilised soldiers or Algerian migrants or both. In the semi-autarchic economy that existed in France before M. Pinay one could contemplate meeting this situation by means of ambitious investment, no matter at what cost; but in the outward looking liberal economy he has left behind him, no solu-

tion is possible without keeping French production costs in line at least with those of her partners in the Common Market. Given fixed rates of exchange, participation in a system of convertibility and of free-trade makes all economic growth depend on relative production costs.

M. Pinay rehabilitated the franc last year essentially by acting on the structure of demand for French industry's output: foreign demand (exports) was increased by the devaluation, while domestic demand was kept about steady or slightly compressed by budgetary and fiscal measures. But the steadiness of domestic demand was the upshot of sharply increased public investment, slightly increased public and private consumption, and restricted private investment. In the phase of faster expansion that his successor will have to manage in 1960, all the above expansionary factors will continue to operate but to them will be added a revival of private investment. And this year there are no stocks to draw down as there were last year. Therefore French industry will have to meet, for the first time, the combined orders of higher foreign and domestic demand both for consumer goods and capital. If it cannot do so quickly enough, there will be pressure on the trade balance, either directly (by extra demand for imports) or indirectly (by higher home prices and thus lower exports). Of these two alternatives, the former is obviously preferable. This means it is better to earn less foreign exchange by importing more than by suffering prices to rise so that one exports less.

Thus another element of economic policy is imposed by the facts, regardless of what the Finance Minister thinks: France will have to go ahead with the liberalisation of trade. This entails pushing further the integration of the French economy into world trade channels and, hence, accepting the division of labour according to relative production costs that that system demands. In other words, several French industries will have to be converted; there are numerous industries in this country that were founded and fostered behind protective barriers and have never known international competition. Their conversion will pose social problems which, in some regions, will be acute. This again dictates policy to the Finance Minister: he must harmonise the liberalisation of trade with the compensatory measures written into the Rome Treaty that instituted the Common Market. That is, he cannot accept just any form of trade liberalisation, but only the particular kind of freer trade foreseen in the Common Market where the opening up of markets by tariff reductions and quota extensions is carefully balanced by social and institutional measures, by the co-ordination of national economic policies and by the "equalisation of the conditions of competition."

Thus, Pinay or no Pinay, French economic policy is written in the facts and cannot, without sudden retribution, be altered by a Gaullist coup de tete, by nationalist caprice. If exaggeration makes the point any plainer, we could say that General de Gaulle could have appointed a Finance Minister who was devoted to inflation, favourable to molly-coddling protection and intensely distrustful of the Common Market—and yet in the end his economic policy would have had to bow before the facts created by M. Pinay's reforms, or else he would ruin the country within a few months. M. Pinay's successors are condemned to Pinay-ism for at least as long as the present experiment in convertibility and freer trade in the Western world endures. As it happens, M. Baumgartner does not regard this as a sentence, though several of his demogogic Gaullist colleagues no doubt do.

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Economic Report from the U.S.

THE ANNUAL ECONOMIC REPORT

By

GUY SIMS FITCH

WASHINGTON, Jan. 20.

THE annual economic report that President Eisenhower sent to Congress this week differs noticeably in content from those of the previous two years. This is as much by chance as by design, since the report obviously reflects the dominant economic trends at the time it is issued. The report comes at a time when the American economy clearly is in a period of strong and sustained expansion. With this in mind, the President and his advisers have taken the occasion, in the opening chapter of this report, to stress the question of long-term economic growth—the record, the problems and the prospects. Thus the first chapter is in a real sense a philosophical statement of the Eisenhower administration's approach to economics in general and to sound and continued growth in particular.

The growth record of the American economy is clear enough in the 14 years since Congressional passage of the Employment Act of 1946—the law that requires an annual economic accounting from the chief executive—the number of job holders has advanced, on the average, by nearly 800,000 a year. The U.S. output of goods and services and the personal income of Americans have increased by more than 50 per cent, or at a rate of 3.2 per cent a year. Industrial production has grown by 4.5 per cent a year. The annual increase of 3.2 per cent in total national output which corresponds to a doubling every 22 years, is roughly equivalent to the long-term average before 1946. But since the Employment Act made it stated Government policy to help create conditions conductive to high levels of employment, production and incomes, the output of the American economy's purely private sectors—which accounts for the bulk of the nation's economic activity—actually has advanced by 3.5 per cent a year. Needless to say, the increase in national output has been reflected in notable gains in well-being for the American people. Real income per capita for instance has increased by nearly 20 per cent since 1946. With this has come more leisure time, more recreational activity, and better health, housing and educational standards. Also, Americans have gained greatly in their personal security. About 58 million persons now are covered by the Federal Government's old-age, survivors and disability insurance and related programmes.

In addition and apart from these Government-sponsored programmes, more than 19 million are covered by privately financed pension laws and about 115 million persons—60 per cent more than in 1946—hold life insurance policies. Time and savings deposits of individuals have increased by nearly $35,000 million, or more than 50 per cent, since 1952. All in all, it is abundantly evident—as the President's report observes—that "the American economy has sustained its long-term record of growth, despite the high level of industrial development already achieved and despite temporary setbacks." In other words, the American economy continues to support a sustained rise in what has been the highest living scale in the world, while continuing to fulfil broad international obligations.

Of course, new "challenges" undoubtedly will be encountered in the years ahead. But these challenges are seen as opportunities for further improving the national well being. Perhaps the principal growth factor of the 1960's will be the anticipated expansion in the labour force. The long-held view on this is that the increased number of workers can and will be absorbed into the economy, and that the population rise will in fact offer new opportunities for accelerating the nation's historical and already respectable growth rate. As for the more immediate outlook, the year 1960 is perhaps more easily assessed than many past years. The American economy is in the midst of a strong advance right now, an advance likely to last into next year to judge from the behaviour of the major economic components.

Administration officials, as is evident from the report, also are at last modestly optimistic about the outlook for an improvement in the U.S. international balance of payments. Professional opinion, apparently shared by Washington officialdom, is that the deficit, which reached $4,000 million in 1959, could conceivably be reduced to $3,000 million or less in 1960, largely under the impetus of rising exports. This anticipated improvement, it should be noted, is not based on the assumption that the Government will take any unusual actions. It is based on the belief that the world wide economic expansion will continue—and if it does, it is reasonable to assume that the U.S. deficit will be cut. Linked to these optimistic appraisals is the expectation that American industrial productivity—output per man hour—can and will continue to rise. Actually, of course, the history of the American economy has been one of rising productivity. Over the years, U.S. productivity gains have, in general, more than kept pace with those of other countries. But this subject seems to have a particular relevance at this time. For if the costs, and hence the prices of American products can be held down, it would help insure an inflation-free domestic expansion and an enlarged opportunity for American exports to win their share of the expanding world markets.

Playing an important part in this two-pronged effort, as Administration officials see it, are the sound and essentially conservative fiscal and monetary policies currently being pursued. This helps explain the satisfaction with which administration officials are greeting the $200 million expected surplus in the Federal Budget for the current 1960 fiscal year ending June 30, and the $4,200 million surplus projected for the coming 1961 fiscal year. Both surpluses exceed earlier expectations. What can be viewed as the underlying concept of this year's economic report to Congress is that of "shared responsibility." In essence, this means that in a free society public policy alone should not be counted upon to carry the entire or even the major, obligation for economic improvement, but that private action by business, labour and other groups has an important role to play. It means, too, that where public action is needed or desirable, State and Local Governments should do their part along with the Federal Government. This view should not be construed as a lack of resolve to use Government policies in such fields as taxation, credit and public expenditures as flexible tools in the maintenance of an economic climate conductive to orderly and vigorous economic growth. But it does emphasize the proposition that in the United States there is what the President's economic report calls a "network of relationships," Government and private which embodies the American concept of Government as the responsive instrument of the people."

THE BUSINESS WORLD

Economic Relations Between Czechoslovakia and India

By J. KOPECKY*

ALTHOUGH Czechoslovakia in size (128,000 sq. kilometres) and in the number of inhabitants (13.5 millions) is a relatively small country, in industrial potentiality and in per capita output it ranks among the most advanced countries in the world. Czechoslovakia produced in 1958, 5.5 million tons of steel compared with 2.3 million tons in 1937. Coal output, including lignite, reached 83.5 million tons in 1958 as against 34.7 million tons in 1937. Power output in 1958 amounted to 19,600 million kWh as against 4,100 kWh in 1937. A great expansion took place after the Second World War in the Czechoslovak engineering industry. In 1958 engineering industry's output was approximately five times as large as just before the war. The output of steam turbines, Diesel motors, machine tools, transformer stations, mine-equipment and other products increased markedly.

The post-war expansion of industrial output has been naturally reflected in the expansion of foreign trade. Czechoslovakia today maintains commercial contacts with practically every country in the world. One of her important trading partners is India. Before the war India used to buy from Czechoslovakia engineering products (sugar mill equipment, Diesel generating sets, cars, equipment for power plants) and glass, porcelain and fancy jewellery. Czechoslovakia used to import Indian cotton, jute, tea, coffee, spices, etc. Some Czechoslovak products bearing the trade marks "SKODA" or "CKD" gained by their quality an important place on the Indian market. The war-time losses caused a decline in the volume of trade between the two countries in post-war years. As late as 1950 turnover began to pick up and reached its record peak in 1956 as the following table shows (in million Cz. crowns)

1954	1955	1956	1957	1958
67.4	63.5	181.7	165.2	161.6

Compared with 1956, a certain decline in mutual trade relations occurred in later years. Trade had to adapt itself to the changing structure of Indian imports in which as a result of the Indian foreign exchange situation the purchases of almost all consumer goods were considerably restricted. Czechoslovak foreign trade, therefore, orientated itself predominantly to exporting machine equipment which India requires to fulfil the main targets of her Second Five-Year Plan.

The results recorded in the first eleven months of 1959 indicate that 1959 may mark the beginning of another rise in trade between Czechoslovakia and India. The protocol of May 30, 1959, to the Czechoslovak-Indian Trade Agreement of September 30, 1957, envisages an exchange of goods in the course of 1959 up to 190 million crowns (Rs. 130 million) on each side. In view of the fact that the Trade Agreement creates the conditions for a mutual exchange of goods on a Rupee clearing basis with the use of non-convertible Indian Rupees, the mutual exchange of goods is for both sides highly advantageous and leads to a saving of foreign exchange.

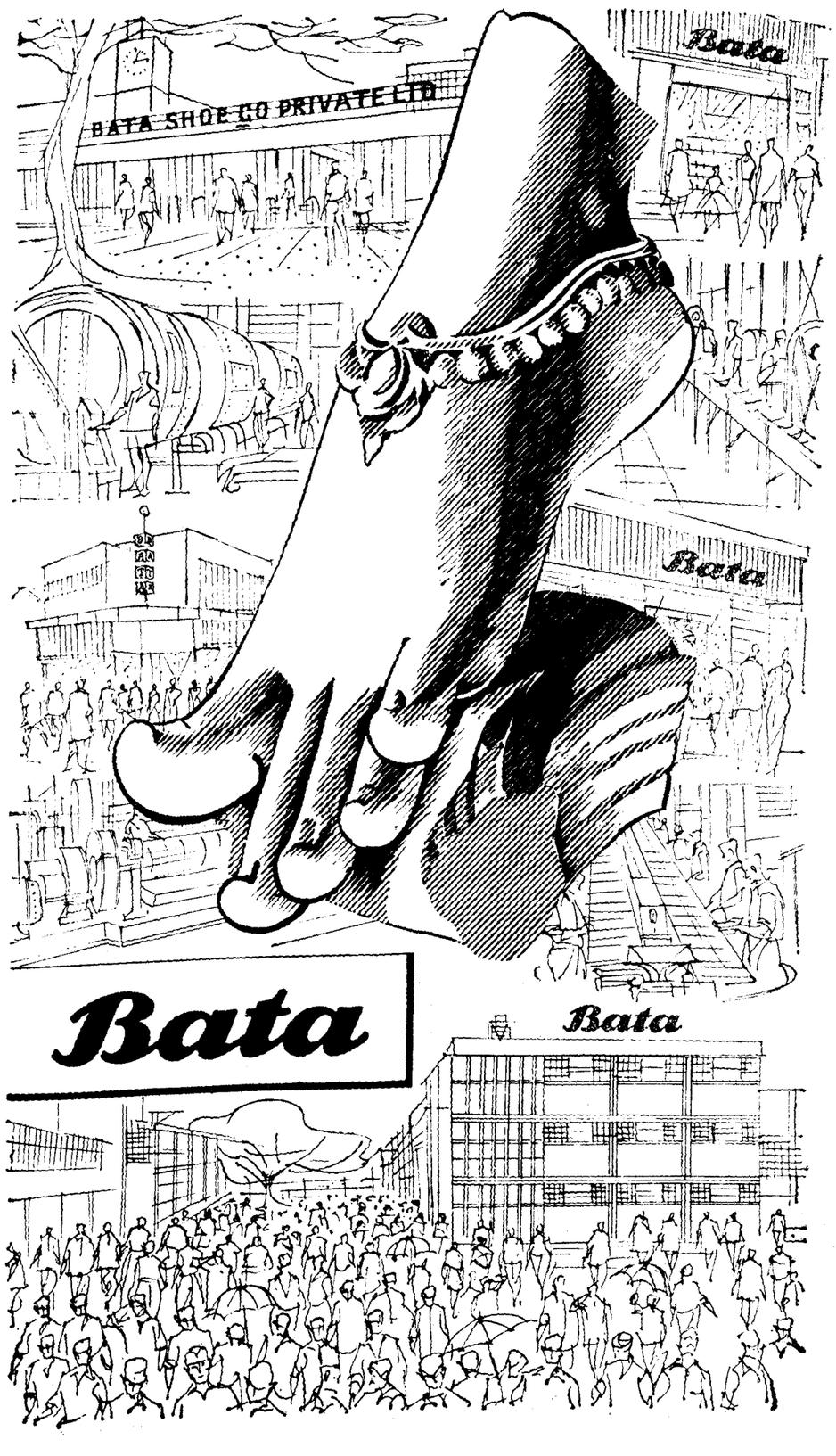
Czechoslovak foreign trade corporations supplied India over the past three years with 2,050 freight wagons, fifty railway steam engines, equipment for three sugar mills, two cement factories, two thermo-power plants, a plant for the production of high-tension insulators, a plant for making bicycle chains and a number of minor capital units. In August of 1958 a contract was signed for the delivery of machinery and equipment for the first stage of an integrated Foundry and Forge Plant. The equipment will be supplied by the Skoda Works in Plzen. On the other hand, the volume of Czechoslovak imports from India will also increase. Czechoslovakia already imports very large quantities of iron and manganese ore, as well as hides and skins, raw jute, mica, tea, pepper, oilseeds and vegetable oils, cottage industries products, shellac and other items.

The Czechoslovak Chamber of Commerce held a Czechoslovak Industrial Exhibition in Bombay in 1955 and Calcutta in 1956. In addition, Czechoslovakia participated in the Indian Industries Fair in New Delhi in 1956. Currently the Czechoslovak Foreign Trade Corporation, Motokov, is participating in co-operation with its Indian agents, in the World Agricultural Fair. All these Czechoslovak exhibitions aroused keen interest among the Indian public. Indian economic circles highly appreciated both the technical standard of individual exhibits as well as Czechoslovakia's display techniques. The Indian Ministry of Commerce and Industry held an exhibition of Indian goods in Prague in 1956. This exhibition was very successful. In the course of three weeks more than 200,000 people visited this exhibition which in Czechoslovak conditions may be considered as a remarkable success. In the course of the exhibition Czechoslovak Foreign Trade Corporations purchased all the exhibited goods and in addition contracts for purchase of other Indian goods, such as cottage industries products, textiles and tea, were concluded. In September 1959, India participated in the first International Trade Fair in Brno with its own exposition. The Indian pavilion attracted considerable attention and once again almost all exhibits were purchased by Czechoslovak Foreign Trade Corporations.

The existing friendly relations between both the countries, their sound economic basis and the planned economic expansion create favourable conditions for a further promotion of mutual commercial and economic relations. India requires large quantities of capital equipment and machinery to meet the needs of her economic expansion in the Second and Third Five-Year Plans. On the other hand, the Czechoslovak economy requires large quantities of raw materials and semi-finished products which have been traditionally purchased in India besides other goods.

The conclusion of the Agreement on Economic Collaboration between the Government of the Czechoslovak Republic and the Government of India concerning the establishment of several industrial plants in India marks another important milestone in further promotion of economic relations between the two countries. The agreement was signed in New Delhi on November 24,

* Mr. J. Kopecky till lately was Czechoslovakia's Principal Trade Representative in Bombay and Calcutta.





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1959, by the Minister of Industry, Mr Manubhai Shah, on behalf of India and by the Minister of Foreign Trade, Mr Frantisek Krajcir, on behalf of Czechoslovakia. Under this agreement Czechoslovakia will supply India with the machinery and equipment required for the third stage of the integrated Foundry/Forge Plant, for a Heavy Machine Tool Building Plant as well as for a Heavy Electrical Plant. Besides, delivery of equipment for manufacturing high-pressure boilers is also contemplated.

India will pay Czechoslovakia for these deliveries by goods which the Czechoslovak national economy requires for the expansion of its industry. These include iron and manganese ore, aluminium, polyethylen, ferro-alloys, ferro-mangan, etc.

The signing of the agreement on economic co-operation between Czechoslovakia and India in the construction of the industrial plants mentioned above will result in further promotion of economic and technical co-operation between the two countries and expand the mutual exchange of goods. It is not only an important economic event but also an expression of the friendship which links both the countries. It is an expression of our efforts to strengthen in every way peaceful co-operation based on the principles of mutual respect and equality.

Pragmatism in Third Plan

By CROESUS

APART from the two main issues of the overall outlay and the broad pattern of investment—which are being discussed and debated both at Governmental and non-Governmental levels today—the general economic policy, especially fiscal policy and public administration, should receive the pride of place in the formulation of the Third Five-Year Plan. Experience during the Second Plan period in respect of resource mobilization and utilization has brought into bold relief the severe limitations of the bureaucratic machinery as well as the inhibitive influences of economic policies on entrepreneurial initiative. More than food, finance, or foreign exchange, this aspect is amenable to conscious governmental decisions and, as such, needs only realistic understanding and imagination on the part of the powers-that-be. It is this aspect that Mr G. D. Birla highlighted only a few days ago, when he addressed the Indian Chamber of Commerce, Calcutta. "I wish to tell you," he said, "that availability of foreign exchange is not a difficult task. The difficulty will lie in our ability to utilise all the foreign exchange that we are likely to get. Our whole administration would appear to be cracking today. If you want to start a new venture, you have to go to nearly 40 departments before you get your application processed. You have to approach another 30 departments or so before you get your application finalised. It takes about 8 or 10 months before you are out of the woods."

With the growing consciousness on the part of the big powers of their obligation to eradicate mass poverty in the backward regions of the world and the possibility of larger resources being released from those countries for this purpose, consequent upon the likely curtailment of defence expenditure, foreign exchange is likely to be less intractable. More than foreign exchange, therefore, it is feared, administration and technical personnel will be the greatest bottleneck. As Mr Birla put it succinctly, "there may be tons of money and equipment lying before you, but you cannot simply use it, because we have got no administration. We have not enough engineers, we have not got enough of other technical personnel." The country is also in a better position today than at the beginning of the second Plan in respect of the basic raw materials, such as steel and power. In short, money and material are not likely to pose a difficult problem. The environment conducive to prompt and efficient utilisation not only of foreign resources—financial, technical and material—but also of indigenous initiative and enterprise will be the problem. Indeed, this is the challenge that the growth process has confronted the authorities with. Only an efficient administration and a realistic reappraisal of the various econonomic policies of our Government can meet this challenge squarely.

It is, therefore, extremely gratifying to find that, in its comprehensive memorandum on the Third Five-Year Plan submitted to the Planning Commission, the Committee of the Indian Merchants Chamber, Bombay (I.M.C.), has not only drawn pointed attention to this question, but has suggested a number of desirable changes in economic policy generally and industrial policy, fiscal policy and labour poliy in particular. The I.M.C. memorandum rightly says that industrial policy is a crucial determinant of the pace and pattern of development and capital formation. Consequently, it has to be left as flexible as possible, if the Third Five-Year Plan should have a smooth sailing. Experience during the past few years has clearly shown that one of the chief causes for the lagging rate of growth of industrial production, admittedly a very disquieting feature, has been the inhibiting nature of our present industrial policy, framed as it has been on certain ideological grounds. The rigid limitation imposed upon the sphere of activity of the private sector and the tendency of the public sector to spread its tentacles provide illustrations to the point. This explains why the I.M.C. has suggested that the allocation to the two sectors should be on a fifty-fifty basis and that efficiency, rather than ideology, should be the basic criterion. "In the absence of such a balanced allocation" says the I.M.C., "the consequences would continue to be only the location of isolated concentrations of heavy industry with no signs of the 'spread effects' of industrial growth."

In respect of fiscal policy which has squeezed out the entrepreneurial class, thanks to the peak rates in direct taxation and the adverse effects of indirect taxes on the cost structure of the industry, the I.M.C. has made certain pertinent suggestions. It has rightly underlined, that, in a mixed economy such as ours, tax-policy should be so devised that investment activity—and through it, capital formation—is not retarded. For high taxation reduces incentives and limits accumulation, thereby undermining enterprising initiative. As Prof. Heller has observed, "the greatest damage occurs when high marginal rates bear oppressively on incomes whose source is largely entrepreneurial effort and whose use is largely for further investment."

For the successful implementation of any developmental plan, it is very important to keep the cost structure as competitive as possible. But the Indian industry today is bogged down by mounting costs brought about by raw material shortages and high wages. Our labour policy, for example, seeks to pamper labour, leaving aside considerations of efficiency and productivity, with the result that there is a steadily increasing pressure on manufacturing costs on this account which is, to say the least, deleterious. The effect of concessions, by way of higher wages, reacts doubly on prices: on the one hand, increased costs lead to increased prices; on tht other, the increased monetary demand, when accompanied by productivity changes too meagre to compensate it, creates an imbalance between supply and demand, pushing up prices further in the process. This not only affects the stability and soundness of the internal economy but also reduces our competitive strength in the international

markets. Hence the I.M.C.'s plea that our labour policy should be so reformulated that, at least during the period of development, wages are kept at a reasonable level consistent with differentials in skill, contribution to output, and capacity of the industry to pay.

Not being content with merely pleading for re-orientation of economic policy thus, the I.M.C. has also prepared an outline for the Third Five-Year Plan. According to the I.M.C., "an analysis of the facts shows that the size of investment indicated for the Third Plan, on the basis of experience of the pattern of financing and the resource mobilization in the Second Plan, is not more than Rs 7,500 crores at the outside limit." Nevertheless, the I.M.C. feels that, if proper policy changes are effected, this investment target could be stepped upto Rs. 8,500 crores. This may appear conservative, but as the I.M.C. argues, it is more realistic. It is unfortunate that business circles are not unanimous on this point. Howevtr, as Mr Lalchand Hirachand, the President of the Chamber has appropriately put it, "what is essential is not the dogmatic adherence to any size of outlay, either of Rs. 7,500 crores or Rs. 10,000 crores, but the capacity of the economy to raise the necessary resources, without introducing measures which will unduly strain the economy." It is to be hoped that the final form which the Third Plan will assume will be on these severely pragmatic and sensible lines.

Business Notes

Prices

TEXTILE INDUSTRY'S ACTION

IN THE context of the recent upward movement in the prices of cloth and the concern among all sections of the public that it has caused, the prompt action taken by the Indian Cotton Mills' Federation to arrest the rising trends in prices is to be widely welcomed. Following a number of causes, such as the persistent increase in the prices of raw cotton and the sharp increases in the dearness allowance of workers, especially at Bombay and Ahmedabad—raw cotton prices have gone up by 15 to 25 per cent, and average dearness allowance in Bombay for December, 1959 went up to Rs. 86.42, as against Rs. 81.58 in 1958 and Rs. 73.99 in 1957—cloth prices have shot up. In order to bring down prices, the Federation has urged mills to step up their output either by working relay system or staggering holidays and by running additional shifts. If, however, the situation does not improve even after the production is stepped up thus, the Federation has held out the assurance that the industry would not hesitate to take all necessary measures, including stamping of prices on pieces of cloth, in order to protect the consumer from being exploited. Marking the prices on cloth is good in so far as it goes, but it is neither wholly effective nor malpractice-proof. In any case, it is too much to hope that this alone will have the effect of bringing down cloth prices. But the Federation has also assured that "the industry is firm in its determination to meet the situation" and that, "in the next two or three months, the prices will be brought down to reasonable levels."

While the determination of the Federation is no doubt reassuring, it is a moot point whether it will at all be possible for the industry to find a satisfactory and lasting solution to the problem of rising prices, so long as the cost of production is not brought down substantially. As a matter of fact, almost all the ills of the cotton mill industry today are due mostly, if not wholly, to mounting costs. Without rationalisation of the cost structure, therefore, no permanent solution to the textile problem seems ever possible.

New Issues

HINDUSTAN ALUMINIUM

THE SHARE MARKET in the country has been looking forward expectantly for quite some time to the issue of Hindustan Aluminium Corporation shares. The Corporation is going to be one of the largest enterprises in the country and perhaps, the largest Aluminium producing unit with an installed capacity of 20,000 metric tons per year. This seems impressive when seen in the light of the fact that the present annual manufacturing capacity of primary Aluminium in India is around 17,500 tons. It is envisaged that expansion would be carried out in the case of existing units in the industry by another 12,500 tons. It is, however, estimated that by 1962, when the present plant is expected to go into operation, the requirement of primary Aluminium in India may be about 52,500 tons. Many fresh avenues will be available for the utilisation of Aluminium in the country and the full output of the Corporation will find a ready market.

The factory is proposed to be constructed near Rihand Dam site in U.P. The location has been decided after all considerations of deposits of Bauxite which could be mined at competitive basis and also the proximity to sources of electric power and water. The Company has entered into agreement for collaboration, financial as well as technical, with Kaiser Aluminum and Chemical Corporation, which is one of the three major producers of Aluminium in the United States, accounting for approximately 30 per cent of the primary Aluminium produced in that country. In fact a project of this magnitude could only be taken up with the collaboration of such experienced manufacturers. Apart from the technical assistance, there will be participation in the capital share by the collaborators to the extent of the 26 per cent of the Equity capital. The authorised capital of the Company is proposed to be Rs. 20 crores. The Company has come forward with the issue of capital to the tune of Rs. 8.35 crores. Kaiser organisations have offered to subscribe to the equity capital worth Rs. 156.1 lakhs. Similarly Messrs Birla Gwalior Pt. Ltd. have offered to subscribe to the equity capital to the extent of Rs. 213.3 lakhs. Presently 21,56,000 equity shares of Rs. 10 each (Rs. 215.6 lakhs) and 2,50,000 6.3 per cent (free of tax) Redeemable Cumulative Preference shares of Rs. 100 each (Rs. 250 lakhs) are offered to the public. The subscription list will open on February 8, 1960 and will close on February 18, 1960 or earlier, but not before February 15, 1960. Market response is a foregone conclusion.

ASIAN CABLE CORPORATION

THERE HAS been a phenomenal increase in the demand for low tension distribution cables as a result of continuously expanding power potential in India. The production of these cables in the country has increased by about 100 per cent between 1954 and 1958. Even this expansion has not been sufficient to meet the demand and there exists, therefore, a wide gap between the demand and the indigenous production. This gap is met to some extent by import of these cables which cannot continue due to our adverse foreign exchange position. In fact the demand for cables may continue to increase at the rate of 20 per cent per year as it has been during the last few years. The establishment of Asian Cables Corporation Ltd., therefore, seems quite timely. The Company proposes to manufacture and sell electric wires and cables of copper and aluminium of all kinds including rubber insulated, plastic insulated and paper insulated cables and wires for low voltage as well as high voltage power cables etc. The factory will be located at Thana, near Bombay, and will be one of the largest factories in India for the manufacture of rubber insulated wires and cables. The Company has been fortunate in getting the services of one of the most prominent British cable manufactures, Messrs. Enfield Cables Ltd., as technical collaborators for period of five years. They have participated in setting up several cables manufacturing plants in other parts of the Commonwealth. The Industrial Credits and Investment Corporation of India Ltd., has agreed to lend to the Company an amount in foreign currencies equivalent to U.S. $450,000 for the import of machinery and capital equipment for the proposed factory.

The authorised capital of the Company will be Rs. 1 crore out of which the issued capital will be Rs. 50 lakhs. Equity capital (ordinary) to the extent of 25 lakhs has already been subscribed for by promoters, directors and their friends and associates. The balance of 25,000 equity (ordinary) shares of the value of Rs. 100 each is now offered at par for public subscription. The public issue of Rs. 25 lakhs has, however, been under-written by the United Commercial Bank Ltd. and the Devkaran Nanjee Banking Company Ltd. to the extent of 50 per cent each. The subscription list will open on February 5, 1960, and will close on February 12, 1960, or earlier at the discretion of the directors, but not before February 10, 1960. Considering the soundness of the proposal the issues are assured of a ready market.

Sugar

THE PROBLEM AND THE SOLUTION

ALTHOUGH the total production of sugar for the season 1959-60 has risen due to various incentives provided by the Government, the industry is still worried about the production prospects. It is because of the increased diversion of cane supplies especially in Bihar and U.P. to the production of khandsari and gur. The fact is that increase in the prices of khandsari and gur has improved their competitive position vis-a-vis the white sugar. Hence the gur and khandsari manufacturer is in a position to offer a slice from his high prices to cane grower in the form of higher cane prices and thus attract cane away from sugar factories. It may be noted that while the price of khandsari superior has risen from Rs. 40 per maund at Muzaffarnagar in the first week of January to Rs. 48.50 nP to-date, the price of sugar crystal has remained constant due to Government control. This obviously puts the sugar factories in a disadvantageous position and their efforts to maximise production are hindered.

The most important need at the present moment is to accelerate the rate of production. As to how it can be brought about is discussed in a well-documented brochure entitled "Sugar: the problem and the solution" issued by the Indian Sugar Mills Association. The view of the Association is that unless sugar factories are enabled to offer competitive cane prices to save diversion of cane from their areas, it will not be possible to raise sugar production substantially. This can be done by removing the present stifling controls on sugar factories in U.P., Punjab and North Bihar. The case of the Indian Sugar Mills Association needs to be examined from the national view point. The sugar factories are less wasteful as compared to the khandsari units. This may be illustrated by the fact that a sugar factory recovers 10 mds. of sugar per 100 mds. of cane as against only 6 mds. recovered by khandsari.

The plea of the Indian Sugar Mills Association for reduction of taxes is also justified. After allowing for the high tax rate of Rs. 13.16 per maund of sugar, factories actually realise only Rs. 24.69 per maund of sugar whereas the net realisation of a khandsari manufacturer after paying the nominal excise duty of Rs. 3.24 to Rs. 4.16 per maund comes to as much as Rs. 41.84 to Rs. 44.34 per maund.

Industry

PROBLEMS OF THE FOUNDRY INDUSTRY

ALTHOUGH the foundary industry has made considerable progress in the last few years, it is still faced with pressing problems. Mr K. L. Chowdhary in his presidential speech at the 8th Annual General Meeting of the Indian Foundry Association dwelt at length at some of these problems and pinpointed their intensity. It may be noted in the first instance that while foundries have developed on a small-scale in different parts of the country like Punjab, Delhi, U.P., Bombay, Howrah, Madras, etc., they do not have the necessary know-how for the manufacture of quality castings. Then again quality pig iron is not available in adequate quantities. On the top of it the price of graded pig iron is high. For the last several years the industry has been supplied with inferior grade of pig iron and asked to correct the analysis by the use of ferro-alloys. This has put up the cost of the raw material. The position of supply of graded pig iron from new steel works is also not known. The only thing that has been assured is that Durgapur and Bhilai plants would supply about 750,000 tons of pig iron to the foundry industry, but it is not clear as to what portion of this quantity would be graded pig iron and what would be basic.

Another point is the export of pig iron. The Chairman contends that Government should put a ban on export and instead it should devise to encourage ways and means to export indigenous production and finished goods so that it may be advantageous to the country. It is necessary that testing laboratories and design centres be opened by Government at concentration points so that new designs may be available to the foundries and testing facilities provided. New designs will not only improve the quality of the castings but would also result in economies in the use of materials. The supply position of hard coke is another source of headache to the industry. Its regular and adequate flow could ease the situation considerably.

ASSAM SILLIMANITE'S REFRACTORY PROJECT

WITH THE GOING into operation of India's new Steel Plants pressure on certain sections of Indian industry associated with steel is bound to increase. For instance the installed capacity of refractories in India will look greatly inadequate considering the anticipated requirements in the Second and Third Plans. In fact even now the present installed capacity of refractories at 440,000 tons per annum is estimated at around half of its requirement by the end of the Second Plan. Perhaps, to fill this vacuum a steep rise was recorded in respect of imports of refractories—from Rs. 30 lakhs in 1953 to Rs. 332 lakhs in 1958. It was in this context that the Government of India granted a licence to Assam Sillimanite Limited for the manufacture of 44,720 tons of refractories per year. The Company has secured the technical collaboration of the Vereinigte Grossalmeroder Thonwerke, A.G., of West Germany, which seems to be a wise step in view of the magnitude of the project. As far as the financial participation is concerned, tentative arrangements have been made by the Company with the International Financial Corporation to the extent that the entire Foreign Exchange composition of Rs. 44 lakhs in the first stage of the project and Rs. 21 lakhs in the Second stage will be met by the Corporation. The total investment of the project will be around Rs. 65 lakhs in the first stage and around Rs. 42 lakhs in the second stage. Mr S. M. Wahi, the Chairman of the Company pointed out at the general meeting recently (extracts of his speech were published at page 314 of 'The Eastern Economist' dated January 22, 1960) that the Company would meet the remaining amount of Rs. 21 lakhs by calling for subscription.

The Company has also planned an expansion of its mining activities to meet the requirements of raw materials needed for refractory industry. Shortly it would be in a position to offer good quantities of Kyanite, Magnesite, Chrome and Quartzite ores to the overseas customers apart from meeting its own requirements. This is going to help to a great extent in the smooth working of the new project.

A DELHI NOTEBOOK

PAPER-MAKING MACHINERY

A PRODUCTION target of Rs. 750 lakhs worth of equipment per annum by 1966 has been recommended by the Development Wing of the Union Ministry of Commerce and Industry to the Planning Commission for the paper-making machinery industry. The broad bases for this recommendation, it is understood, are: (a) the paper production target during the Third Plan period is expected to be raised from 350,000 tons in 1961 to 600,000 tons a year in 1966; (b) the expected rise in consumption of paper between 1961 and 1966 is estimated at 100,000 tons a year; (c) the standard plant capacity being 50 tons a day or 15,000 tons a year, the number of complete plants required during the Third Plan period will be 6 to 7 per year and making allowance for the efficiency factor of 80 per cent and cost of a standard plant being Rs. 160 lakhs, the target to be aimed at works out to about Rs. 13 to Rs. 14 crores per year; (d) replacement requirements may come to nearly a crore of rupees per year, assuming the value of the present installed machinery to be Rs 30 crores and its average life 30 years.

Three schemes have already been put forth to the Government of India for the manufacture of paper-making machinery during the Third Plan period. They are (a) setting up of a plant capable of producing machinery with a capacity of 50 tons of paper per day; (b) erection of plants capable of producing machinery with a capacity of one to ten tons of paper per day; (c) establishment of plants for the manufacture of miscellaneous paper-making machinery and parts. One more scheme is likely to come up shortly, although no formal proposal has been received by the Government so far. Orient Paper Mills, in collaboration with Escher Wyss Ltd. of Switzerland, intend to set up a plant to manufacture paper-making machinery worth Rs. 1.5 crores a year.

STUDYING OIL PROBLEMS

A 15-member committee, with Mr. K. D. Malaviya, the Union Minister for Mines and Oil, as chairman, has been constituted by the Government of India to advise her on problems relating to petroleum products. The members of the committee are Mr. Feroze Gandhi, M.P., Mr S. Nijalingappa, Mr A. K. Roy, Mr. O. Pulla Reddi, Mr S. Ranganathan, Mr. Kirpal Singh, Mr. Tarlok Singh, Dr. Nagendra Singh, Mr. K. K. Sahni, Mr. L. D. Mudie, Mr. J. W. Sinclair, Mr J. R. Price, Mr. W. P. G. Maclachlan and Mr. S. K. Kathavala. The chairman has been authorised to invite any other person to attend the committee's meetings, to be held at least once in three months.

The functions of the committee are: (a) preparation of forward estimates, product-wise and area-wise, of consumption of various petroleum products, with periodical revision, at least once a year if not once in six months, of such forward estimates; (b) determination, from time to time, of the extent of the likely deficit of particular products for the country as a whole, and in particular areas, after taking into account the likely effect of plants in other spheres of the economy and the effectiveness of measures to curb or discourage consumption of such deficit products; (c) examination of the ways and means to reduce or eliminate surpluses of particular products through increase in their consumption or exports or development of potential new uses for such products (or the distillate concerned); (d) preparation of product-wise forward estimates of refinery production and periodical review and assessment of actual production so as to suggest ways and means of reaching the realistic product pattern best suited to the consumption pattern in the country, including modifications in existing specifications with due regard to quality control and safety; (e) determination, first on freight basis, of the area of economic supply of each refinery (existing and future) and after assessing the relative deficits and surpluses of each product in the area which could be linked to the refinery concerned, examination of further adjustments in actual supply areas to reduce such deficits or surpluses while avoiding cross haulage; (f) assessment of the changing pattern of import to meet such overall deficits and yet to minimize actual outgo of foreign exchange, and of improvements that may be needed in existing port facilities for handling of petroleum products; (g) ways and means to ensure fullest utilisation of Indian flag ocean-going and coastal tankers to reduce outgo of foreign exchange on freight; (h) assessment of the need of tanks, wagons and other railway facilities to meet, in time, the movement requirements for petroleum products and, also, the possibility of having product pipelines to relieve the railways on sections on which particularly heavy petroleum traffic can be anticipated; (i) any other particular matter regarding refining and distribution of petroleum products that Government, on its own or on suggestion made by the committee, may from time to time include in the terms of reference.

UTILISATION OF IRRIGATION POTENTIAL

The Planning Commission has drawn the attention of the State Governments to the suggestions made by two of its Special Officers for fuller utilisation of the irrigation potential created during the past nine years. The two officers have stressed the need for a co-ordinated effort in this regard on the part of all the State departments dealing with agricultural problems. It has been suggested that the District Collector should be the co-ordinating authority for all the agricultural activities in his district so that the irrigation facilities available can be properly utilised.

The progress made in regard to the utilisation of the irrigation potential created during the past few years is not unsatisfactory as is evident from the figures given below:

Year	Potential created from I and II Plan Schemes at the beginning of the year	Utilisation at the end of the year
	(million acres)	
1956-57	5.3	
1957-58	6.2	3.4
1958-59	7.2	4.9
1959-60	9.0	5.9
		Not available

All the schemes included in the First and the Second Plans have a designed irrigation potential of about 38 million acres. Of this a potential of 5.3 million acres was created by the end of the First Five-Year Plan. It is expected that the potential created by the end of Second Plan would be nearly 13 million acres. The total estimated cost of the major and the medium irrigation schemes included in the First and the Second Five-Year Plans amounts to Rs 1,330 crores. Of this, Rs. 380 crores were spent by March 1956—the end of the First Plan. Another Rs. 400 crores are expected to be spent during the Second Plan period. The balance will be carried forward to the next Plan.

BRIEF

India currently purchased cotton worth Rs. 1 crore from Egypt. The Egyptian Government, it is learnt, considers the price to be paid by India for this cotton as 27.5 per cent lower than the normal price. The Government of India, informed sources disclose, has agreed that the Egyptian Cotton Corporation or the Egyptian Bank can make good this loss by reducing the price of the commodities imported by them from India to the same extent.

SELF-SUFFICIENCY IN TUBES

When, on 7th March 1956, Dr. Shri Krishna Sinha, Chief Minister, Government of Bihar, inaugurated the Fretz Moon Mill at the Jamshedpur Works of The Indian Tube Company (1953) Limited, we published an announcement of the Company's plans for expansion. These plans have now been fulfilled.

The present capacity of our Jamshedpur Works is approximately 1,40,000 tons of steel tubes per annum, manufactured by three processes—the Fretz Moon, the Electric Resistance Weld and the Pilger.

The Company has also established capacity at Jamshedpur for the manufacture of approximately 30,000 tons per annum of cold rolled steel strip for use in tube-making and for sales as strip. In addition, a plant has been installed for the fabrication of upto 1,50,000 Tubular Steel Poles per annum.

On 28th January, Shri Morarji Desai, Finance Minister, Government of India, performed the official opening ceremony of the Seamless Tube Mill. The completion of this means that India has achieved self-sufficiency in all sizes of steel tubes from ½" upto and including 6" nominal bore.

The Company's production so far has already saved India Rs. 26 crores of valuable foreign exchange and, with its present capacity, the annual saving in a year of full production will amount to approximately Rs. 20 crores.

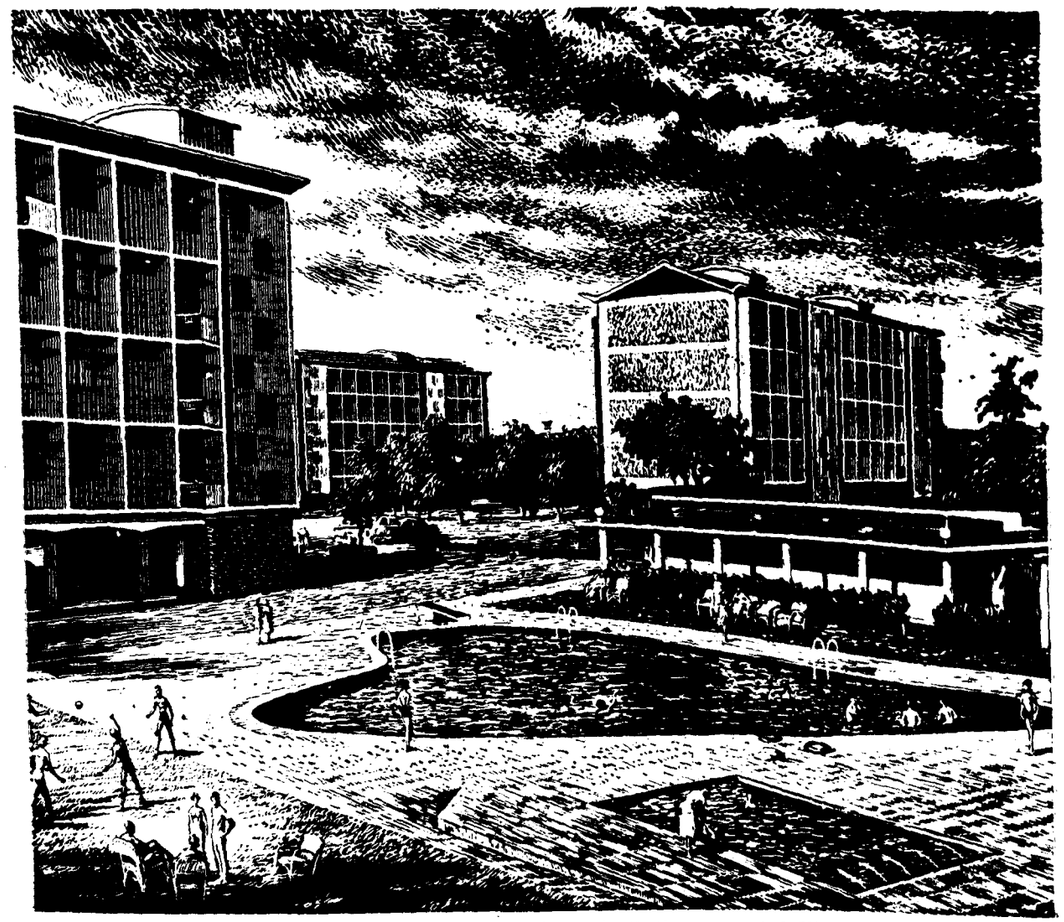
Further expansion will be undertaken to keep pace with the growth of the Indian economy.

INDIAN TUBE

THE INDIAN TUBE COMPANY (1953) LIMITED
A TATA-STEWARTS AND LLOYDS ENTERPRISE.

MANUFACTURERS OF: SCREWED AND SOCKETED TUBES, SCAFFOLDING TUBES, BOILER TUBES, FLUE TUBES, STRUCTURAL TUBES, MECHANICAL TUBES, FURNITURE TUBES, CYCLE TUBES, TRANSFORMER TUBES, ELECTRICAL CONDUIT, STEAM PIPE, OIL LINE PIPE, DRILL PIPE, CASING PIPE, TUBULAR STEEL POLES, COLD ROLLED STEEL STRIP, BOX STRAPPING, TUBULARS.

ITC-12



Swimming and wading pools: Staff quarters, U.K. High Commission, New Delhi

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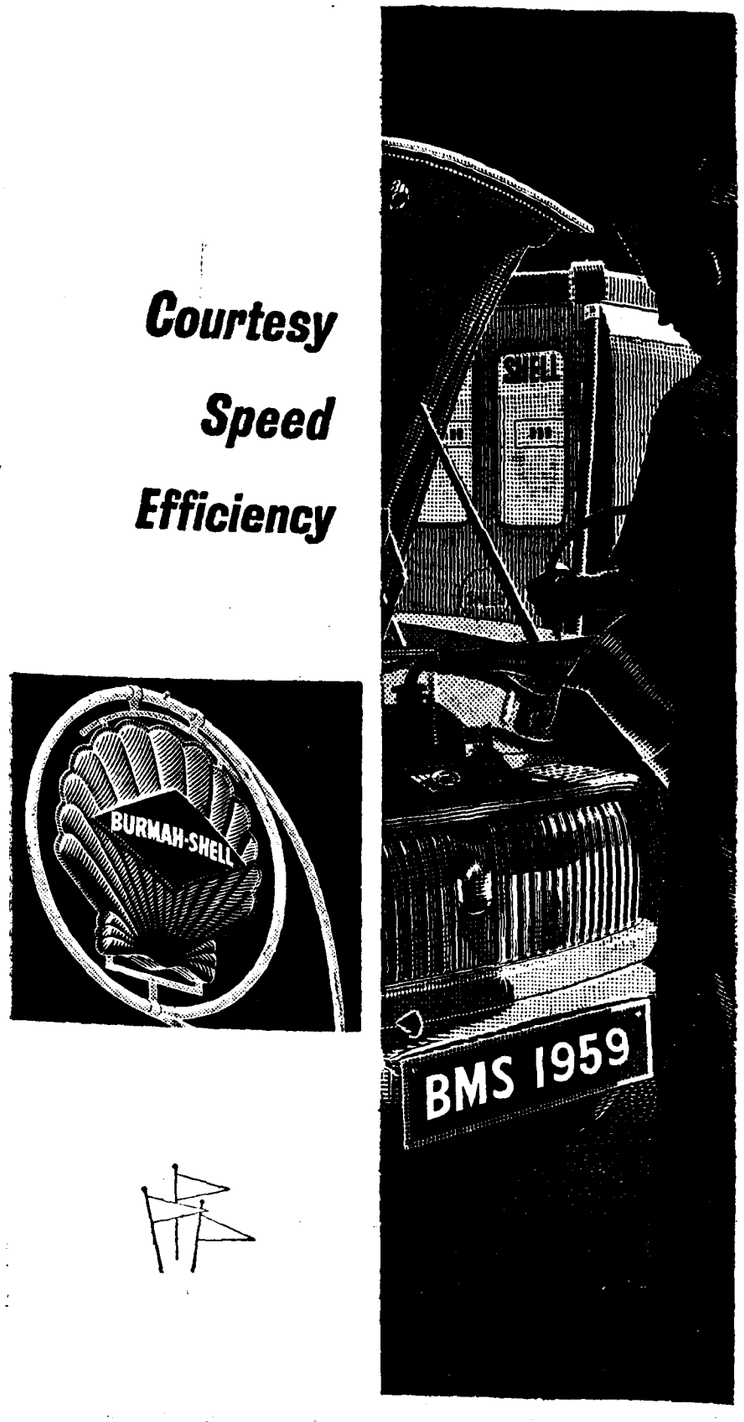
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BRITISH COMPANIES WORKING FOR INDIA

PSC 6



WORLDGRAM

India

U.S. Aid to India: Under the United States Economic and Technical Assistance Programmes, India as on November 30, 1959, has received an amount of Rs. 935.3 crores, Rs. 21.5 crores from Private Agencies and Rs. 963.8 crores from the United States Government. Details are shown below:

(Rs. crores)

From United States Government Programmes:

1. Technical and Economic Assistance under the Indio-American Programme (TCM) ..	218.6*
2. Sales of surplus agricultural commodities for Indian rupees under PL 480	436.0
3. Development Loan Fund	92.9
4. Export-Import Bank Credits	72.3
5. Wheat Loan of 1951	90.3
6. Famine Relief grants to Indian Government	5.0
7. Agricultural Commodities distributed through voluntary agencies	46.8
8. US Owned Third Country Currencies ...	1.9
TOTAL	963.8

From Private US Organisations:

1. Ford Foundation Grants	14.8
2. Rockefeller Foundation Grants	3.6
3. American Voluntary Agencies Aid under Indo-American Agreement	2.7
4. American Red Cross Contributions ..	0.4
TOTAL	21.5

* Includes the $20 million loan to the Orissa Iron Ore Project from the Asian Economic Development Fund.

*

Trade and Credit Agreement with Yugoslavia: A new Trade and Payments Agreement has been signed between India and Yugoslavia. The agreement will remain in force for a period of three years with effect from January 1, 1960. Payments for all commercial and non-commercial transactions between the two countries will be made in non-convertible Indian rupees. Under the agreement, India will export to Yugoslavia, besides the traditional goods, items like textiles, woollen fabrics, leather manufactures, plastic goods, sports goods, linoleum, textile machinery and accessories, spectacle frames, fountain pens and light engineering goods including sewing machines. Exports from Yugoslavia to India will mainly consist of essential machinery items like textile machinery and automatic looms, complete installations and plant, heavy chemicals, electric instruments, and such other goods.

Under the Credit Agreement, the Government of Yugoslavia would make available to the Government of India a credit amount equivalent to US $40 million for purchases of capital goods, heavy electrical and other equipment and ships for the projects included in the Third Five-Year Plan. The repayment of this credit will be effected through exports of Indian commodities.

Export-Import Bank Loan for Goodyear Tyre Co., Ltd.: The US Export-Import Bank has announced a loan of Rs. 2.2 crores to the Indian affiliate, Goodyear Tyre and Rubber Company of India, Private Ltd., for the contruction of a rubber products manufacturing plant, the largest foreign currency transaction made to date by the Bank under the Cooley Amendment to US Public Law 480. The purpose of the amendment is to encourage increased American investment through the utilisation of local currencies realised from the sale of American agricultural commodities. The affiliated tyre company will initially offer 20 per cent of the Company's stock to the Indian public and during the next five years, will offer upto 40 per cent of the stock.

*

Fokker Aircraft for IAC: The Indian Airlines Corporation has signed an agreement with the Royal Netherlands Aircraft Factories, Fokker, for the purchase, of five Fokker Friendship aircraft. The delivery of these aircraft is expected to be made early in 1961. IAC intends to put them chiefly on its Eastern India routes. The foreign exchange requirements for the purchase of these aircraft are to be met by an increased export of manganese ore and other goods from India. Capable of carrying 40 passengers, the estimated cost of a Fokker is Rs. 35.67 lakhs, which also includes the cost of providing storm-warning radar.

*

Use of Radio-Isotopes in Agricultural Research: A one-month international training course in the use of radio-isotopes in agricultural research has begun at the Indian Agricultural Research Institute, New Delhi from January 20, 1960. Jointly sponsored by the UNESCO, the FAO, the International Atomic Energy Agency and the Government of India, the training course will be attended by twenty-five trainees from Burma, Ceylon, Pakistan, Thailand and India. The training will be provided by experts from UK and USA and the Department of Atomic Energy and Indian Agricultural Research Institute.

*

Electric Travelling Cranes from Leningrad: Ten electric overhead travelling cranes will be shipped this year by the Kirov hoisting equipment works to the heavy engineering plant under construction in Ranchi. These cranes, capable of carrying loads of 30 to 100 tons, are being fitted with up-to-date control systems. Besides Leningrad factories in this year will produce for India other machines like, automatic lathes and grinding machines, milling machines, DC machines and printing machines of the newest designs.

United Kingdom

Amalgamation of Aircraft Companies: English Electric, Vickers, and Bristol Aeroplane, the three principal companies, have announced the proposal for the formation of a new joint Company which will have three wholly-owned subsidiaries—Vickers-Armstrongs (Aircraft), English Electric Aviation and Bristol Aircraft. The shares in this new joint Company will be held in the proportion of Vickers 40 per cent, English

Electric 40 per cent and Bristol Aeroplane 20 per cent. The three principal Companies also revealed that they were negotiating with the Hunting Group with a view to Hunting Aircraft participating in the new joint Company.

*

New Process for Producing Gas from Oil: A new cheap process for continuous gasification of petroleum oil which does not employ catalysts has been developed by Incandescent Heat Co., Ltd. of Birmingham. The process takes place in small "packaged" plants where the heat required to break down the oil is supplied by burning additional fuel oil and waste products in a compact, simple furnace. The oil to be gasified is injected into the cracking unit together with steam. The system is specially designed to enable uniform and precise control of the temperatures to be maintained. This is necessary in order to keep the production of unwanted by-products to a minimum. The method also enables the calorific value of the gas produced to be varied continuously, in a range of 500 to 1,200 British thermal units per cubic foot.

West Germany

Universal Fund Sponsored: A new international unit trust to invest in North American and European shares will offer units for sale in West Germany, Switzerland, and Luxembourg, beginning on February 25. The offer will subsequently be extended to Netherlands and Belgium. It will be an open-end fund with an initial issue price of Swiss Frs. 100 (about £8 3s. 5d.)

*

Loan for World Bank: The International Bank for Re-construction and Development has arranged to borrow DM 200 million ($47.6 million) from the Deutsche Bundesbank, the Central Bank of West Germany. This is the second Deutsche mark borrowing by the World Bank from the Bundesbank, an equal amount having been borrowed under a draw down arrangement made in 1950. Under the loan agreement the World Bank may from time to time, prior to January 31, 1961, draw down the principal of the loan.

U.S.S.R.

Volcanic Glass as Building Material: Perlitoconcrete—a new construction material of volcanic origin—has been applied in the USSR for the first time at the construction of an aluminium plant near Irkutsk in Eastern Siberia. The perlitoconcrete is made of volcanic glass, perlite, which when heated swells to ten times its original volume. Soviet specialists have demonstrated the possibility of using perlite as a filler for concrete structures. Perlitoconcrete walls, it is claimed, can be made 50 per cent thinner and almost 75 per cent lighter than the usual walls.

*

Motor Fuel From Paraffin: Soviet scientists have evolved a method of turning paraffin into high-grade fuel which will cut the cost of producing motor spirit by 3 to 4 times, according to a 'Tass' report. An experimental unit has been producing the fuel at the Moscow oil refinery for more than three years. It is the first time in the world that motor fuel had been separated from paraffin. In operation, the plant will process upto 1,500 tons of oil products daily.

First Steel Mill to be Built in Iraq: Soviet specialists have started work on the plan of the first iron and steel mill to be built in Iraq. Under the Soviet-Iraqi agreement on economic and technical co-operation, the Soviet Union will assist Iraq in the construction of the mill and will provide the equipment for it. The mill is to have an electric steel foundry with four furnaces and a rolling shop which will provide rolled stock for the farm machinery and the building industries. An iron foundry will produce tubes and profile castings. The mill, when completed, will satisfy about 20 per cent of the country's requirements in ferrous metal.

United Arab Republic

Joint Arab Air Company: The project for the creation of one single air Company to include all Arab States, which had been discussed many times in the past seems to be approaching a successful conclusion. In fact the Jordanian Government has approved the proposal from the Arab League Council concerning the creation of a joint Arab air company called "United Arab Airways". The capital of the Company would amount to £27 million.

U.S.A.

New Peak in National Income: The Commerce Department of United States has released the preliminary estimates of national income for the year 1959. The estimates show that a new all-time peak has been reached in national income this year. National Income for the year is placed at $400,000 million, which is nearly one-tenth above the previous record of $366,000 million attained in 1957. The increase in national income is due to higher income from most of the country's major industries with the exception of farm income where lower prices offset the volume of production which is substantially maintained in 1959.

Japan

Import Restrictions Relaxed: The Japanese Government have announced a series of liberalisation measures aimed at making 42 per cent of Japan's imports free from restrictions against the current 32 per cent. Nearly 300 items will be completely freed in stages between April 1 and October 1 this year—mostly in the earlier part of the period. They include scrap steel, beef tallow, crude lard, hides and skins, pig iron, soya beans, wool waste, coffee beans, cocoa beans, nickel ore and certain types of chemical, agricultural and marine products.

East Germany

Leipzig Spring Trade Fair: The 1960 Leipzig Spring Trade Fair will be held from February 28 to March 8, 1960, as Technical Fair and Sample Fair for consumer goods covering an overall exhibition area of about three million sq. ft. 9,500 exhibitors from about 50 countries will be participating in the fair. As a result of expansion of trade of the European nations with overseas countries, the number of exhibitors from non-European countries has continued to increase. Prominent among them are India, Burma, Indonesia, Japan, Australia, Iraq and the United Arab Republic. Further it is of interest to note that Ghana and Cuba are exhibiting in Leipzig for the first time. In short the Leipzig Fair foreshadows a further consolidation in East-West trade as a result of the worldwide efforts for a lessening of international tension.

NEWS IN BRIEF

INDIAN

An increase of about 100 million yards in the production of cotton cloth was recorded during the year 1959, compared with the total output of 7056 million yards in 1958. The cotton textile industry including the handloom and powerloom sectors produced 7153 million yards during 1959.

*

A chemical treatment plant for timber has been installed in the Hindustan Housing Factory and has had a successful trial run. The total cost of the plant works out to about Rs. 72,000.

*

The production of automobiles in the country showed an appreciable rise in 1959, the main contributing factors being the rapidly increasing indigenous content of cars, trucks and vehicles and liberal imports of components allowed to manufacturers. The total production of cars, trucks, buses and jeeps in 1959 amounted to 36,460, the highest record so far.

*

In the first three years of the Second Plan, Rs. 10.6 crores had been spent on the educational schemes undertaken for scheduled castes, scheduled tribes and such other purposes.

*

The United States Export-Import Bank has announced that it had approved a credit of 22.5 million Indian rupees to help build and finance a rubber tyre factory at New Delhi. The loan was made to the Good Year Tyre and Rubber Co. of India, an affiliate of the U.S. firm of the same name.

*

Preliminary steps have been taken to organise a permanent power station at Bangalore for conducting applied research in power engineering in the country.

*

The Government of India have sanctioned the allocation of a sum of Rs. 30 lakhs to the Delhi Administration for this financial year for grant of house-building loans under the Middle Income Group Housing Scheme to persons in the income range of Rs. 6,000 to Rs. 12,000 per annum.

*

Exports of North East Indian tea in November, 1959, declined sharply to 51.23 million lbs. from 84.79 million lbs. in the corresponding month of last year, according to trade sources.

*

The year 1959 witnessed a marked improvement in production of Katki and Aghani (Kusmi) lac crops in India, according to the final estimates of the Katki and preliminary estimates of the Aghani (Kusmi) lac crops production in 1959 issued by the Indian Lac Cess Committee.

*

There were 131 fresh industrial disputes in October 1959, bringing the total number of disputes current at any time during the month to 168 including 10 lock-outs.

FOREIGN

Shipowners in Japan will receive 1000 m. yen in subsidies during the financial year beginning April 1, a Japanese Transport Ministry spokesman revealed. The subsidies are to help shipowners pay the interest on their shipbuilding debts to commercial banks.

*

Africa now accounts for about 22 per cent of world exports of coffee as against 15 per cent in 1950. Madgascar and French West Africa are responsible for about 40 per cent of total African output.

*

The Board of Managers of the New York Cotton Exchange has amended the exchange rules to permit trading in contracts for the future delivery of cotton upto 24 months ahead. The date set for the beginning of trading in the additional six months is February 10.

*

Dr. T. E. Donges, South African Finance Minister announced recently that the transfer of South African funds for investment, in the Federation of Rhodesia and Nyasaland would be freely permitted in future.

*

The Japanese Ministry of Finance said recently that Japan was planning to float external bonds totalling $50m. in the financial year beginning this April.

*

During the past 12 months steady progress has been made in the Federal Republic of Germany towards taking in as owners of public property people from the small and middle-income groups.

*

Britain's 1959 export total of £3,326m. was 5 per cent more than in 1958 and one per cent up on the 1957 peak. Imports at £3,993m. exceeded 1958 imports by 6½ per cent, but were still 1 per cent less than 1957. Re-exports last year reached £130m.

*

The National Finance Corporation rate on call money has been changed in South Africa to 3.10 per cent from January 15. The previous rate was 3.075 per cent.

*

Asian Oil Company of Japan has announced that it had signed a long-term contract with the Soviet Union to import 1½ m. tons of crude oil from Russia. The oil will come from the Tumanjinskaya oilfield, Baku. The contract valued at US $22.5 m. covers imports to be made over the next six years.

*

West Germany's imports from Britain last November were 21 per cent more than in November, 1958. They totalled DM 145.8 m.—4.1 per cent less than in the record month of October.

*

A new international unit trust to invest in North American and European shares will offer units for sale in West Germany, Switzerland and Luxemburg, starting on February 25. The offer will subsequently be extended to the Netherlands and Belgium. It will be an open-end fund, with an initial issue price of Swiss Frs. 100.

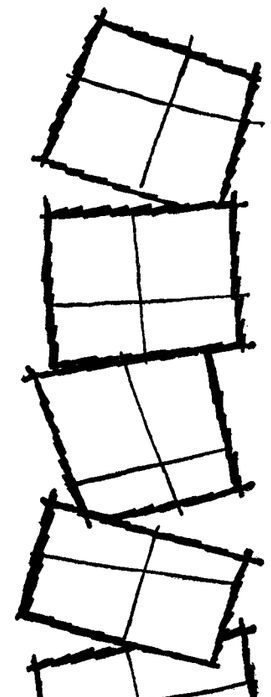
*

It is reported Russia has agreed to finance the second stage of the new Aswan High Dam in Egypt.

*

By 1961, the Italian railways are planning to celebrate the centenary of United Italy by abolishing the last of the steam-drawn trains. By that time, 8,000 kilometers of line are expected to be running on electricity and the rest will be all diesel-powered.

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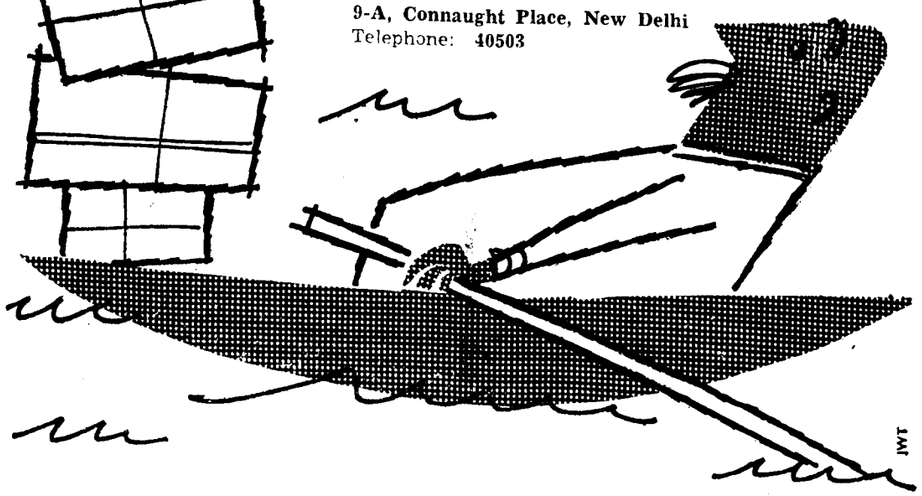
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Tokyo ... *(3 flights a week, via Bangkok and Hong Kong)*
Sydney ... *(1 flight a week, via Singapore and Jakarta)*
Jakarta... *(2 flights a week, via Singapore)*
Nairobi... *(2 flights a week, via Karachi and Aden)*
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COMPANY AFFAIRS

INDIAN AIRLINES CORPORATION

The year ending March 31, 1959, was of significant importance in the affairs of the Corporation. With the introduction of the Viscounts, the trunk routs of the Corporation became more popular and remunerative. The increase in traffic, the revision of fares, and the re-organisation of the rout pattern secured a financial improvement which made it possible for the Corporation to show better results in the sense that the deficit during the year was significantly lower than the previous year. The revenue during the year at Rs. 1082.49 lakhs was higher than last year's Rs. 926.07 lakhs. The expenditure during the year also went up with the result that the loss was recorded at Rs. 91.19 lakhs against Rs. 103.07 lakhs during the previous year.

The expenditure has increased in respect of direct costs, like fuel and oil, landing charges, materials and outside repairs for maintenance of flight equipment, insurance and depreciation, mainly due to the greater capacity operated with costlier aircraft during the year. The increase in salaries and allowances was mainly due to the award of the National Industrial Tribunal and over-time to staff engaged on supply dropping operations. The cost per capacity ton-mile produced shows an increase of about 2½ nP. over the figure for the previous year. The increased cost is, in a great measure, due to two additional items of expenditure appearing in this year's accounts—a provision of Rs. 10 lakhs has been made for obsolescence of spare parts and certain additional insurance covers were taken. Otherwise, the cost per capacity ton-mile would remain at the same level as last year. The Government of India have intimated their decision to subsidise the losses of the Corporation on the basis of a standard cost and to re-organise the capital structure of the Corporation by writing off the past losses and treating a part of the capital as interest free. The year under review saw the coming into being of the much needed central training establishment.

GANNON DUNKERLEY & CO., LTD.

The working of the Company during the year ending March 31, 1959 remained practically the same as during the previous year but the absorption of a large amount by way of development rebate and bonus made it necessary to transfer funds from dividend reserve. The turnover in the general departments has failed considerably due to the acute foreign exchange position of the country. The civil and mechanical engineering departments have maintained their turnover and have a reasonable number of contracts still to be completed. The engineering workshop of the Company for the manufacture of liquified petroleum cylinders went into production in December 1958; the full impact of its working will be reflected only in the next year. The trading department had a comparatively difficult times to face in view of the present import policy and as a result the Company is putting a greater reliance on civil and mechanical engineering and the establishment of the workshop for manufacture of liquified petroleum cylinders.

The profit for the year before providing for depreciation and taxation came to Rs. 7.35 lakhs. A sum of Rs. 1.26 lakhs has been separated towards depreciation, Rs. 2.66 lakhs towards development rebate and Rs. 2.20 lakhs towards taxation. The Directors have recommended the payment of a dividend at a rate of 6 per cent which will absorb Rs. 2.16 lakhs. The Income Tax reserve of the Company now stands at Rs. 21.70 lakhs which in the opinion of the Directors is sufficient to cover all liabilities of taxation to date.

THE BANK OF BARODA LTD.

The profit of the Bank of Baroda Limited for the year 1959, (subject to audit) including the sum of Rs. 3.04 lakhs brought forward, amounts to Rs. 31.93 lakhs. The Directors paid an ad-interim dividend for the half year ended 30th June, 1959, at the rate of 14 per cent per annum which absorbed Rs. 8.75 lakhs. Provision for taxation absorbed Rs. 4.00 lakhs. The Directors now propose to pay final dividend for the half-year ended 31st December, 1959 at the rate of Rs. 3.50 per ordinary share and at Rs. 1.75 per 'B' ordinary share, subject to deduction of tax at the appropriate rates, amounting to Rs. 8.75 lakhs, making in all 14 per cent for the year and to carry forward Rs. 10,42,800 to the next account, subject to a payment of bonus to staff.

The profit for the last year was Rs. 31.54 lakhs including Rs. 4.11 lakhs brought forward from the previous year. While provision for taxation absorbed Rs. 5.50 lakhs, a dividend at the rate of 12 per cent was paid on ordinary shares.

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COMMODITY NEWS AND NOTES

BIG RISE IN RUSSIAN TEA PRODUCTION

Georgia, which accounts for most of the tea produced in the Soviet Union, has substantially expanded its output. Over 140,000 tons (about 300 million lb.) of top quality tea leaf have been sold to the Government this year—an increase of 33,000 tons over 1953. The average yield per hectare is almost 30 metric centners. World records in picking tea leaf have been set up by Tatyana Chkhaidze (165 metric centners per hectare) and some other collective farm women. This was revealed in a report placed at the plenary meeting of the C.P.S.U. at Moscow, according to a handout from the U.S.S.R. Embassy.

Georgia's tea growers resolved to attain the tea harvest level (170,000 tons) planned for 1965 as early as 1963 and to pick not less than 200,000 tons in 1965, the last year of the 7-Year Plan period. The Georgian Republic would continue to expand the production of tea, fruit, grapes, laurel leaf, tobacco and other southern and subtropical crops.

STORAGE OF EDIBLE OILS

Studies in packaging, transportation and storage of edible vegetable oils carried out at the Central Food Technological Research Institute, Mysore, have revealed that pigments present in the oils have a marked influence on their stability. By suitably controlling the proportions of the red and yellow pigments in the oil's rancidity which develops on storage can be controlled. Another finding is the need for refrigerated transport for oils. During transportation, the temperatures go up to 138-140°F. The present methods adopted by the trade for the storage and transportation of edible vegetable oils in India are highly unsatisfactory and no serious attempt has been made to investigate the underlying causes leading to the onset of rancidity. In view of the fact that large quantities of oils are usually transported over long distances and stored for considerable periods before use, these problems assume great economic importance. Investigations of a fundamental nature have been in progress at the Central Food Technological Research Institute over the past few years using glass containers, and certain interesting results have been obtained.

SODIUM ACETATE TO CARRY ISI MARK

The Indian Standards Institution has recently granted the first licence for the use of the ISI Standard Mark in respect of Sodium Acetate (Technical Grade). This chemical is used as intermediates in dyes, manufactures of dry colours, pharmaceuticals and in various other industries. Under the provisions of the ISI Certification Marks Act, 1952, the ISI has been empowered to grant such licences to manufacturers Complaints regarding the quality of the material bearing ISI Certification Mark may be referred to the Indian Standards Institution, as well as to the licensee.

USEFUL CHEMICAL FROM MANGANESE ORE REJECTS

Over a million tons of low-grade manganese ore, now rejected every year as waste, can be used profitably as a result of a process developed recently at the National Metallurgical Laboratory, Jamshedpur. The ores, containing about 39.5 per cent manganese dioxide, can be processed chemically to yield battery-active manganese dioxide for torch cells and for other chemical industries. A digest of the process is featured in the December, 1959, issue of "Research and Industry," a science monthly published by the Council of Scientific and Industrial Research. Another article in the same issue deals with recent advances in the processing and utilization of oils, fats and allied products; the refining of cottonseed and tobacco seed oils; potential uses of rice bran, 'neem', tobacco seed and safflower oils; use of cashew nut shell liquid in insecticidal compositions etc. The salient features of these and other developments, reported at a symposium held recently at Kanpur, are brought out in the article. Other articles appearing in this issue describe the process of preparation of bagasse pulp by sulphate digestion and the progress of the Indian plastics industry.

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FIRECLAY, SILICA, MAGNESITE, CHROMITE, CHROME MAGNESITE AND INSULATING

in all sizes and intricate shapes with different types of

MORTARS

Manufactured in collaboration and under guidance of

Dr. C. OTTO & COMP. G.M.B.H. BOCHUM-DAHLHAUSEN, West Germany.

This is only an announcement for information and not a Prospectus and applications are invited on the basis of the Prospectus copies whereof are available from the Company's Underwriters, Managing Brokers and Bankers mentioned hereinunder.

Consent of the Central Government has been obtained to this issue by an order of which a complete copy is open to public inspection at the Registered and Head Offices of the Company. It must be distinctly understood that in giving this consent the Central Government do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

The Central Government has granted licence for the establishment of this new industrial undertaking under the Industries (Development and Regulation) Rules 1952 (as revised).

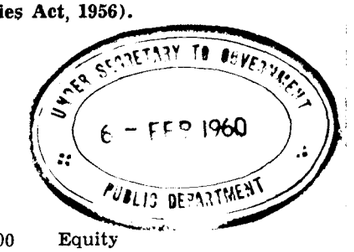
A copy of the Prospectus having attached to it the documents required by Section 60 of the Companies Act, 1956, has been delivered for registration to the Registrar of Companies, Bombay.

Applications will be made to the Stock Exchanges of Bombay, Calcutta and Delhi, for permission to deal in and for official quotations of the shares of the Company.

The subscription list will open at the commencement of Banking hours on 8th February, 1960, and will close at the close of the Banking hours on 18th February 1960 or earlier but not before the mid-day of 15th February, 1960 at the discretion of the Directors.

HINDUSTAN ALUMINIUM CORPORATION LIMITED

(Incorporated on 15th December 1958 at Bombay under the Companies Act, 1956).



AUTHORISED CAPITAL
Divided into:

1) 1,00,00,000 Equity shares of Rs. 10/- each.	Rs. 10,00,00,000/-	**Rs. 20,00,00,000/-**
2) 2,50,000 6.3% (Free of tax) Redeemable cumulative Preference shares of Rs. 100/- each.	Rs. 2,50,00,000/-	
3) Balance to be classified at the time of issue.	Rs. 7,50,00,000/-	

ISSUED SHARE CAPITAL

1,50,000 Equity shares of Rs. 10/- each including 39,000 Equity shares taken by Kaiser Aluminium & Chemical Corporation.	**Rs. 15,00,000/-**

PRESENT ISSUE

1) 58,50,000 Equity shares of Rs. 10/- each.	Rs. 5,85,00,000/-	
2) 2,50,000 6.3% (Free of tax) Redeemable cumulative Preference shares of Rs. 100/- each.	Rs. 2,50,00,000/-	
		Rs. 8,35,00,000/-

OUT OF THE PRESENT ISSUE

1) Kaiser Aluminum & Chemical Corporation, Oakland, will be allotted for consideration other than in cash	4,80,000 Equity shares of Rs. 10/- each.	Rs.	48,00,000/-
2) Kaiser Aluminum Technical Services Inc., Oakland, will be allotted for consideration other than in cash	1,20,000 Equity shares of Rs. 10/- each.	Rs.	12,00,000/-
3) Kaiser Aluminum & Chemical Corporation, Oakland, who are amongst the promoters and their associates will subscribe for and will be allotted.	9,61,000 Equity shares of Rs. 10/- each.	Rs.	96,10,000/-
4) Birla Gwalior Private Ltd., Gwalior, also one of the promoters and/or their Directors, associates, friends, and/or nominees will subscribe for and will be allotted.	21,33,000 Equity shares of Rs. 10/- each.	Rs.	2,13,30,000/-
			Rs. 3,69,40,000/-

NOW OFFERED AT PAR FOR PUBLIC SUBSCRIPTION:

21,56,000 Equity shares of Rs. 10/- each	Rs. 2,15,60,000/-
2,50,000 6.3% (Free of tax) Redeemable cumulative Preference shares of Rs. 100/- each	*Rs. 2,50,00,000/-
	Rs. 8,35,00,000/-

*Out of the above shares offered to the public the Life Insurance Corporation of India have agreed to take 35,000 Preference shares of Rs. 100/- each and allotment will be made to that Corporation accordingly.

The entire issue to the Public including the aforesaid 35,000 Preference Shares has been underwritten.

TERMS OF PAYMENT OF ABOVE SHARES

(Except in regard to Equity shares to be issued for consideration other than in cash)

EQUITY SHARES

On application	Rs. 2.50 per share
Balance	Rs. 7.50 per share on call or calls to be made not earlier than 4 months after allotment.
	Rs. 10.00 per share

PREFERENCE SHARES

On application	Rs. 25.00 per share
Balance	Rs. 25.00 per share on a call to be made not earlier than 6 months after allotment.
	Rs. 50.00 per share on call or calls to be made not earlier than 12 months after allotment
	Rs. 100.00 per share

DIRECTORS:

Name	Address	Occupation and Description
1. Shri G. D. Birla (Chairman)	Birla House, 5, Tees January Marg, New Delhi.	Industrialist and Businessman.
2. Mr. Edgar F. Kaiser	Oakland, California, U.S.A.	Industrialist and Chairman and Director, Kaiser Aluminum and Chemical Corp.
Mr. Charles O. Thompson is Alternate for Mr. Edgar F. Kaiser	193, Golf Links, New Delhi.	Engineer, Businessman and Representative, Kaiser Engineers Overseas Corp.
3. Mr. Thomas K. McCarthy	Oakland, California, U.S.A.	Attorney and Vice - President, Kaiser Aluminum and Chemical Corp.
Mr. Cyril A. Groves is Alternate for Mr. Thomas K. McCarthy	29, Netaji Subhas Road, Calcutta.	Solicitor and member of Messrs. Orr, Dignam & Co., Solicitors, Calcutta.
4. Shri M. P. Birla	8, India Exchange Place, Calcutta.	Industrialist and Businessman.
5. H. H. Maharaja Jam Shree Digvijaysinghji Ranjitsinghji of Navanagar	The Palace, Jamnagar.	Landowner and Maharaja of Jamnagar.
6. Shri Arvind Navinchandra Mafatlal	Mafatlal House, Backbay Reclamation, Bombay-1.	Industrialist and Businessman.
7. Shri Debi Prasad Goenka	9, Brabourne Rd., Calcutta.	Industrialist and Businessman.
8. Shri N. K. Petigara.	21, Pali Hill, Bombay-20.	Solicitor and Partner of Messrs. Mulla and Mulla & Craigie Blunt & Caroe, Solicitors, Bombay.

REGISTERED OFFICE

Industry House, 159, Churchgate Reclamation, Bombay-1.

HEAD OFFICE:

8, India Exchange Place, Calcutta-1.

MANAGING AGENTS:

Birla Gwalior Private Ltd., Baijal's Kothi, Morar, (Gwalior).

BANKERS FOR THE ISSUE:

1. The United Commercial Bank Ltd., Petit, Building, Dr. Dadabhai Naoroji Road, Bombay-1.
2. The Central Bank of India Ltd., Central Bank Building, Mahatma Gandhi Road, Bombay-1.
3. The Bank of Baroda Ltd., Bank of Baroda Building, Apollo Street, Bombay-1.
4. The Union Bank of India Ltd., Union Bank Building, Apollo Street, Bombay-1.
5. The Bank of India Ltd., Bank of India Building, Mahatma Gandhi Road, Bombay-1.

SOLICTORS

Messrs. Mulla & Mulla & Craigie Blunt & Caroe, 51, Mahatma Gandhi Road, Bombay-1.

AUDITORS

Messrs. Singhi & Co., Chartered Accountants, 1/B, Old Post Office Street, Calcutta-1.

UNDERWRITERS

1) The Industrial Credit and Investment Corporation of India Ltd., Union Bank Bldg., Apollo Street, Bombay-1.
2) The Central Bank of India Ltd., Bombay.
3) Life Insurance Corporation of India, Jeewan Kendra, Jamshedji Tata Road, Bombay.
4) The Bank of India Ltd., Bombay.
5) The Bank of Baroda Ltd., Bombay.
6) The United Commercial Bank Ltd., 2, India Exchange Place, Calcutta-1.
7) The Union Bank of India Ltd., Bombay.
8) Hindustan Investment Corporation Ltd., 8, India Exchange Place, Calcutta-1.
9) Prodrce and Share Brokers Ltd., Jaipuria Mansion, Tholia Circle, Jaipur.

MANAGING BROKERS TO THE ISSUE

1. **Messrs. Navalchand T. Shah & Co.,** 102, Stock Exchange New Building, Dalal Street, Bombay-1.
2. **Messrs. Chimanlal J. Dalal & Co.,** Stock Exchange New Building, Dalal Street, Bombay-1.
3. **Messrs. Batlivala & Karani,** Union Bank Building, Apollo Street, Bombay-1.
4. **Messrs Devkaran Nanjee & Co.,** 5, Hamam Street, Bombay-1.
5. **Messrs. Dhirajlal Maganlal Purshotamdas,** Stock Exchange New Building, Dalal Street, Bombay-1.
6. **Messrs. Place, Siddons & Gough (Private) Ltd.** 6, Lyons Range, Post Box No. 592, Calcutta.
7. **Messrs. Harbans Singh Mehta & Co.,** 33, Regal Buildings, Post Box No. 300, New Delhi-1.

CONSENT

The consent in writing of the Bankers, Solicitors, Auditors and Brokers to act in their respective capacities have been filed with the Registrar of Companies.

DIVIDEND AND CAPITAL

The Company in General Meeting may declare a dividend to be paid to the members according to their right and interest in the profits of the Company and may, subject to the provisions of the Companies Act, 1956, or any statutory modification or re-enactment thereof, fix the time of payment.

No dividend shall be payable except out of the profits of the Company during the year or any other undistributed profits and no dividend shall carry interest as against the Company.

Preference Share: Preference Shares will confer upon the holders thereof the right out of the profits of the Company determined to be divided to a fixed cumulative preferential dividend to accrue from date of allotment at the rate of 6.3% (free of tax) per annum on the capital for the time being paid up (payable on the day specified in the declaration of dividend and in case a dividend is not declared then the dividend to be deemed to be payable on the sixtieth day after the Annual General Meeting which considers the accounts for the relevant period), and in winding up to a payment of such capital and arrears of such fixed dividend accrued up to the commencement of the winding up (whether earned or declared or not) in priority to the Equity Shares, but shall not confer the right to any further participation in either profits or assets.

VOTING RIGHTS

So far as Equity shares are concerned every member present in person or if a body corporate through a representative or by proxy, is entitled to have one vote. On a poll, the voting right of such member whether present in person or by representative or by proxy is to be in proportion to his share of the paid-up Equity share capital of the Company.

So far as Preferance shares are concerned, every member of the Company holding such Preference share capital will in respect of such capital have a right to vote only in resolutions or questions placed before the Company which directly affect the rights attached to the Preference shares. A resolution for winding up of the Company or for repayment or reduction of its share capital is to be deemed directly to affect the rights attached to Preference shares. Every member of the Company holding any Preference share capital is also entitled to vote on every resolution or question placed before the Company at any meeting if the dividend due on such capital or any part of such dividend has remained unpaid, in the case of cumulative Preference shares in respect of an aggregate period of not less than 2 years preceding the date of the commencement of the meeting.

Where the holder of a Preference share has a right to vote, he shall, if present in person, have one vote upon a show of hands and upon a poll, he shall whether present in person or by proxy have a voting right in the same proportion as the capital paid up in respect of the Preference shares bear to the total paid up Equity share capital of the Company.

BORROWING POWERS

The Board of Directors of the Company is by Resolution of the company passed on 4th September, 1959, permitted to borrow monies from time to time for and on behalf of the Company so that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate paid-up capital of the Company and its free reserves, that is, reserves not set apart for any specific purpose, provided the amount of the monies so borrowed at any particular time shall not exceed in the aggregate Rs. 15,00,00,000/-.

OBJECTS OF THE COMPANY

The Company was incorporated on 15th December 1958 with objects mentioned in the Memorandum of Association of the Company and in particular to undertake the manufacture or production of alumina, aluminium, aluminium products and by-products.

HISTORY OF THE COMPANY

This Company is the result of collaboration between the Kaiser Organisation of the United States of America and the House of Birlas of India, and the personal interest taken in by Mr. Edgar F. Kaiser and Mr. G. D. Birla, both of whom are leading industrialists in their respective countries.

It has long been known that there are in India large deposits of bauxite, which is the principal raw material required in the manufacture of aluminium and that India's requirements of aluminium are such that existing indigenous manufacturing capacity is unable to meet them, with the result that large amounts of foreign exchange are spent in the importation of this metal.

The formation of the Company is the result of this Indo-American collaboration. The decision to establish an integrated alumina and aluminium plant near the Rihand Dam in District Mirzapur in the State of Uttar Pradesh was taken after Kaiser Engineers Overseas Corp., a subsidiary of Henry J. Kaiser Company, the well-known American consulting engineers and contractors had prepared a confidential study of the feasibility of the project which was found satisfactory.

MANUFACTURING LICENCE

The Government of India has issued under the Industries (Development & Regulation) Rules 1952 (as revised) a Licence No. L-IB(1)/N-3/59, dated the 26th September 1959 for an integrated plant of an installed capacity of 20,000 metric tons per annum on continuous working for the manufacture of aluminium ingots at least one-third of which is to be of electrolytic grade suitable for making conductors.

PLANT SITE AND POWER

The Plant will be located near the Rihand Dam where there is ample land available as well as attendant facilities. A railroad to serve the Rihand Dam site is under construction to the Plant site area. Agreement has been signed with the Govt. of Uttar Pradesh for supply of power.

LAND

It is proposed to acquire 2,000 acres or more of land in the vicinity of Rihand Dam site for the factory housing, etc. on suitable terms.

WATER SUPPLY

Adequate water supply for the factory is available in the Rihand area.

BAUXITE

Good commercial grade Bauxite deposits are to be found in Lohardaga area in Bihar and agreement has been concluded with Minerals & Minerals Ltd., Calcutta, for supply of the same. Good commercial Bauxite is available in Amarkantak area of Madhya Pradesh and the M.P. Govt. has granted a lease for mining Bauxite over 1236.20 Acres of land in that area.

MARKETABILITY

The Plant is expected to go into operation in 1962 when it is estimated that the requirements of primary Aluminium in India will be some 52,500 tons. Existing manufacturing capacity of Aluminium in India is approximately 17,500 tons per annum and the existing concerns may expand their organisations to produce another 12,500 tons annually. It, therefore, appears reasonable that a market will exist in India for the absorption of the full output of this Company's proposed 20,000 tons Plant when it is able to work to capacity.

COLLABORATION AGREEMENTS

The Company has entered into agreements with the following:

1. **Kaiser Aluminum & Chemical Corporation.** This agreement provides for the assignment and sale of "Know-How" to the Company. In consideration of transfer and assignment of "Know-How" the Company is to allot to the said Corporation 4,80,000 Equity shares of Rs. 10/- each credited as fully paid up.

2. **Kaiser Aluminum Technical Services, Inc.** Under this agreement provision is made that qualified technicians and engineers will be supplied to the Company and provision is also made to train Company's employees in the operation of Plant. Qualified technicians and engineers will also be supplied to the Company to render technical advice to the Company and

assist it in operating the plant including aluminium fabrication whenever the Company undertakes the operation of fabricating facilities. Provision is also made for the supply of information for a period of 20 years on all technical matters. This Company has to allot in consideration of what it gets to Kaiser Aluminum Technical Services Inc. 1,20,000 Equity shares of Rs. 10/- each credited as fully paid up and has also to reimburse Kaiser Aluminum Technical Services Inc. for all its expenses incurred in rendering the assistance as set forth in the agreement.

3. **Henry J. Kaiser Co.** For such design, engineering procurement and related services with regard to the construction of the plant at Rihand as are to be performed outside the Union of India. The fee to be paid to Henry J. Kaiser Co. is $1083,000 payable in U.S.A. Over and above this fee, the Company has agreed to reimburse Henry J. Kaiser Co. for all costs and expenses of every kind incurred by it in the performance of work and services under the contract.

4. **Kaiser Engineers Overseas Corp.** This agreement is in regard to engineering, procurement and construction services to be rendered within the Union of India. The fee payable for these services by the Company is U.S. Dollars 217,000 payable in U.S.A. Besides the fee, all costs and expenses of every kind incurred by Kaiser Engineers Overseas Corp. in the performance of the work and services under the contract are to be reimbursed to them.

INTEREST OF DIRECTORS

(1) Mr. G. D. Birla is a Director and Chairman of the United Commercial Bank Ltd., which is one of the Underwriters of this Issue and one of the Bankers of the Company.

(2) Mr. Edgar F. Kaiser is President of Henry J. Kaiser Company, President of Kaiser Engineers Overseas Corp. and Chairman of the Board and a stockholder in Kaiser Aluminum & Chemical Corporation. He is therefore interested in the transactions with these Corporations and such other Corporations as are described in the Prospectus.

(3) Mr. Thomas K. McCarthy is Vice-President and Counsel of Kaiser Aluminum & Chemical Corporation and a stockholder of that Company and a Vice-President of Kaiser Aluminium Technical Services Inc., and is therefore interested in the Agreements with those Corporations and with other Associated or Subsidiary Corporations.

(4) Mr. M. P. Birla is a Director of Birla Gwalior Private Limited, the Managing Agents of the Company.

(5) Mr. D. P. Goenka is a Director of Industrial Credit & Investment Corporation of India Ltd. which is one of the Underwriters of this Issue.

(6) Mr. Arvind N. Mafatlal is a Director of the Bank of Baroda Ltd., which is one of the Underwriters of this Issue and one of the Bankers of the Company.

(7) Mr. N. K. Petigara is a partner in the firm of Messrs. Mulla & Mulla & Craigie Blunt & Caroe, the Solicitors of the Company who will be paid the professional charges payable to Solicitors. He is also a Director of the Bank of India Ltd. which is one of the Underwriters of this Issue and one of the Bankers of the Company.

(8) All the Directors will be interested to the extent of the shares subscribed for by and allotted to them in the Company.

PRELIMINARY AND OTHER EXPENSES

Rs. 53,619.14 nP. is the amount shown in the Statutory report as preliminary expenses. These have been incurred in connection with the formation of the Company and the first issue of Capital. A further sum of Rs. 11,07,494.20 has been expended towards fees for the Feasibility Report, stamp duty on Know-How Agreement, Prospecting, Drilling and Operating expenses, expenses for chemical analysis and Bauxite analysis and travelling and other expenses.

UNDERWRITING COMMISSION

The entire 2,50,000 Preference Shares and 21,56,000 Equity Shares now intended to be issued and offered to the Public have been underwritten for a commission of 2½ per cent. on Preference Shares and 1 per cent on Equity Shares as set out hereafter.

In the opinion of the Directors the resources of the underwriters are sufficient to discharge the underwriting obligations. The usual arrangements have been entered into with the underwriters for underwriting the shares.

BROKERAGE

Brokerage will be paid by the Company to members of the recognised Stock Exchange and to Banks at the rate of One per cent on the nominal value of the aforesaid 2,50,000 Preference Shares and at the rate of 18 nP. per Share in respect of the aforesaid 21,56,000 Equity Shares allotted in respect of applications bearing their stamps.

Brokerage on the same basis will be payable to the Underwriters in respect of applications made or procured by them provided that the relative forms of application bear their respective stamps and in such case no brokerage will be payable to any other party.

Brokerage will also be paid by the Company to the Managing Brokers referred to in this Prospectus, at the rate of 7 nP. per Equity Share on all the 21,56,000 Equity Shares offered to the public, the Managing Brokers being entitled thereto in equal shares.

Brokerage will also be paid by the Company at the rate of 25 nP. per Equity Share to members of the recognised Stock Exchanges against applications bearing their stamps in respect of the 6,50,000 Equity Shares which are agreed to be taken up by the nominees of Birla Gwalior Private Limited out of the 21,33,000 Equity Shares which have been allocated to Birla Gwalior Private Limited and its nominees.

PAYMENT TO PROMOTERS AND COMPANIES IN WHICH THEY ARE INTERESTED

(1) Amounts paid to Kaiser Engineers Overseas Corp.

(A) Pursuant to agreement dated 30th March, 1959, for the study of the feasibility of the project.		
(i) Amount paid in India in Rupees (through Birla Gwalior Private Ltd.	Rs. 1,50,000.00	
(ii) Amount paid in Dollars $55,000 equivalent to	Rs. 2,61,900.00	
(B) Reimbursement of expenses amounting to $15,716.65 equivalent to	Rs. 74.841.18	
		4.86,741.18

(2) EXPENSES INCURRED THROUGH BIRLA GWALIOR PRIVATE LIMITED.

i) Preliminary expenses regarding the first Issue and formation of the Company.	Rs. 53,619.14	
(ii) Prospecting & Drilling Operating expenses.	Rs. 1,33,262.00	
iii) Chemical Analysis & Bauxite analysis.	Rs. 1,27,472.00	
iv) Travelling expenses.	Rs. 1,06,217.00	
v) Other expenses	Rs. 1,40,551.36	5,61,121.50
	Total Rs.	10,47,862.63

CAPITAL OUTLAY & MINIMUM SUBSCRIPTION

The minimum subscription in respect of the public issue on which the Directors will proceed to allot is Rs. 4,65,60,000/-

The capital required to reach the stage of production of 20,000 Metric tons a year based upon the feasibility report is estimated to be as follows:

(a) Land, buildings and cost of engineering acquisition and construction of plant and facilities as estimated in 1958-59		Rs. 15,51,11,000
(b) Cost of "Know-How" and Technical Services (by issue of Equity Shares)		Rs. 60,00,000
(c) Expenses of the issue.		
(i) Brokerage and Underwriting	Rs. 17,92,100	
(ii) General Expenses	Rs. 3,50,000	Rs. 21,42,100
(d) Working Capital		Rs. 2,00,00,000
(e) Pre-Operating expenses ...		Rs. 83,64,000
		Rs. 19,16,17,100

The capital structure of the Company as envisaged is as follows:—

Equity Shares ...	Rs. 6,00,00,000/- (Six Crores)
Preference Shares ...	Rs. 2,50,00,000/- (Two Crores Fifty Lakhs)
	Rs. 8,50,00,000/- Eight Crores Fifty Lakhs)

Applications have been made for long term Loans from the Export-Import Bank, both in Dollar currency as well as in Rupee currency as follows:—

(a) Loan to the extent of Rs. 650 lakhs equivalent to U.S. Dollars 13,650,000; and

(b) Rupee Loan under Public Law 480 of the United States to the extent of Rs. 1,00,00,000/- equivalent to $2,100,000.

It is intended that the balance of Rs. 3,16,17,100 as also any increase there may be in the actual cost over the estimated cost of the plant and facilities will be raised as required by loans from the Company's Bankers and if necessary other sources.

The proposal of the Company to the Export-Import Bank is that the long-term Dollar loan and the long-term Rupee loan be repaid in 20 equal semi-annual instalments on the 30th June and the 31st December of each year, commencing on 30th June, 1966. The Bank has also been requested to permit pre-payment of any of the loans at any time without penalty. The interest will be 5½% on the Dollar loan, and 6% on the Rupee loan, and that the Export-Import Bank will require a guarantee or guarantees for repayment from Indian banks or other financial institutions. Arrangements have been made with Indian banks to furnish such guarantees.

Information has been received that the Export-Import Bank has sanctioned the Dollar loan and it is expected that the approval for the rupee loan will shortly be accorded.

AUDITORS' REPORT

The Auditors' Report has been attached to the copy of the prospectus filed with the Registrar.

MANAGING AGENTS

The Govt. has approved the appointment of M/s. Birla Gwalior Private Ltd., Gwalior, as the Managing Agents of the Company. They are appointed Managing Agents of the Company for a period of 10 years on the remuneration of 4% commission on the net profits of the Company with such minimum remuneration for each financial year as Govt. may decide at a later date. No compensation is payable to the Managing Agents for loss of office.

POWER OF BOARD TO REFUSE REGISTRATION OF TRANSFER

The Directors may, subject to the right of appeal conferred by the Companies Act, 1956, decline to register any transfer of shares to a transferee of whom they do not approve.

INSPECTION OF DOCUMENTS

Documents mentioned in the prospectus can be inspected at any time during the usual business hours at the Registered Office of the Company until fourteen days after the opening of the subscription lists.

APPLICATION FOR SHARES AND ALLOTMENT

Applications for Equity shares must be for 50 shares or multiples of 50 shares. Applications for Preference shares must be for 5 shares or multiples of 5 shares. All applications must be made on the form accompanying the prospectus which can be had from the Company's Bankers and Managing Brokers. All application forms properly completed must be lodged together with the amount payable on application with any of the following Banks, namely,

1. The United Commercial Bank Ltd., Bombay.
2. The Central Bank of India Ltd., Bombay.
3. The Bank of India Ltd., Bombay.
4. The Bank of Baroda Ltd., Bombay.
5. The Union Bank of India Ltd., Bombay.

or with any of their existing Branch Offices at the following places:

Ahmedabad	**Allahabad**	**Amritsar**	**Bombay**
Baroda	**Bangalore**	**Calcutta**	**Coimbatore**
Delhi	**Gwalior**	**Hyderabad**	**Indore**
Jaipur	**Kanpur**	**Lucknow**	**Madras**
Madurai	**Nagpur**	**Patna**	**Rajkot**
Surat	**Trivandrum**	**Varanasi**	

The remittance should be made by cheque or draft which, if it is desired to avoid payment of Bank charges, must be drawn either upon any of the above Banks to which the application form and cheque or draft are being sent or upon a Branch of any of the above Banks situated in any of the aforesaid towns.

All cheques or drafts draw on Banks situated at places other than those mentioned above should include a sum at the rate of 25 nP. per cent. (minimum 62 nP.) of the amount remitted to cover all the commission and bank charges; otherwise, the application is liable to be rejected.

Cheques or drafts should be drawn in favour of "Hindustan Aluminium Corporation Ltd.," and should bear the words "A/c Equity Issue", in the case of application for Equity Shares and the words "A/c. Pref. Issue" in the case of application for Preference Shares. For the applicant's protection, cheques or drafts should be crossed "Account Payee Only." A separate cheque or draft must accompany each application.

Allotment will be notified by the despatch of an allotment letter, but the Directors reserve the full uncontrolled right of accepting or rejecting any application in whole or in part, in either case without assigning any reason. Where an application is rejected or not accepted in full, the whole or any balance of the application money received will be refunded to the applicant in which event Bank Commission, if any, will be payable by the applicant.

SHARE CERTIFICATES

The share certificates will be issued within nine months of the date of allotment.

Bombay,
Dated 19th January, 1960.

THIS IS ONLY AN ANNOUNCEMENT FOR INFORMATION AND NOT A PROSPECTUS AND APPLICATIONS ARE INVITED ON THE BASIS OF THE PROSPECTUS, COPIES OF WHICH ARE AVAILABLE FROM THE COMPANY'S BANKERS AND BROKERS MENTIONED HEREIN. A COPY OF THE PROSPECTUS HAS BEEN DULY DELIVERED FOR REGISTRATION TO THE REGISTRAR OF COMPANIES, BOMBAY.

THE SUBSCRIPTION LIST WILL OPEN AT 10 A.M. ON 5TH FEB., 1960 AND WILL CLOSE AT 2-30 P.M. ON 12TH FEB., 1960 OR EARLIER AT THE DISCRETION OF THE DIRECTORS BUT NOT BEFORE 10TH FEB., 1960.

Consent of the Central Government has been obtained to this issue by an order of which a complete copy is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in giving this consent the Central Government do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

A Licence has been obtained from the Central Government for the establishment of this New Industrial Undertaking of which a copy is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in granting this licence the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

ASIAN CABLES CORPORATION LIMITED

(Incorporated under the Companies Act, 1956, on 12th Sept., 1959)

AUTHORISED CAPITAL:

1,00,000 Equity (Ordinary) Shares of Rs. 100/- each — **Rs. 1,00,00,000/-**

ISSUED CAPITAL:

50,000 Equity (Ordinary) Shares of the aggregate value of as follows:— — **Rs. 50,00,000/-**

1. **ALREADY SUBSCRIBED:**
   25,000 Equity (Ordinary) Shares of Rs. 100/- each of the aggregate nominal value of Rs. 25,00,000/- have been subscribed for by the Promoters, Directors and their Friends and Associates. — **Rs. 25,00,000/-**
2. **NOW OFFERED FOR PUBLIC SUBSCRIPTION:** — **Rs. 25,00,000/-**
   The balance of 25,000 Equity (Ordinary) Shares of the nominal value of Rs. 100/- each is now offered at par for public subscription in terms of this Prospectus payable as follows:—
   1. Rs. 25/- with application per share;
   2. Rs. 25/- within one month from the date of allotment;
   3. Balance of Rs. 50/- in such calls as may be determined by the Directors provided that no call shall exceed Rs. 25/- and that there shall be an interval of at least three months between any two calls.

The entire public issue of Rs. 25 lakhs has been UNDERWRITTEN as hereinafter stated.

APPLICATION FOR SHARES:

All applications must be for a minimum of five shares or a multiple thereof. Applications should be delivered, accompanied with proper payment, before the close of the subscription list to any of the Company's Bankers at their Head Offices or any of their Branch Offices mentioned on the application forms. Copies of the Prospectus and application forms will be available from the Underwriters and Brokers to this issue named below only. Where no allotment is made, the deposit will be returned in full within 3 months and where the number of shares allotted is less than the number applied for, the balance deposit will be appropriated towards the amount remaining payable on the shares allotted and any balance remaining thereafter will be returned by Company's cheque on their Bankers at Bombay. Failure to pay any amount due on the shares allotted, when due, will render the shares and previous payments made thereon liable to forfeiture. The Shares when issued will be subject to the Memorandum and Articles of Association of the Company.

The Share Certificates will be issued within nine months from the date of allotment.

THE BOARD OF DIRECTORS:—

Name:	Description & Occupation:	Address:
1. Shri Girdharlal B. Kotak (Chairman)	Businessman	"Marine Villa", 14th Road, Bombay-21.
2. Shri Rameshwar Das Birla	Industrialist	'Birla House' Mount Pleasant Rd., Bombay-6.
3. His Highness Iqbal Mohamed Khan	The Nawab Saheb of Palanpur	The Palace, Palanpur.
4. Shri Morarji J. Vaidya	Industrialist	Cuffe Parade, Bombay-5.
5. Shri Navnitlal Sakarlal Shodhan	Industrialist	Ellis Bridge, Ahmedabad.
6. Shri Dhirendra Nanjibhai Kalidas Mehta	Industrialist	C/O Seth Nanjibhai Kalidas, Porbunder.
7. Shri Hamirbhai Karsondas Vissonji	Businessman	"Fazal Manzil", Peddar Road, Bombay-26.
8. Shri Popatlal B. Kotak	Businessman	Navsari Building 240, Dr. Dadabhoy Naoroji Rd. Bombay.
9. Shri Amritlal B. Kotak	Businessman	— Do —
10. Shri Natvarlal H. Kotak	— Do —	— Do —
11. Shri Shantilal H. Kotak	— Do —	— Do —
12. Dr. Champaklal A. Mehta	Industrialist	Maheshwari Mansions, 34, Napean Sea Rd., Bombay-6.

BANKERS:

1. The State Bank of India, Apollo Street, Bombay-1.
2. The United Commercial Bank Ltd., Dr. D. Naoroji Road, Bombay-1.
3. The Devkaran Nanjee Banking Co. Ltd., Horniman Circle, Bombay-1.

UNDERWRITERS:—

1. The United Commercial Bank Ltd., Dr. Dudabhoy Naoroji Road, Bombay-1.
2. The Devkaran Nanjee Banking Co. Ltd., Horniman Circle, Bombay-1.

BROKERS TO THE ISSUE:

1. Messrs. Devkaran Nanjee & Co., Devkaran Nanjee Building, Horniman Circle, Fort, Bombay-1.
2. Messrs. Navalchand T. Shah & Co., Old Stock Exchange Building, Dalal Street, Fort, Bombay-1.
3. Messrs. Dhirajlal Maganlal Purshottamdas, Stock Exchange Building, Share Bazar, Fort, Bombay-1.
4. Messrs. Harkisondass Lukhmidass, 5, Hamam Street, Bombay-1.
5. Messrs. K. J. Shah & Co., Old Stock Exchange Building, Dalal Street, Bombay-1.
6. Messrs. Mahadevia Bros., Stock Exchange, Old Building, Dalal Street, Bombay-1.
7. Messrs. G. M. Pyne, Allahabad Bank Building, 14, Indian Exchange Place, Calcutta-1.
8. Messrs. Kothari & Sons, Oriental Buildings, Armenian Street, Madras.
9. Messrs. Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street, New Delhi-1.

SOLICITORS:

Messrs. Motichand & Devidas, (Solicitors & Notary Public), 31, Nanabhai Lane, Bombay-1.

AUDITORS:

1. Messrs. C. C. Choksi & Co. (Chartered Accountants), Mafatlal House, Backbay Reclamation, Bombay-1.
2. Messrs. A. H. Dalal & Co. (Chartered Accountants), Rajabahadur Mansions, Tamarind Lane, Bombay-1.

REGISTERED OFFICE:

Navsari Building, 240, Dr. Dadabhoy Naoroji Road, Bombay-1.

UNDERWRITING AND BROKERAGE:

The whole of the present PUBLIC issue of Rs. 25,00,000/- consisting of 25,000 Equity (Ordinary) Shares has been underwritten by (1) The United Commercial Bank Ltd., Dr. Dadabhoy Naoroji Road, Bombay-1 and (2) The Devkaran Nanjee Banking Co. Ltd., Horniman Circle, Bombay-1 to the extent of 50% each. In the opinion of the Directors, the resources of the said Underwriters are sufficient to discharge the underwriting obligations. The Underwriting Commission payable by the Company to the said underwriters is 2½%, of the nominal value of the said issue of 25,000 Equity (Ordinary) Shares inclusive of 1% brokerage payable by them to certified brokers and bankers on the nominal value of the said 25,000 Equity (Ordinary) Shares for applications received and allotted bearing their stamps.

OBJECTS OF THE COMPANY:

The Company was incorporated on 12th September, 1959 with the objects mentioned in the Memorandum of Association, and in particular, to manufacture and sell electrical wires and cables of copper and aluminium of all kinds including rubber insulated, plastic insulated and paper insulated cables and wires for low voltage as well as high voltage power cables, mining cables, enamelled and super enamelled wires, telephone cables, aluminium cables steel reinforced etc.

COMMENCEMENT OF BUSINESS:

The Company has obtained the Certificate of Commencement of Business dated the 3rd December, 1959 from the Registrar of Companies, Bombay.

PROSPECTS FOR L.T. ELECTRICAL CABLE INDUSTRY:

The manufacture of electrical cables is one of the basic and primary industries of a country as these cables are essential for the transmission of electric power on the Utilisation of which depends the industrial and economic development of the country. India's rapid economic development under the second Five-Year Plan and the progressively increasing tempo under the Third Five-Year Plan, is organically linked with the rapid expansion of electrification in the country.

The phenomenal expansion in electrification has led to a corresponding increase in the demand for low tension distribution cables which the Company proposes to manufacture in the first stage. The production of these cables in India has increased from about 6,28,00,000 Yards in 1954 to about 12,70,00,000 Yards in 1958 i.e. over 100% in five years, but still the indigenous production is insufficient to meet the demand for these cables. The wide gap between the demand and the indigenous production is met to some extent by import of these cables which are however, very much restricted particularly since 1958 due to adverse foreign exchange situation of India. Consequently, there is a big shortage of these cables in India during the last several years with the prices ruling high and assuring a comfortable profit margin.

Apart from the present shortage in the indigenous production as indicated by the above figures the demand for these cables is rapidly increasing at the rate of about 20% per annum as explained above. Therefore, it is felt that there will be more than sufficient demand to absorb the production of our proposed factory, whose annual output in two shifts production will be approximately about Rs. 125 lakhs.

LOAN OF FOREIGN EXCHANGE AND IMPORT OF MACHINERY:

The Industrial Credit and Investment Corporation of India Limited, Bombay, have agreed in principle to lend to the Company an amount in foreign currencies equivalent to U.S. $450,000/- (approximately Rs. 21,50,000/-) to pay for the cost of the imported machinery and capital equipment for the proposed factory, the loan being repayable in half yearly instalments extending over a period of 8½ years. The interest payable on this loan will be 7¾% per annum.

The Company has received the approval of the Government of India under their letter No. EEI-3(13)-58 dated 16th December, 1959 for the import of plant and equipment worth Rs. 23,50,000/- from U.K. and other countries.

TECHNICAL COLLABORATION AGREEMENT:

The Company has entered into an agreement with Messrs. Enfield Cables Limited, Brimsdown, Enfield, one of the foremost cable manufacturers of U.K. They have long experience of cable manufacture for about 47 years and are manufacturing all kinds of electrical wires and cables, and its techniques are recognised as one of the most modern in U.K. They have participated in setting up several cables manufacturing plants in other parts of the Commonwealth. Under this agreement, Messrs. Enfield Cables Ltd. will work as technical collaborators for a period of five years, from the date of production or from 1st January, 1961, whichever is earlier.

MINIMUM SUBSCRIPTION:

The minimum amount which in the opinion of the Directors must be raised by the issue of shares in order to provide the sums required to be provided as per paragraph 5 of the Schedule II to the Companies Act, 1956, and upon which the Directors will proceed to allot shares is Rs. 25,00,000/- being the whole amount of the public issue by this Prospectus, which has been underwritten as hereinbefore stated.

RESOURCES AND DISBURSEMENTS:

The total funds available with the Company will be as follows:—

Share capital already subscribed by the Directors, Promoters and their friends.	Rs.	25,00,000
Share Capital of the issue to the public.	Rs.	25,50,000
Foreign exchange loan to be obtained from The Industrial Credit & Investment Corpn. of India Ltd.	Rs.	21,50,000
Total	Rs.	71,50,000

This amount of Rs. 71,50,000/- will be utilised approximately as under:—

Cost of land.	Rs.	1,00,000
Cost of Building, road & Staff Quarters etc.	Rs.	15,00,000
Cost of imported plant and equipment (F.O.B.):—		
Indigenous equipments:—	Rs.	9,00,000
Cost of freight, Insurance, import duty, clearing charges, erection, technical fees, training of technical staff etc. payable to M/s. Enfield Cables Ltd.	Rs.	11,00,000
Preliminary expenses and expenses incurred for Technical and Commercial investigations and negotiations, underwriting commission inclusive of brokerage, advertising charges etc.	Rs.	2,75,000
Working Capital.	Rs.	9,25,000
Total	Rs.	71,50,000

Note: Additional finance required for working capital when the factory goes into production will be available by way of loans from the Banks or other sources.

PRELIMINARY EXPENSES:

Messrs. Kotak & Co., who are the promoters of the Company have made all necessary technical and commercial investigations, and secured the technical collaboration for the Company. They have also negotiated for the foreign exchange loan of Rs. 21,50,000/- from The Industrial Credit & Investment Corporation of India Limited, Bombay, giving necessary undertaking as required from them as Promoters. The Total estimated preliminary expenses including expenses of this issue, (estimated at Rs. 11,000) is Rs. 2,75,000/-.

APPOINTMENT OF SOLE DISTRIBUTORS:—

The Company has appointed Messrs. Asian Machinery and Equipment (Private) Limited, as the Sole Distributors of the Products of the Company under the agreement for a period of ten years.

PURCHASE OF LAND:

A suitable site for the factory on the Pokhran Road, near Thana, near Bombay, admeasuring approximately 12 acres has been already secured.

MANAGING DIRECTORS:

Subject to the approval of the Central Government, the Company has entered into agreements with Shri Popatlal B. Kotak and Shri Natverlal H. Kotak respectively, appointing them as Managing Directors of the Company for a period of five years each, on the terms and conditions contained therein. The remuneration payable to each of the two Managing Directors will be Rs. 2,000/- per month plus a commission of 2½% of the net profits of the Company, on the condition that they will not draw any remuneration till the Company's factory starts production.

EXECUTIVE DIRECTOR:—

Subject to the approval of the Central Government, the Company has entered into an agreement with Dr. Champaklal A. Mehta appointing him as the Executive Director of the Company for a period of five years on the terms and conditions contained therein. The remuneration payable to Dr. Champaklal A. Mehta as the Executive Director of the Company will be Rs. 2,000/- per month.

TECHNICAL AND COMMERCIAL MANAGER:—

The Company has been fortunate in securing the service of Mr S. R. C. Poti, B.Sc., (Eng.), A.M.I.E., A.M.I.W.M., as Technical and Commercial Manager for a period of 5 years, who was the Works Manager of one of the leading cable manufacturing units in India for a number of years and has a thorough experience and wide-knowledge of cable manufacture.

ELECTRICITY AND WATER:—

The Company has been assured the supply of required electric power for the factory and other needs by the Tata Hydro-Electric Power Supply Co. Ltd., Bombay. A tube well is being constructed for getting necessary water for the needs of the factory which may be supplemented from the public water supply.

START OF PRODUCTION:—

All the preliminaries regarding inviting offers for machinery, scrutinising these offers, and technical details have been completed in consultation with Messrs. Enfield Cables Limited and orders for machinery are now being finalised. It is expected that, in the normal course, the plant will be installed and start operating early in 1961.

PROFITS:—

On the basis of the existing prices and after allowing costs, overheads, depreciation and other foreseeable contingencies, in so far as these items can be at present estimated, the Directors are of the opinion, that in the absence of any unforeseen circumstances, the Company should be in a position to pay reasonable dividends on the issued equity shares. The other similar large factories engaged at present in the manufacture of V.I.R. and P.V.C. insulated cables are making good profits and are giving attractive dividends. The Company will get the benefit of the Development Rebate and Exemption from Income Tax under Section 15 (c) of the Income Tax Act.

NO PAYMENT TO PROMOTORS:—

No payment is to be given to Messrs. Kotak & Co., the promoters of the Company, except the payments for purchase of land at pro-rate cost and for the expenses for construction of the tube well and for reinbursement of actual preliminary expenses incurred by them, and no profits or benefits have been given to any other persons as promoters of the Company.

RESTRICTIONS ON TRANSFER OF SHARES:—

Subject to the provisions of section III of the Act, the Board of Directors may, at its own absolute and uncontrolled discretion, and without assigning any reason, decline to register or acknowledge any transfer of shares (notwithstanding that the proposed transferee be already a member), but in such case it shall, within two months from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferer notice of the refusal to register such transfer.

CONSIDERATION FOR PROCURING SUBSCRIPTIONS:—

Up to the date of this prospectus, no commission, discount, brokerage or other payments have been made to any persons in connection with the issue or sale of any stock, shares or securities of the Company.

CONTRACTS:—

All contracts, entered into by the Company with the parties mentioned above can be inspected at the Registered Office of the Company during business hours, on working days.

NATURE AND EXTENT OF THE INTEREST OF DIRECTORS:—

Shri A. B. Kotak and Shri S. H. Kotak, Directors of the Company, are also Directors in the Asian Machinery and Equipment Private Ltd., who are appointed as the Sole Distributors of the products of the Company and are accordingly interested in the said Sole Distributors' Agreements.

Shri G. B. Kotak, Shri P. B. Kotak, Shri A. B. Kotak, Shri N. H. Kotak and Shri S. H. Kotak, Directors of the Company are partners of Messrs. Kotak and Co., and are, therefore, interested in the Agreement for the purchase of land from Messrs. Kotak & Co.

AUDITORS' REPORT:—

"In accordance with the provisions of Clause 24 of Part II of Schedule II of the Companies Act, 1956, we report that the accounts of Asian Cables Corporation Limited, Bombay, which was incorporated on 12th September, 1959, have not been made up in respect of any period since the incorporation of the Company."

Bombay,
Dated the 11th January, 1960.

Sd/- C. C. Choksi & Co.,
Sd/- A. H. Dalal & Co.,
CHARTERED ACCOUNTANTS.

a mason shows the way



In the steel-making furnaces at Jamshedpur, the temperature is around 3200°F. The brick-lined doors of the furnace required frequent repairs because the tremendous heat burnt out the lower part of the door lining and the frames.

It was left to Zahir Hussain, a 43-year old mason in the Brick Department, to devise a new method of lining which has increased the life of the furnace doors. Zahir Hussain's achievement won him acclaim and a cash reward of Rs. 5,000—one of the 435 suggestion awards made since 1945.

This is one of the many examples of initiative from the shop floor benefiting the whole enterprise—another industrial tradition being laid in Jamshedpur, where industry is not merely a source of livelihood but a way of life.

JAMSHEDPUR

THE STEEL CITY

JWT. TN 4084

The Tata Iron and Steel Company Limited

Rs. 88.75
Will get you a
THREE-YEAR CASH CERTIFICATE
for
Rs. 100

These certificates are readily available at the Head Office of

THE INDIAN BANK LTD
and its
23 LOCAL OFFICES AND 115 BRANCHES
N. B. The yield on this investment works out at 4.06% compound interest

For elegance & smartness
ask for
ARUNA FABRICS
Sanforised Poplins
Sanforised Shirtings
Sarees & Dhoties
Mulls & Dorias
Handkerchiefs
Printed Lawns & Voiles
ARUNA MILLS LTD.,
AHMEDABAD

THE TATA IRON AND STEEL CO., LTD.

NOTICE

SUBMISSION OF COUPONS IN RESPECT OF "A" SECOND PREFERENCE SHARES AND NEW ORDINARY SHARES

Notice is hereby given that the last date for submission of 'Coupons' in respect of the "A" Second Preference shares and the new Ordinary shares by Resident Shareholders expires on the 15th January, 1960. However, for the convenience of the shareholders, the Directors have resolved that the Company's bankers be authorised to receive applications on and after the 16th January, 1960 upto but not later than the 31st March, 1960 in respect of such coupons Provided that along with each such application with the required coupons and the moneys to be received with such application interest at the rate of 9 per cent per annum thereon (which the Directors have decided to charge) from the 16th day of December 1959 until payment shall be paid to the Company's bankers. No application will be entertained after the 31st March, 1960.

Dated at Bombay this 15th day of January 1960.

By Order of the Board,
TATA INDUSTRIES PRIVATE LIMITED,
Managing Agents,
J. D. CHOKSI,
Director.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56		86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
October 1958	..	121.2	93.0	115.4	116.9	110.3	108.5	108.7	116.1
November ,,	..	118.0	96.0	114.5*	113.2	110.0	108.6	108.8	114.0
December ,,	..	113.3	96.4	115.1*	112.5*	110.3	108.0	108.3	111.4
October 1959	..	124.0	101.4	116.3	122.6	114.4	110.5	111.1	119.3
November ,,	..	121.4	104.6	116.6	122.5	116.0	110.9	111.6	118.2
December ,,	..	118.2	103.7	116.8	127.2	117.8	112.4	113.1	117.8
12-12-1959	..	119.1	103.1	116.5	125.9	118.3	111.7	112.6	117.7
19-12-1959	..	117.3	103.1	116.8	127.3	117.8	112.9	113.5	117.4
26-12-1959	..	116.7	102.5	116.8	129.2	118.6	113.5	114.2	117.6
2-1-1960	..	116.6	102.5	116.9	129.4	119.5	114.2	114.9	117.8*
9-1-1960	..	116.8	102.5	116.8	128.7	121.1	114.3	115.3	117.9

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934=100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
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
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	—	—	—	158	—	—	—	—	—	—	—	—
1959 February	380	399	300	167	364	492	485	166	411	174	165	163
March	382	401	290	164	364	474	488	159	411	174	167	161
April	381	400	296	156	364	454	489	157	414	169	167	161
May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	162	179*	173*
October	408	427	324	158	406	470	510	—	441	162	179*	174*
November	405	424	322	158	399	475	511	—	449	—	—	174*
December	—	—	—	157	—	—	—	—	—	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 22-1-1960			15-1-1960			8-1-1960			1-1-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) —	134.62	130.00	132.41	129.53	128.22	128.81	128.25	126.12	127.41	126.62	125.37	125.87
Silver (per 100 fine tolas)	215.44	212.31	213.59	214.56	212.44	212.93	213.37	210.75	212.11	213.12	210.12	211.51

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
1953-54* ..	1 133 95	23,03	1,156,97	40,02	594,02	634,04	54 80	92,83	430,11	1,156,97
1954-55* ..	1 196 19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1 339,39	17,08	1,356,47	40,02	656 52	696,54	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1,494,52	49,02 (117,76)	545,61	595,63 (663,37)	39.95 (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
1958-59* ..	1,591,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
Average of Fridays										
October 1958 ..	1,549,36	16 65	1,556,01	117,76	166,68	284,44	18.28	139.14	1,132,44	1,556,01
November ,, ..	1 569 09	22,76	1,591,84	117,76	164,68	282,44	17.74	137,18	1,172,23	1,591,84
December ,,	1 589,09	11,82	1,600,90	117,76	164,68	282,44	17.64	136,22	1,182,25	1,600,90
October 1959 ..	1,674 26	19,69	1,693,95	117,76	163,01	280,77	16.58	135,67	1,277,51	1,693,95
November ,, ..	1,690,84	20,51	1,711,35	117,76	163,01	280,77	16.41	133,89	1,296,68	1,711,35
December ,, ..	1,725,18	11,46	1,736,64	117,76	163,01	280,77	16.17	132,74	1,323,13	1,736,64
Week-Ending										
18-12-1959 ..	1,728,97	11,26	1,740,23	117,76	163,01	280,77	16.13	132,75	1,326,71	1,740,23
25-12-1959 ..	1,730,11	11,01	1,741,12	117,76	163,01	280,77	16.13	132,93	1,327,43	1,741,12
1-1-1960 ..	1,742,63	8.01	1,750,64	117,76	163,01	280,77	16.04	132,44	1,337,43	1,750 64
8-1-1960 ..	1,775,08	12.93	1,788,01	117,76	163,01	280,77	15.70	129,81	1,377,43	1,788,01
15-1-1960 ..	1,777,90	9.79	1,787,69	117,76	163,01	280,77	15.70	129,49	1,377,43	1,787,69

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									
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* ..	130,40	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
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
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
Avr. of Fridays														
October 1958 ..	55,53	27,27	110,02	114,24	307,06	63,55	455,61	16,71	2,61	13,91	16,72	52,67	343,33	9,66
November ,, ..	59,29	21,55	88,21	115,15	284,20	63,44	432,64	22,82	3,48	16,34	21,34	55,92	302,51	10,24
December ,, ..	60,44	14,40	76,33	116,55	267,72	69,19	421,91	11,88	9,57	21,61	24,31	62,45	281,37	10,73
October 1959 ..	58,32	18,90	76,83	118,73	272,78	69,69	427,47	19,82	27,98	22,48	20,23	84,61	242,36	9,99
November ,, ..	50,55	20,41	81,23	119,16	271,35	78,47	434,83	20,60	13,19	39,88	23,77	83,31	243,33	10,76
December ,, ..	55,33	18,65	73,42	117,60	264,98	83,86	433,84	11,52	15,82	44,83	83,80	90,67	235,92	11,29
Week-Ending														
18-12-1959 ..	49,49	25,96	73,84	116,88	266,17	88,57	439,75	11,32	20,18	45,78	21,43	92,77	236,97	11,30
25-12-1959 ..	58,87	24,65	73,02	116,35	272,89	83,77	441,66	11,07	20,32	50,13	19,24	92,36	236,83	11,71
1-1-1960 ..	55,56	23,76	106,58	115 76	298,65	86,20	469,85	8,07	41,34	49 62	19,94	112 55	225,77	12,56
8-1-1960 ..	64,37	12,54	68,25	122,43	267,58	80,66	433,25	13,00	48,12	48,35	24,55	102,89	183,46	12.88
15-1-1960 ..	49,41	49,37	80,69	122,57	293,04	87,54	465,58	9,85	56,68	46,78	20,78	105,54	213,03	12.91

* 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 of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of 4	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
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
1958-59 ..	735,93	860,33	1,596,26	40,30	83,29	7.74	766,56	133,27†	56.37	565,14
Average of Fridays										
July 1959 ..	741,04	1060,28	1,801,32	42,97	75,54	6.58	848,98	125,85†	54.12	675,81
August ,, ..	739,09	1084,55	1,823,64	42,07	79,65	6.67	822,34	124,59†	51.93	721,57
September ,, ..	741,75	1106,74	1,848,48	42,21	73,60	6.26	799,58	128,41†	50.21	762,18
October ,, ..	738,50	1118,84	1,857,34	41,69	75,12	6 29	795,39	137,83†	50.25	788,34
November ,, ..	737,36	1137,78	1,875,14	44,18	76,78	6 45	781,59	146,31†	49.49	800.78
December ,, ..	731,80	1142,04	1,873,84	43,39	70,03	6.05	800,59	150,29†	50.75	798,02
Week Ending										
11-12-1959 ..	731,03	1141,22	1,872,25	42,93	65,52	5.79	795,89	148,56†	50.44	803,34
18-12-1959 ..	732,59	1139,49	1,872,08	43,03	69,96	6.04	808,06	151,13†	51.24	789,35
25-12-1959 ..	739,57	1136,52	1,876,09	44,64	69,47	6.08	812,18	152,33†	51.41	787,82
1-1-1960 ..	754,51	1132,08	1,886,59	51,66	101,64	8.13	822,91	153,75†	51.77	763,79
8-1-1960 ..	747,11	1128,66	1 875 77	45,33	68,46	6.07	836,88	160,31†	53.16	775,83
15-1-1960 ..	750,28	1128,25	1,878,53	45,26	76,73	6.49	842,05	161,02†	53.40	763.75

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(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 ..	1,920,63	1.311,77	608,86	599,16	9,71	+126,65
1955-56 ..	2,184,32	1,595,09	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 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
July 1958 ..	2,350,29	1,564,79	785,50	770,65	14,85	—29,26
August ,, ..	2,309,03	1,542,72	766,31	751,61	14,70	—41,26
September ,, ..	2,314,52	1,535,02	779,50	765,10	14,40	+5,49
October ,, ..	2,290,08	1,552,70	737,37	721,23	16,14	—24,44
November ,, ..	2,319,38	1,574,14	746,25	727,68	17,57	+29,30
July 1959 ..	2,460,88	1,692,07	768,81	747,83	20,97	—69.93
August ,, ..	2,451,38	1,671,49	779,89	758,35	21,54	—9,50
September ,, ..	2,431,08	1,663,52	767,56	748,04	19.52	—20,30
October ,, ..	2,470,25*	1,715,36*	754,89*	737,21*	17,68	+39,17*
November ,,	2,472,84*	1,702,80*	770,04*	752,60*	17,44	+2,59*

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

Source: Monthly Bulletin of Reserve Bank.

The Call To Save

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

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

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INDIA'S LEADING BANK

SISTA'S SR-7

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CONTENTS

	Page
Leading Articles:	
THE VERDICT IN KERALA	365
STEEL: THE TARGET CONTROVERSY	366
A MASTER PLAN FOR ROADS	367
A DELHI DIARY	368
THE WEEK'S NOTES	369
Algeria; Paper Industry; Education; Industry.	
A WINDOW ON THE WORLD: Odysseus on "Where Should a New Industry be Located?"	373
THE EUROPEAN SCENE: Last Act in Algeria	375
ECONOMIC REPORT FROM THE U.S.: Trade Surplus	379
Special Article:	
CREATIVE ADMINISTRATION	381
The Business World:	
THE SMALL MAN IN THE ECONOMY	383
BUSINESS NOTES	384
Under-Developed Economics; Public Corporations; Plantations; Coal; Export; Economic Tensions.	
CURRENT TOPICS: Paper Industry and the Third Plan	387
A DELHI NOTEBOOK	388
WORLDGRAM AND NEWS IN BRIEF	389
COMMODITY NEWS AND NOTES	393
COMPANY AFFAIRS	394
CURRENT STATISTICS	400

The Verdict in Kerala

THE results of the Kerala Election will be a subject of anxious debate for many weeks. At first sight, the alliance of the Congress, Praja-Socialist Party and Muslim League has scored an unmitigated triumph with 94 seats in the 127-member Assembly; the Communists and their supporters could muster only 29. On the face of it, therefore, this has been a resounding defeat for the Communist Party and almost everyone, both at home and abroad, has accepted facilely the view that the people of Kerala have rejected Communism and have embraced democracy. Much further scrutiny of the figures in each constituency needs to be made, but one can say at once that many conclusions being drawn on this election are totally misleading and may in fact, if not corrected, lead to complacency fraught with danger.

Consider first the problem of the total vote. The Communists and their independent allies have received nearly 3.5 million votes, a larger figure than any other party. The Congress Party obtained 2.8 million, the P.S.P. 1.15 million and the Muslim League about 400,000. If it were a straight fight between the Congress and the Communist Party, it would be difficult to conclude on the existing figures that the Congress Party would win although it has in the present election 63 seats against the Communists' 26, and three independents with Communist support, or 29 in all. It should be clear, therefore, in this election that a familiar election trick by which a lower poll gives a party a much larger number of seats, has been performed. How likely is it that this performance can be repeated indefinitely? The answer cannot be reassuring, since, firstly, the trick can be played by more than one side; and, secondly, unity is much more easily forged in defeat than in victory.

It is becoming clear, as the detailed figures get studied, that what has brought success to the Alliance is nothing more or less than a rigging of candidates for seats in such a manner that competition between the democratic parties was eliminated. The effect of a higher poll does not seem to have contributed either to the Alliance or to the Communist Party more than proportionately. Allowance must be made for the fact that the Communists in the current election contested 108 seats whereas in 1957 they contested only a 100; also that the Alliance parties contested 206 in 1957 and only 125 on the present occasion. Some little arithmetical adjustment on this account may look as though it could assist understanding. But it is electoral strategy, and not any basic change in the arithmetical structure of public opinion, which has given both the Alliance and the Congress Party a boost, which has been widely mistaken for a change in the structure of Kerala opinion. There have been swings here and there, and it is true that six Communist Ministers have been unseated, but the total vote provides no cause for complacency for the democratic parties, or for the Congress Party in particular. The largest single party in Kerala at the present time is the Communist Party, even, it seems, if the Congress contested the same number of seats,

for its vote in Alliance seats will be badly split as against the vote which it has lost on the uncontested seats. It is likely that the electoral picture, if all seats were contested by the Congress and the Communist Party, without any alliance, would be little different from what it was in 1957. If this is so, who has received a mandate from whom?

If this argument is correct, namely, that victory has come to the Alliance by the strategic operation of the Alliance, it should be clear that the maintenance of this alliance is a condition of keeping the Communists out of power. The chances of unity in an alliance, united on nothing except anti-Communism, must be considered bleak, and, therefore, the danger of a new crisis in the politics of Kerala cannot be ignored. One can argue that a continuous political problem now rests with Kerala, if the ballot box is to wrest victory for one side. Political opinion has, as nearly as possible, set in two hard cores of about equal size. Thus everything rests upon the elimination of factors which destroy unity in the democratic front. Unfortunately, there is everything to destroy unity now that victory has been achieved. There is in the history of Kerala abundant evidence that the longer view cannot be taken by men who are anxious to hold and retain power for purposes other than the national interest. For the Congress, with its 63 seats, to accept Mr. Pattom Thanu Pillai as Chief Minister has before been a source of dissension. Although everyone realises that this is an essential condition of the maintenance of the alliance, the prospects of a new dedication to the national interest by the parties of the Alliance are bleak.

And thus the verdict of this election must be one of very qualified rejoicing. It is not true that Communism has been rejected by the people of Kerala. It is not true that the democratic parties as such have had an affirmative mandate. It is not true that present electoral strategy is an abiding alternative to future Communist rule. All that can be said is that skill in the manoeuvring of this particular electoral alliance has brought victory to it. Whether or not unity can be forged under conditions such as this for a long period is a question which is now addressed to those who are so excited with their own success as to lead one to doubt whether they appreciate that they have been the beneficiaries of political chance.

Steel: The Target Controversy

FOR sometime now, a controversy has been raging round the target we should have for steel production under the Third Five-Year Plan. While the private sector has been quite vociferous in demanding a target of only 9 million tons in terms of ingots, official spokesmen from time to time have been reiterating the fact that a target short of 10 million tons of ingots would be inadvisable. Only last week, the Union Finance Minister, Mr. Morarji Desai, indicated that the Government would place the same emphasis on the expansion of the steel industry during the Third Plan period as it did in the Second Plan; he expressed his "clear disagreement" with Sir Jehangir Ghandy's contention that it would be advisable to opt for a smaller increase in steel output in the Third Plan period and to lay greater stress on the development of secondary industries.

The National Council of Applied Economic Research's final estimates of demand for steel in 1965-66, just released, purport to give a new turn to this controversy. Slight upward revision of the tentative estimates put forth by the Council nearly four months ago have turned the scales in favour of the Government's plans to fix the target at 10 million tons of ingots. Against the tentative estimate of 7.1 million tons of finished steel or nearly 9 million tons of ingots in 1965-66—a projection which corresponded more with Sir Jehangir Ghandy's estimates—the Council has now assessed the demand at the end of the Third Plan period at 7.2 million tons of finished steel or 9.6 million tons of ingots. "At no time during the Third and Fourth Plan periods", the Council says, "is there any likelihood of a deficiency in the demand for steel."

The Council's new estimates, however, seem to be slightly exaggerated. At least in some cases they bear little relation to the conditions prevailing in the market today. The Council's study reveals that in 1960-61 production of light structurals as also of bars and rods will fall short of production by nearly 85,000 tons and 306,000 tons respectively. A recent probe into the conditions of the market for these categories of steel, however, tells a different story. Some of the light structurals and rods and bars are reported to be in adequate supply and in some cases they are being sold at prices about 5 per cent lower than the controlled ones. The demand for them may improve in the near future with the house-building activity getting a fillip under various schemes prepared by the Government and the L.I.C., but there appears to be little chance of it catching up with production. In the case of sheets also—both B.P. and G.P. varieties—the position is expected to improve considerably with the Rourkela Plant starting manufacturing them towards the close of the current year. No scarcity of these categories of steel is likely to persist next year and the current high premium of 75 to 80 per cent over their controlled price may disappear altogether. The problem next year may be how to dispose of surpluses in structurals and rods and bars.

The Council's upward revision of the estimates of demand for steel in the next few years thus appears to be unwarranted. The new estimates can be realised only if a substantial reduction in the selling price is effected. That will not only satisfy the pent-up demand of the engineering goods industries but may stimulate it. Of course, there is a strong case for lowering the selling price of steel; with imports drying up when the public sector plants go into full production, there is little justification for the heavy equalisation surcharge on steel to stay. But revenue considerations may stand in the way of the abolition of this surcharge. Inelasticity of demand for steel in the short-term is likely to create occasional surpluses to absorb which it is necessary that the development of secondary industries, which has lagged behind till now, is fostered. Defence requirements apart, if the Third Plan target for steel is fixed around 9 million tons of ingots, which on the normal 80 per cent working of the capacity requires an installed capacity of 11.25 million tons, production in 1965-66 may fall short of demand only marginally. That can be made up by fuller utilisation of the installed capacity or by imports at no great cost.

A Master Plan for Road

MR. U. J. Bhat's presidential address at the Silver Jubilee Session of the Indian Roads Congress is remarkable for the breadth of vision it displays as regards the true dimensions of road development and its place in the future transport system of this country. But the mounting pressure of traffic in the coming years would make it imperative that the road system should be developed with imagination, if economic activity is not to be stultified.

Easily, the most interesting and valuable part of Mr. Bhat's address relates to the 20-Year Master Plan for Roads which the Chief Engineers of the State Governments have prepared at the suggestion of the Union Ministry of Transport and Communications. This Plan has been endorsed by the Council of the Indian Roads Congress, which means, in plain terms, that its technical soundness has been duly approved. At present it is pending consideration at the hands of the Union Government. It would be safe to presume that it will be accepted in essential outline. The statistical details of the Master Plan for Roads have been made available to the public for the first time in Mr. Bhat's address. They have been tabulated at the end of this article.

Considering the fact, that this perspective plan is intended to cover the periods of the next four five-year plans, the total addition of a mileage of 278,000 in the next twenty years is not at all excessive. It gives an average of new construction of 69,500 miles per each five-year period and compares with the new construction of 72,670 miles in the First Plan and 61,200 miles in the Second Plan. One significant reservation must be made about these comparative figures in absolute terms. During the first and second plan periods, relative emphasis was placed on the rural roads, in the first instance, and on district roads, in the next place. A large proportion of these roads is not modern-surfaced or fit for motor transport and, then again, quite a good ratio is not useful for the conventional vehicles by reason of the fact that it does not consist of all-weather roads. The type and quality of roads included in the Master Plan is altogether different, and it will be incomparable with what has been attempted hitherto.

It will be obvious from the table that the rural and semi-urban areas have been given priority in road construction. District roads and village roads, which will cater essentially to these areas, will claim between them 80.32 per cent of the new construction. Another significant feature of the Master Plan is that seasonal village roads get a share of only 24 per cent, whereas district roads, which will be all-weather roads, are allocated a share of 56.2 per cent. They are expected to be motorable roads. State highways get a share of 12.6 per cent and their length will be doubled. The remaining 6.6 per cent of the share goes to the national high ways. The strategy of this allocation of new road mileage is based on the sound principle that exploitation of the resources in the country at large, beyond the immediate environs of the industrial centres, will depend heavily on a good road system. The financial allocations also show that the road system within the jurisdiction of the State Governments gets about two-fifths of the total outlay.

The Chief Engineers have planned for this order of road expansion on the assumption of the growth of freight traffic as shown below:

(In million tons)

	1950	1980
Agricultural Products	68.0	150.0
Industrial Products	7.2	236.0
Minerals (particularly coal) ..	43.0	579.0
TOTAL	118.2	965.0

There will thus be an increase in the total freight traffic from 120 million tons to 965 million tons or a net increase of 845 million tons over the period of 30 years. This is obviously a very rough estimate and it is pointless to assess the margin of error in it. But it gives a fair idea of the magnitude of increase in traffic. There is thus ample scope for road development as well as railway development. Those who speak of co-ordination-cum-restriction of roads are taking a myopic view of the traffic potential in the coming years. But it needs to be clearly recognised that from now on roads in particular and inland waterways, shipping etc. must receive much higher priorities than rails.

In the First Plan the outlay on road development worked at Rs. 31 crores per annum and in the Second Plan it may be around Rs. 45 crores. From these averages to an annual average of Rs. 260 crores during the twenty-year period of the Master Plan is a big jump. This will be the real crux of the problem. But it will have to be accommodated as much as possible by postponing, if necessary, some of the programmes of outlay in the next four plans.

It is in the financial estimates that the Chief Engineers are on weak ground. Mr. Bhat has estimated that the total outlay on roads during the 20-year period of the order of Rs. 6,550 crores (Rs. 5,200 crores for new construction plus Rs. 1,350 crores for maintenance) is to be considered against the road revenue, overwhelmingly from motor vehicle taxation, of the order of Rs. 6,150 crores. This gives a capital-output ratio of 1:0.95, which is too much to assume. Two facts must be borne in mind. First, all road revenue cannot be allocated to road construction. Second, motor vehicle taxation in India is among the highest in the world and unless it is reduced motor transport expansion will fail to materialise. We will have an anomalous situation in which a good network of roads will be served by inadequate motor transport services. The correct position to take is that outlay on roads is an economic overhead which ought to be provided.

THE MASTER PLAN FOR ROADS, 1961—1981

Description of Roads	Mileage at end of 2nd Plan	Addition — 20 years	Percentage share in addition	Mileage at end of 20 years	Outlay 20 years (Rs. crores)	Percent share in outlay
National Highway	13,800	18,200	6.6	32,000	980	18.8
State Highway	35,000	35,000	12.6	70,000	1,580	30.4
Major District Roads	95,200	54,800)		1,50,000	1,360)	
		)	56.2		)	38.7
Other District Roads	78,300	1,01,700)		1,80,000	650)	
Village Roads	1,56,700	68,300	24.6	2,25,000	630	12.1
TOTAL	3,79,000	2,78,000	100.0	6,57,000	5,200	100.0

A DELHI DIARY

WANTED: A NEW COMMITTEE

THE spotlight has been on Kerala all this week; and as usual, the headlines have *tended to* distract attention from some central but unpalatable facts. Slowly, almost like a postscript, the newspapers have got round to the point that the Communist vote has not declined; and, therefore, something very funny must have happened to give them only 29 seats out of 126, for which the elections were fought. The Congress High Command has been in session for two days, but, since political arithmetic is as difficult as the higher calculus for politicians, it has not produced any deeper knowledge than was forthcoming from the figures published by the newspapers. A debate is going on as to what percentage of the increased vote is due to the larger turnout and what to the *number of seats contested*. I suggest a high-powered Statistical Expert Committee (what work can proceed without a committee?) to discuss the correlation between seats contested and votes obtained, and between *votes obtained* and the total electorate. I have been seeking very much, as our economists do, some technical co-efficients to correlate seats with votes so that I can predict results of elections as easily as the Planning Commission can tell us what should be the demand in a particular year of a particular commodity and the investment required to obtain it. If the Indian Statistical Institute could have a political counterpart—or better still if it contained a political counterpart—there might conceivably be some enlightenment on the Politics of Power. Curiously, this is the subject of the greatest interest to politicians, but it is the subject most greatly neglected in new research. We have Atomic Energy Commission and an Oil and Natural Gas Commission, and a large number of other scientific expert bodies to wring from nature her hidden mind. But the art of winning success out of ballot boxes and of wooing the electorate (she is feminine since she is so fickle!) has still to be found.

Having said that after a full-dress review of the figures, almost no one is wiser than before. I have said almost all that is important on the Kerala Elections. The people of Kerala who are supposed to have a degree of intelligence far surpassing other States of the Indian Union, have maintained a sphinx-like attitude on the true government which they desire. Thus it comes about that electoral victory is forged by agreements reached in Delhi so that now we know that best way to get the voice of the people in this important State is to arrange outside alliances. Thus does political democracy demonstrate the opportunities of making the people say what the political experts can, within reason, arrange. These same political experts thus point to the tremendous virtues of free elections. Free elections are those in which an alliance is directed to the right, instead of the wrong, goals!

STEEL IN THE NEWS

Steel has captured the newspaper headlines once again. On Tuesday, there arrived in the Capital City a five-member steel mission from America. This is undoubtedly the biggest steel news of the week. But there were more. The National Council of Applied Economic Research released its report on the trends in steel demand in the Third Plan. Tomorrow morning the inaugural meeting of the Iron and Steel Advisory Council will start its session in Udyog Bhavan. Seldom has one segment of the *economy* been crowded with such a succession of events. But it is right that steel as the basic element in the strength of the economy should claim this distinction.

The American steel mission, led by Mr. John Young of the US Steel Corporation, is now busy exchanging notes with the official representatives. They will tour the country for five weeks. For a long time past, there has been no lack of reliable information about the gestures of co-operation from the US steel industry. The decisive role which steel is going to play in India's development and its organization under the auspices of the public sector have now come to be appreciated abroad and that appreciation is no less conspicuous in America than in any other foreign country. While the controversy continues to rage over the precise target for steel production in the Third Plan, planners, taking a perspective view, have been emphasising the need to set up the fourth steel plant in the public sector during the Third Plan—possibly at Bokaro. The technical aspects of the projected collaboration will be in the forefront of the discussions between the American mission and the Government of India. But this is not the only topic that will absorb the deliberations. America has extended timely and liberal opportunities for the training of steel engineers to man our steel plants. The progress of the training programme in the United States will, no doubt, come up for discussion.

THE PROTECTION OF SPACE

On Sunday all Delhi and its wife (wives?) was present at the new building of the German Embassy at Chanakyapuri where the German Ambassador, Dr. Melchers and Mrs. Melchers were *hosts* to show us their new house, as well as the official embassy quarters. The Embassy itself is close to the road and one does not appreciate that behind it lies a six acre plot and an elaborate garden most happily conceived and concealed. The Embassy was planned and designed by Professor Johannes Krahn of Frankfurt/Main and the Federal Building Board in Berlin. They executed the job taking into full account the climatic conditions of Delhi and the local possibilities in the supply of building material. I can bear witness to their success.

For my statistical friends I *give* costs at about Rs. 40 lakhs. I cannot think of any Rs. 40 lakhs so well spent on buildings and layout. Incidentally, it is now becoming clearer that one does not have to be giant-like in order to be attractive. This particular building is not only appropriate to the smaller requirements of the German Embassy but also to the appropriate standards of building in large open spaces. The wide open spaces which were once in Chanakyapuri are fast disappearing. I think it is an *excellent thing* that architecture has been found which preserves space in enclosures. The word 'enclosure' I know has an unhappy ring, because it awakens memories of the British Agriculture Revolution in the *18th century*. But in the 20th century enclosures such as these might be an instrument of the highest value to the community. And this time there seem to be no losers. Long may open space be thus preserved!

ARGUS.

THE WEEK'S NOTES

Algeria

THE INSURRECTION AND AFTER

THE COLLAPSE of the week-old insurrection in Algiers is no doubt a personal triumph for General de Gaulle. For the time being *at any rate*, it has restored peace. The nation has once again rallied round the President and a major crisis for the Fifth Republic has been averted. But the problem has only been postponed and not solved. The ultimate question is whether General de Gaulle can succeed in freeing himself from those who brought him into power.

For this, only time can provide the answer. However, it is necessary here to recall the events of the last few days to understand the background. The recent crisis was a sequel to the army warning to General de Gaulle not to take any fresh steps in the implementation of his declaration made in September last affirming Algeria's right to self-determination. Ever since that time, extremists have been making preparations for armed revolt under the leadership of Joseph Ortiz, a cafetier and Pierre Lagaillarde, an ex-parachutist. As a *matter* of fact, before revealing his policy of "self-determination", General de Gaulle did not even consult Parliament, but had made a special trip to Algeria to meet commanders of all ranks. They seemed to have *agreed* to his plan though with reluctance, since they were under the impression that it was meant for a distant future. But when events took a rapid turn and there were rumours of a deal with Moslem rebels (*FLN*), the mood changed. Then came the Massu affair. General Massu, who was one of those mainly responsible for General de Gaulle coming into power, gave a hint, perhaps unwittingly, that the extremists were *already* arming and the Army was a force to be reckoned with. General de Gaulle immediately acted with vigour, removed General Massu and reaffirmed the policy of self-determination.

This was the starting point of the crisis and the leaders of the extremists launched their troops into battle. From then, it was a picture of confusion. On the one side, it was not known what the attitude of the Army was going to be. On the other hand, there were rumours that General de Gaulle's Government was itself divided. But the President showed his firmness and preparing for a showdown, in a broadcast called on the army and the nation to stand firm. It was a big gamble, but it paid off with the result the insurrection fizzled out. Though one of the rebel leaders, Ortiz, fled, the other, Lagaillarde surrendered. Meanwhile, the French Government has asked the National Assembly *for special* powers to take "essential and urgent" measures for the maintenance of public order, protection of the State and the pacification and administration of Algeria. The crisis has no doubt resulted in uniting the Cabinet, but there are already reports that a change in the French Government is inevitable. However, ultimately it is General de Gaulle who is going to count and at any cost, he must prove that he will stand by the promise of self-determination he made *on* September 16. It will no doubt be an uphill task, but the alternative will be nothing but an impossible course.

Paper Industry

PROSPECT AND RETROSPECT

ELSEWHERE IN this issue is given the projected estimates of the Third Plan target for the paper industry. By a coincidence, the *Minister* for Industry, Mr. Manubhai Shah, while inaugurating the Development Council for paper, pulp and allied industries this week has also referred to this subject. He said that a target of 9 lakh tons capacity and 7 lakh tons production for the paper industry had been envisaged during the Third Plan period. This means nearly a doubling up of the present production. In the Second Plan, the target capacity was fixed at 4.5 lakh tons and according to the Minister, it had been already achieved. He was also confident that the production target of 3.5 lakh tons would also be fully reached despite foreign exchange difficulties. Production during 1959 was about 2.9 lakh tons and it is possible that there may be a slight shortfall in the target. In terms of value, production of paper and paper products, which was valued at Rs. 13.5 crores in 1956, had *risen* to Rs. 20 crores last year. At the end of the Third Plan it is expected to rise to Rs. 48 crores.

Though progress has been quite substantial, paper has continued to be a scarcity material since the demand has been continuously rising. It was to meet the immediate shortage that the Government recently decided to import 25,000 tons of paper through the State Trading Corporation. It is obvious that the present situation will continue until domestic production expands sufficiently to catch up with rising demand. In view of the high capital cost, it is not known how this can be done unless there is adequate incentive for the industry to expand and it is in a position to raise the necessary resources. At the same time, there is need to ensure fair prices for the consumer. Apart from this there are one or two problems relating to the paper industry. One is the urgent need for manufacturing paper machinery within the country. The Minister said that there had been no organised production in this direction. However, recently *Government* has approved six schemes for manufacture of large-scale paper plants of 50 to 100 tons per day capacity and four schemes for manufacture of small-scale paper plants of 5 to 10 tons capacity. The other problem relates to the need for using raw materials other than bamboo as an alternative since most of the bamboo areas in the country have already been covered except Assam. Here, bagasse occupies a unique position and it is estimated if the entire bagasse from organised sugar factories could be utilised, the country can produce 1.7 million tons of paper from this source alone. The potentialities for the greater use of this material are obviously great.

Education

PLACE OF MORAL INSTRUCTION

IT IS easy to be cynical of the recent report of the Committee on Religious and Moral Instruction. But, it should not be *easily dismissed*. It deserves careful persual at least for the feeling of passion permeating it. The Committee was constituted to examine the desirability and feasibility of making specific provision for the teaching of moral and spiritual values in the

educational institutions. If this was found desirable, it was also asked to define broadly the content of instruction at various stages of education and to consider its place in the normal curriculum.

That a Committee should have been constituted for this purpose itself is a confession that there is something wrong in the present educational system. It is, of course, true that the present state of indiscipline and frustration is to a large extent due to the gradual drifting away from the earlier standard of values and a greater emphasis on the materialist aspect as a symbol of progress. The Committee, however, has laid its fingers correctly when it observes that it would be wrong to lay the blame for this present situation on the youth alone, because the youth are almost being influenced all the time by the standard of values and conduct of the adults at home, in business life, politics and other spheres of activity. The improvement of the educational process must, therefore, be in some way or other linked with the wider problem of social reform and the toning up of the moral and spiritual fibre of the people at large.

Within this limitation, the Committee has no hesitation in saying that the teaching of moral and spiritual values in educational institutions is desirable and specific provision should be made in this regard. In view of the fact that the Constitution does not permit religious education as such, the Committee has thought it necessary to concentrate its attention on the teaching of "moral and spiritual values" and with this end in view has prescribed a syllabus for the various stages of the educational curricula. How this can be done without bringing in religion as such is not known. Even assuming it is possible, it is doubtful how far this is going to cause any radical change in the current trend. But two aspects deserve to be specially emphasised. One is the influence of the home which, when all is said and done, is going to be of fundamental importance in the future career of an individual, and here traditional influence of religion can be of considerable value if enough attention is paid by parents. Secondly, there is the question of paying greater thought to the teaching profession. This the Committee has recognised in ample measure. This is what it says, "Apart from raising the remuneration of teachers, which is too low to attract talented persons to the profession, it is necessary to improve the general status of the teacher in society and to restore to him something of that honour and respect which he commanded in old times". How is this commendable sentiment to be implemented? However, in spite of the many holes that can be picked there is a good deal that is valuable in the Committee's report.

Industry

SEAMLESS TUBES

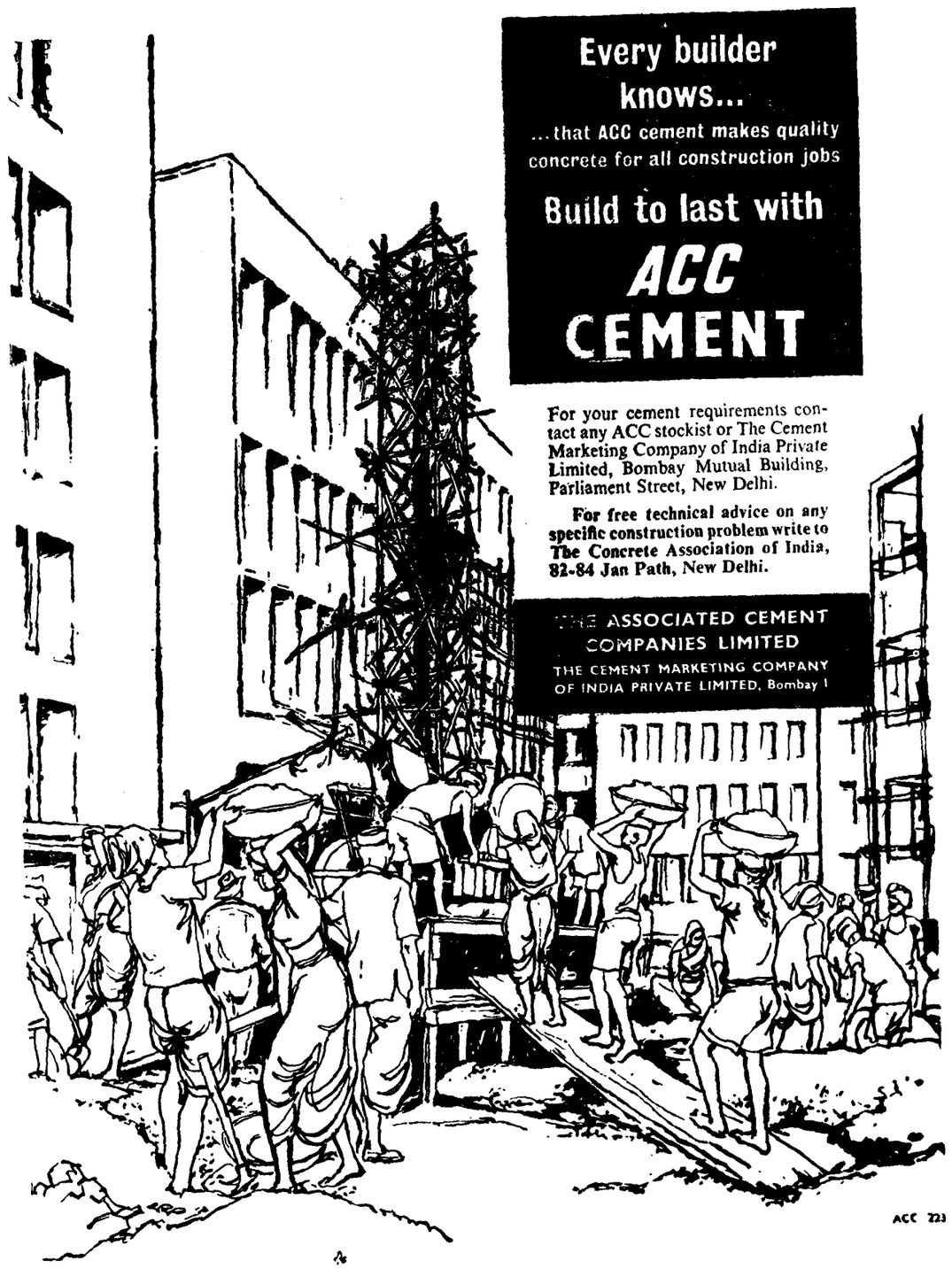
THE INAUGURATION of the Indian Tube Company's seamless tube plant by the Union Finance Minister, Mr. Morarji Desai, at Jamshedpur on January 28, 1960, marked the completion of an amibitious three-stage project, mooted by two distinguished industrial houses of India and the UK over two decades ago and taken up for execution about seven years back. The finalisation and the execution of the project took nearly fourteen long years for the plans had to be shelved twice, once because of the war and again for want of favourable investment climate consequent upon the partition of the country. It goes to the credit of the two houses—Tatas of India and Stewarts and Lloyds of the United Kingdom—to have persevered with the project for over a decade and gone in for it in 1953 as soon as the climate for foreign investment in this country became congenial. Though the start of production of seamless tubes in India will naturally hit their exports to this country and the lower profit in the immediate future could have been a hindrance, Stewarts and Lloyds by participating in this project have shown commendable enlightened self-interest, worthy of emulation by others.

Built at a cost of Rs. 3 crores, the Jamshedpur seamless tube plant—the first to be set up in this country—represents the third and the final phase of the Rs. 8 crore tube project of Tatas. The foreign exchange component of the project—approximately 50 per cent—was met largely by the financial participation of the British associates, the largest manufacturers of steel tubes on the Continent, having an experience of about a century in this line. The first two plants—Fretz Moon Tube Mill and the Electric Resistance Weld and Cold Rolling Plant—were commissioned in November 1955 and April 1957 and produce commercial tubes and high quality precision tubes. The seamless plant will turn out tubes for high pressure work and for defence requirements. With this plant going into production, the Jamshedpur works have now a capacity of 140,000 tons of steel tubes a year out of the total present installed capacity of the industry at about 176,000 tons. At full rated capacity, the value of the Jamshedpur Tube Works' products would be Rs. 20 crores, giving a capital output ratio of 1:2.5. The seamless plant will help India in becoming nearly self-sufficient in small-bore high-pressure tubes upto 6⅝" outside diameter. The imports then will be confined to the large-bore tubes only and that too perhaps till the Rourkela plant, which is designed to manufacture tubes upto 20" diameter, goes into production.

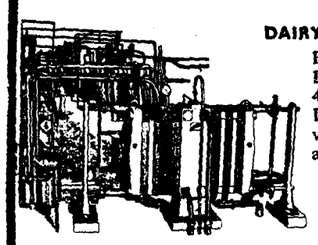
With the successful completion of the project, the Indian Tube Company should now turn its attention to building up the sales side of seamless tubes and the same imagination which prompted its promotors to go in for their production is called for in building up this side. There is need for lowering the prices of indigenous seamless tubes which currently cost the consumer nearly 15 per cent more than the imported product. This perhaps is due to high overhead charges, which should come down when the plant goes into full production in course of time. The economies of large-scale production, it is hoped, will be shared with the consumer and not appropriated by the company as monopoly profits. Enlightened self-interest which made it possible for this project to come up should continue to guide the company in lowering the prices of its product as and when possible. The tube industry in this country has a bright future; it has to play an important role in the developing economy of India. As the higher levels of technology are attained, the use of steel tubes will expand. The Indian Tube Company has already made provision for expansion at its existing plants by reserving built-in potential and is adequately equipped to play its part in meeting the increased future requirements. But that role can be best fulfilled if the price of the indigenous product is kept at a reasonable level.

RAIL CONCESSION FOR EXPORTS

TO ENCOURAGE the drive for exports, the Railway Board has approved concessional freight rates for additional commodities from certain stations to specified ports. These are: Electric motors, cotton and hair belting, grinding wheels, machine screws, automobile hand tyre inflators, bare copper conductors (ACSR and ACC), plywood tea chests and sheet glass. The concessional freight, which is already in force, provides a 50 per cent rebate on normal tariff rates by goods trains. Earlier concessions apply to a number of different commodities.



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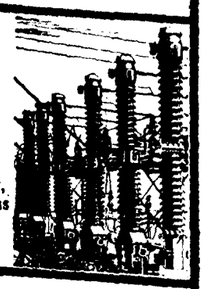
HEAVY PLANT

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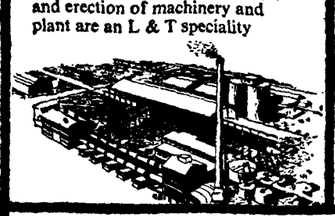
DRILLING & MINING

To the Neyveli Lignite Project and other mining schemes L & T have supplied Bucket Wheel Excavators and Spreaders, drilling equipment and turbine pumps



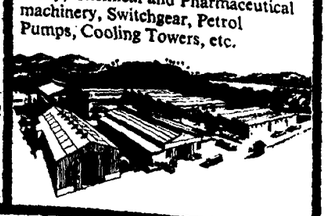
CIVIL ENGINEERING

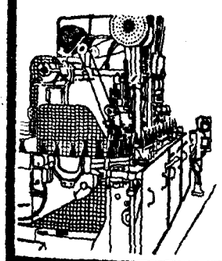
L & T undertake various civil engineering works including designs. 'Turn-key' jobs, involving supply and erection of machinery and plant are an L & T speciality



MANUFACTURE

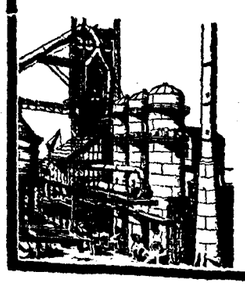
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A Window on the World

WHERE SHOULD A NEW INDUSTRY BE LOCATED?

By

ODYSSEUS

TODAY VIRTUALLY EVERY STATE, district, and city in the world is seeking to set up new industries within its borders. But, as we saw here last week, we should not think only in terms of industries which will create a big local demand for workers. We should think of those likely to cause a rise in total incomes, not just in certain regions alone, but in the whole national economy.

In an important pioneer study of the problems involved in attracting new industries to areas with high unemployment, published in the January issue of Lloyds Bank Review (71 Lombard Street, London E.C.3.), Professor A. T. Peacock and Mr D. D. M. Dosser point out that there is a further complication in the argument (outlined here last week): those industries which would boost employment most effectively are not necessarily those most willing to move to areas where a boost is most needed. To send a firm to a region other than that which it would itself have chosen implies that unit costs of production (for a given output) will be higher. These higher costs will arise from increased transport charges on raw materials and/or final goods, and from less favourable natural conditions. Remembering the over-supply of workers in the area, one might expect that higher production costs would be offset by lower labour costs, but, at any rate in the rigid labour market of the U.K. with its nationwide union wage agreements, this is not certain.

It may be difficult to determine what would be the cost to the taxpayer of setting up an industry in an area which it would not voluntarily choose, because it is unlikely that we would know the average cost conditions in one freely chosen. We can only be imprecisely guided by the size of the financial concessions necessary to induce a firm to settle in the desired area. (The same argument applies, of course, to the establishment of a nationalised enterprise whose costs of production, and therefore, the burden on the taxpayer, will be higher in one area than in another). Some trades, whose markets and/or raw material supplies are not near, and whose transport costs per unit are an important element in their costs, would be at so great a disadvantage if they could expand only in areas chosen for them by government that the burden on the economy would be substantial.

It follows that industries that should be encouraged to move to areas chosen for political rather than purely economic reasons are those which not only have a high employment-creating capacity but are also least affected by locational disadvantages. This points (at any rate in the U.K.) to certain kinds of consumer durables (e.g. electrical appliances), in which transport costs may be comparatively unimportant.

In the U.K. today, any firm willing to set up in a Development Area can obtain assistance, but Professor Peacock and Mr Dosser suggest that the emphasis should be on trades rather than areas. They recommend the compilation of a schedule, determined by the criteria outlined this week and last, of trades which would qualify for assistance. It might be that these criteria would still in many instances bring out the need to move an industry to an area of high unemployment, but it is also possible that some trades willing to move to such an area would not qualify for a subsidy. Conversely, even a trade outside an afflicted area might be granted a subsidy for expansion if its employment-creating potential within the area were high.

WHAT GOVERNMENT AID?

Professor Peacock and Mr Dosser next consider the forms that Government aid to industry should take. (Their observations do not, of course, apply directly to conditions in India but Indian economists will be able to make the modifications necessary for local application). They point out that while the emphasis in U.K. policy to promote full employment has been shifted to the side of demand, policy to cure local unemployment remains concentrated on the side of supply. Before 1958, factories were built which were let at subsidised rents in Development Areas. Since 1958, the tendency has been to give loans at advantageous rates or to make once-for-all grants to firms willing to settle in an afflicted area. The Government presumably felt that in an expanding economy all that was necessary was to influence the location of industry, which would then automatically increase output to meet an expanding demand.

Support offered towards a firm's costs assumes that industries require compensation only to move to areas to which they would not otherwise go and that they have no worries about the sale of their product. But it may be that there is a temporary unemployment: for example, among export industries subject to fluctuations in foreign demand. Secondly, there might be a permanent change in the structure of demand which did not necessarily involve an over-all fall in potential demand. (There is no need to discuss the case of a permanent fall in demand unless we assume that dying industries must never be allowed to die). An example of a permanent alteration in structure without an over-all fall in potential demand might be a reduction in the demand for military aircraft which could be countered, after a period of adjustment, by a switch to the production of civilian aircraft. Here, again, unemployment would emerge and the adjustment to a new pattern of demand might involve a determined effort to find new markets at home and abroad. These causes of unemployment may be important enough in particular regions to warrant Government help.

In both cases, the position of the Government as the largest single buyer in the country (and this either does already, or remembering her Socialistic goals, will sooner or later, apply to India) must be considered.

About one quarter of the annual output of goods and services in the U.K. is bought by different Government bodies. In some industries (e.g. pharmaceuticals, electronics, and aircraft) Government demand is an important influence in the market. It would be interesting to trace the influence on regional employment of changes in the regional composition of Government purchases. It could be that in some areas a decline in Government demand may have cancelled out the effects of Government subsidies intended to create jobs by setting up new industries.

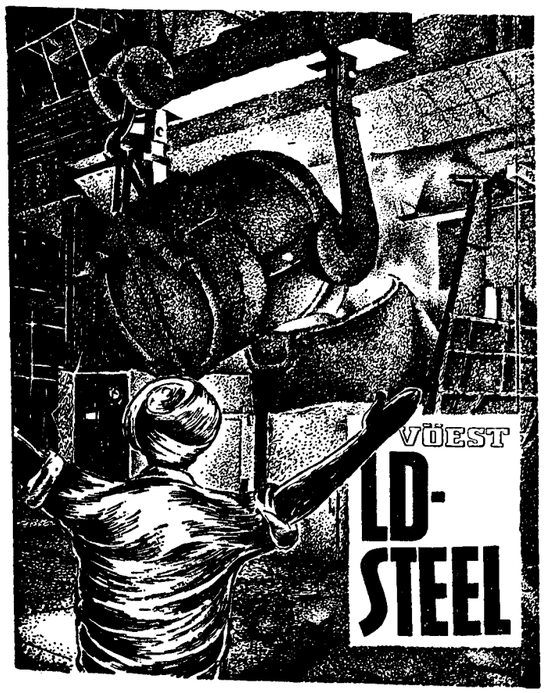
WHEN TO RAISE HELL

It may be possible for Government to use its influence as a buyer to offset cyclical fluctuations in demand, as the U.K. did in order to support the cotton industry in the slump after the Korean war. Apart, however, from the difficulties of timing purchases, a point of principle arises. If Government merely advances the purchase dates of goods which it intends to use at a later date, nobody could complain. But if it is simply buying goods to give away, every citizen should raise hell, unless he thinks that Government ought to deal with structural changes in demand by throwing money away. A better way to help industries facing structural changes in demand would be to increase the facilities available to exporters seeking to expand their markets.

Professor Peacock and Mr Dosser criticise the new bill now before the U.K. Parliament on the ground that it seems to assume that nothing can stop the expansion of the industries whose location the Government wants to influence, as if the problem were merely to compensate an industry for moving into an area in which it may have a cost disadvantage. But as more and more currencies become convertible and more and more trade barriers crumble, it may be necessary also to consider ways to counteract rapid changes in conditions of demand that are adverse to steady and high levels of employment. It may be difficult to devise measures for purely regional needs, but the problem ought to be investigated.

Finally, there is the fundamental question of the social costs of a policy which seems to assume that full employment guarantees the right of every worker to a job in one particular place, without loss of income or transfer of job. The valuation of social costs and benefits is a subjective matter but it may reasonably be asked whether the implications of this policy are fully understood. There are, of course, some people who realise that to interpret full employment as guaranteeing the worker the job of his choice in one spot for the whole of his life would rigidify the economy and slow down the rate of growth, but who argue that the benefits are greater than the cost. That there are more people who think like this in the U.K. than in Germany doubtless explains why the miracles vouchsafed to the German economy have been withheld from the British. Is there any reason why more help should be given to those workers who insist that jobs should be brought to them, and less help given to those enterprising individuals ready to help themselves by risking a new job in a different region?

(This is the second of two articles on the problems of the location of new industry — ED.).



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The European Scene

LAST ACT IN ALGERIA

From Our Special West European Correspondent

PARIS, January 31.

THERE is a small community, of just over one million souls, on the southern shores of the Mediterranean, that is getting in History's way. Everyone wishes it did not exist. So sooner or later it will cease to exist. The great majority of Frenchmen in France now deplore the existence of the French Algerian community, which they realise to be an absurd anachronism and a regrettable impediment to the development not only of Arab nationalism in North Africa but of French prosperity and democracy also. This view is shared by all of France's Western allies, by the Arabs naturally, by the Communist countries, by all Africans and Asians. If the million poor whites and the handful of rich colons did not exist in Algeria, or if they were much fewer, or if they showed a less ferocious determination to go on existing, History would take what everyone accepts as its natural course: France would satisfy the demands of Arab nationalism in Algeria as she has already done in neighbouring Morocco and Tunisia, and is doing at this moment in favour of Negro nationalism in Africa beyond the Sahara. And, given some simple arrangement about the evacuation of Saharan oil, France herself would then be a richer and stabler country.

But this small and ardent community has fought a delaying action since 1945, with the aid of some complicity in metropolitan France. That complicity has become much less in recent months, notably since the return of de Gaulle, and so now, in what may prove to be a last gesture of hopeless defiance, it is trying by itself to arrest the inevitable course of events. It is encouraged, momentarily, by what it takes to be the support of the French Army and administration on the spot. In reality, those institutions do not share its illusions about stopping the course of History but, for reasons that some people will think respectable, they are reluctant to accept the role of History's executioners. (For, although we speak of History in the abstract, there comes a moment when its work can be done only by men with guns.)

This desperate outburst cannot change the course of events, though it may temporarily upset the time table. We do not know what will happen next in Algeria, but we all know what the last act will be: the disappearance of the French Algerian community from an independent Arab state. What sort of face you compose to contemplate the annihilation of a community of men no better and no worse than others is, I suppose, a matter of personal temperament and it is not my business here to make suggestions about it.

This community is offered the choice between two forms of extinction. The Arab nationalists offer it sudden death, and de Gaulle a slow death. The FLN, in the eyes of the French Algerians, has given ample signs during the past five years of merciless and courageous terrorism, of the fate that awaits them in an independent Arab State. That such passions will not evaporate with the attainment of independence has been shown by the fate of the smaller French communities elsewhere in North Africa: the butchery at Meknes, the expropriation and expulsion in Tunisia. The French Algerians have been clear-headed enough to see that what de Gaulle was trying to coax them into did not differ very much from this; their eradication from what they regard as their homeland would be more gradual, less violent but just as ineluctable. This is so because, however much Paris seeks to hide it, the shaping of Algeria's future by free self-determination would and will lead, by stages perhaps but inevitably, to Algerian independence.

With a duplicity that would have been admirable if it had succeeded (in fact it failed) de Gaulle has sought to disguise this fact. Firstly, by saying that in a free vote the Muslims would be given the chance to choose the solution the Algerian French want, namely integration—whereas everyone knows that they would choose no such thing; secondly, by saying that they would, probably, choose some vague form of "association" with France that fell short of immediate independence. But in fact there is no guarantee they would choose that, and even if they did, it would soon appear that "association" is the half-way house to independence. This has been proven before in Morocco and Tunisia and is being confirmed at this moment in the evolution of the French Community in Black Africa. Once the future of Algeria is placed in the hands of its eight million Muslims and its one million whites, the upshot must be independence either next year or in the next five years. For all his coating of the pill with talk of "a French solution," de Gaulle could not conceal this. Metropolitan Frenchmen understood this and accepted it as a graceful if deceitful way of coaxing the French Algerians into submitting to their gradual and inevitable expulsion. By rebelling and demanding that de Gaulle withdraw his offer of self-determination entirely, the French Algerians showed that they saw the consequences of de Gaulle's policy behind the well-intentioned hypocrisy.

One is bound to ask then, if they and everyone in France saw this, why did not the FLN? To attempt an explanation of the political stupidity of a terrorist movement would be too large a task. But one can say that the FLN did see that independence was the only outcome of democracy in Algeria, and that is why it accepted the principale of self-determination. On the other hand, it exaggerated the ability of the French Algerians to delay that outcome and therefore demanded all sorts of unnecessary guarantees. It can now claim that happenings in Algiers justify its caution after the event, but in reality if it had shown less caution and accepted de Gaulle's offer, thus bringing peace to Algeria, the Algerian French would not be insurgents today. They would indeed have demonstrated their opposition violently, but they would not have been able to convince a part of the Army, as they have now, that de Gaulle is sacrificing their community without putting a stop to the war and without mollifying the FLN. A community harassed by the most ruthless terrorism, as the people of Algiers have been in recent weeks, can be moved to insurrection by the long-term prospect of their extinction; but if that prospect had coincided with the return of peace, as it could have been if the FLN had accepted de Gaulle's offer last year, reaction would have been infinitely less violent and would have secured no support from outside.

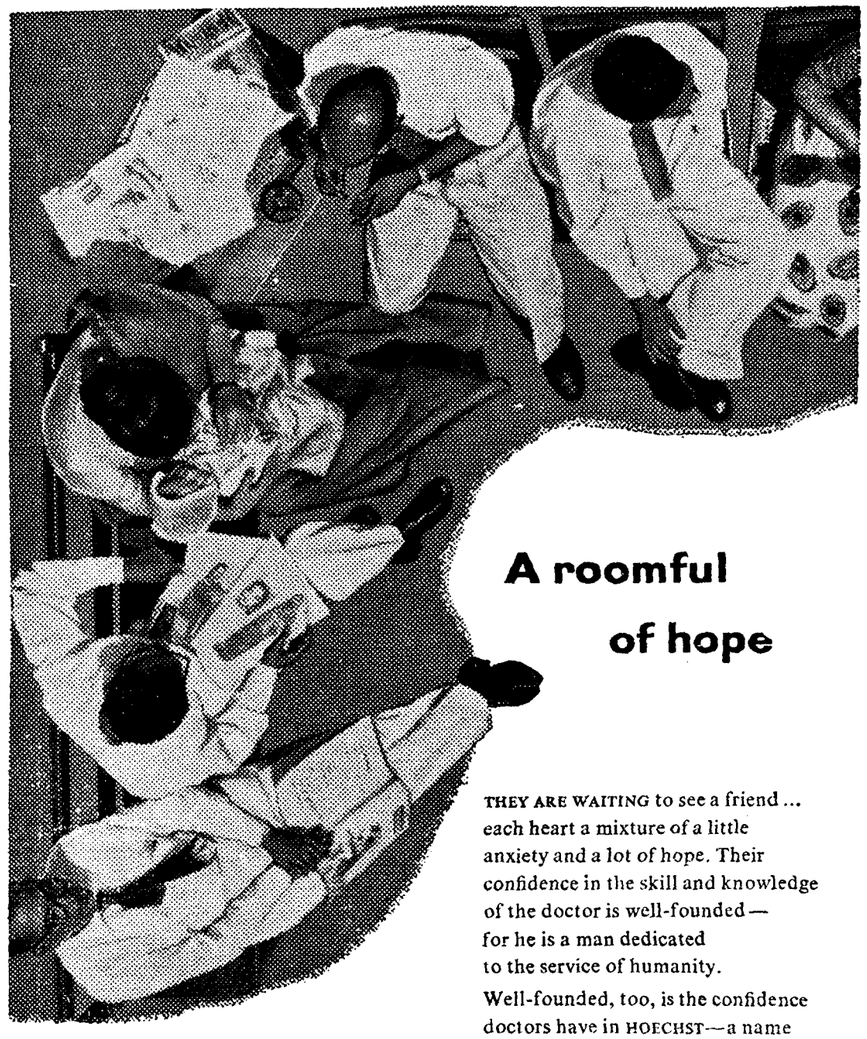
At all events, whether by the gradual and democratic process suggested by de Gaulle or by the violent methods practised by the FLN, the French Algerian community is doomed to disappear. The absurd and suicidal secession of last week will not alter this. Though the Arabs say it openly and the metropolitan French do not, both are agreed that this community is a thorn in their sides. The almost unanimous reaction of impatience and disgust in France last week when Algiers revolted proved that de Gaulle's passage in office has taught the vast majority of the French people to look to a wider horizon than that of colonialism. One may mock de Gaulle's grandiosity but at least it has lifted Frenchmen's minds above the problem of defending the privileges of a small and in some ways admirable community that has had the misfortune of getting in History's way.

Before this community finally goes down, it may do considerable damage. Even de Gaulle may be one of its casualties, for as I write, the issue of the current struggle is far from certain. But the France that de Gaulle represents, the new polity he has outlined to France in the past two years, cannot long be detained in its development by the million French Algerians, no more than can the Arab nationalism whose least congenial aspect is represented by the FLN terrorists. At this moment in Paris there is a good deal of apocalyptic pessimism about France sinking into a long phase of Francoist dictatorship, designed to preserve the French Algerian community from the evident decrees of History. This is quite excessive, and entails accepting the illusion of the French Algerians that they can for long postpone the course of events.

Certainly, until the Algerian problem is settled (and I recall that the euphemism "settled" covers the liquidation of the French community for there is no other permanent settlement) metropolitan French affairs will continue to be highly unstable. But the vision of a military dictatorship, run from Algiers, holding up the development of Arab nationalism and of French democracy, is impossible of realisation. It might be tried, though I doubt that it could even get a foothold in France today: but if it were, it would be the affair of a few months. Dictatorship no more has the power to arrest the development now going forward on both sides of the Mediterranean than has the most weak-kneed democracy. The FLN is quite justified in watching the Algiers struggle with indifference, in this sense that a dictatorship run by Massu or some other puffed up insubordinate would be a no more terrible opponent of Arab nationalism than were the tottering Cabinets of the Fourth Republic. Generalissimo Franco, after all, has more power in Spain than ever the generals of Algiers can hope to hold in France—and yet he had to surrender Spanish Morocco at the same time as France gave the southern part of the kingdom its independence. The capacity of a "strong government" to resist History is just one of the French Algerians' illusions, and quite apart from the opposition of Arab nationalism, it would not last long against the progressive forces at work in France itself, thanks to the present phase of national recovery and economic expansion.

You may say that this serenity depends on taking the very long view but gives no guide to the stormy crisis through which France and Algeria are now passing. Indeed, almost anything may happen and I even allow the possibility of a collapse of de Gaulle's regime. But it is something, in the tumult, to know what the outcome must be. And there can be little room for doubt about that. If de Gaulle fails in his effort to persuade the French Algerians (as he has already largely succeeded in persuading Frenchmen in France) to accept the inevitable in North Africa, that will be regrettable—but it will not exempt anyone from the inevitable.

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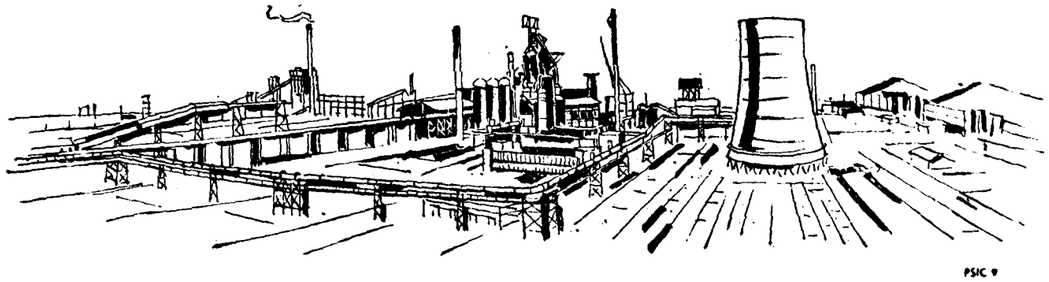
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Economic Report from the U.S.

TRADE SURPLUS

By

GUY SIMS FITCH

WASHINGTON, Jan. 27.

THE US Department of Commerce has just released a report that effectively supports the widely held view officially expressed only last week in President Eisenhower's annual economic message to Congress—that a significant improvement in the US balance of payments is under way. The hub of the report is just one figure—the preliminary estimate of U.S. merchandise exports during December 1959. It is $1,693 million, some 15 per cent above last November, and some 12 per cent above December 1958. Excluding Government shipment, the all-important total of commercial exports last December is estimated at a heartening $1,588 million.

This marked year-end recovery apparently boosted the 1959 total of US commercial exports to an estimated $16,356 million. Particularly striking about that figure is this: it is not only well above earlier Commerce Department projections for 1959, but actually exceeds by a slight margin the $16,315 million commercial export total for 1958—a development considered highly improbable a short time ago. Thus, it would appear that the US trade surplus—the surplus of commercial exports over imports—also was larger in 1959 than previously estimated. While no final import figures are yet available, it is reasonable to assume that about $15,300 million worth of foreign merchandise entered the United States last year, far above the previous annual record of $13,000 million, set in 1957. The 1959 trade surplus, on this basis, would approximate $1,000 million instead of the $800 million or so previously estimated by many experts. With some $200 million more available to offset the continued heavy outflow of American funds in such forms as government aid, private investment and tourist expenditures, the net deficit in the US balance of payments last year could conceivably wind up, at the final accounting, closer to $3,700 million than to the $4,000 million figure commonly used heretofore.

Closer analysis of the 1959 trade results, moreover, tends to confirm that US exports are rising and that the US payments deficit with other countries is declining. The export slump that began in the latter part of 1957 hit bottom in the first quarter of 1959. Exports then rose in the second and third quarters at rates above normal seasonal expectations. They fell off again during October and November, but the sharp December rise has all but made up for that dip.

In retrospect, it now appears that fears of a major and possibly prolonged dock strike—which never materialized—caused flurry of export shipments during September which in effect "borrowed" some $300 million from October and November shipments. Taking this into account, along with exports losses attributable to the lengthy steel shutdown which did not end until the second week of November, officials here are confident that the year-end export revival constitutes a trend which should continue during 1960. This, apparently, also is the view of the National Foreign Trade Council, a private organization of companies engaged in foreign trade, investment and transportation. Twice a year the Council's expert balance of payments group prepares a forecast. Its most recent forecast, made public last week, foresees a substantial cut this year in the US balance of payments deficit as American companies expand their sales abroad. It is interesting to note that the Council's prediction was made even before the encouraging December export results were made by the Commerce Department. The group expects both exports and imports to rise markedly this year, implying that the current economic upswing in the United States and other free nations will continue. But it sees US exports rising in the neighbourhood of $2,000 million to a total of better than $18,000 million, and imports—already at a record rate—going up another $600 million to a total of about $15,900 million.

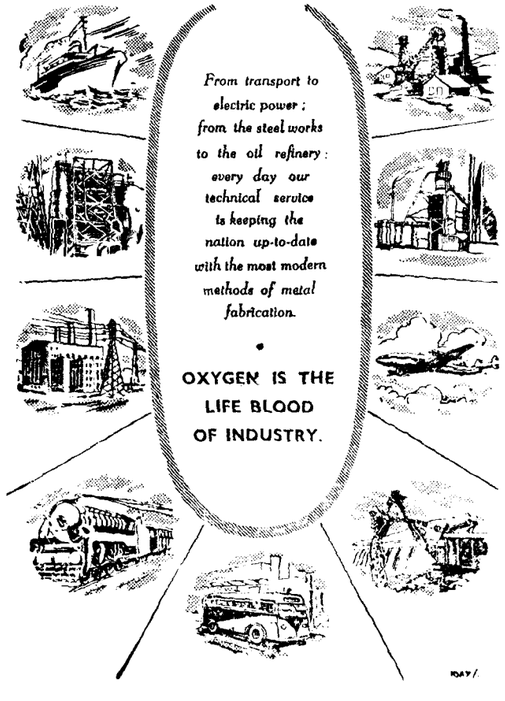
If realized these projections obviously would make for a noticeable improvement in the US trade surplus in 1960 as compared with 1959. Even assuming some increases in US payments abroad on accounts other than trade, the Council expects the deficit in the US international balance of payments to decline to $2,000 million this year which would be an improvement not only on the 1959, but also on the 1958 U.S. payments position.

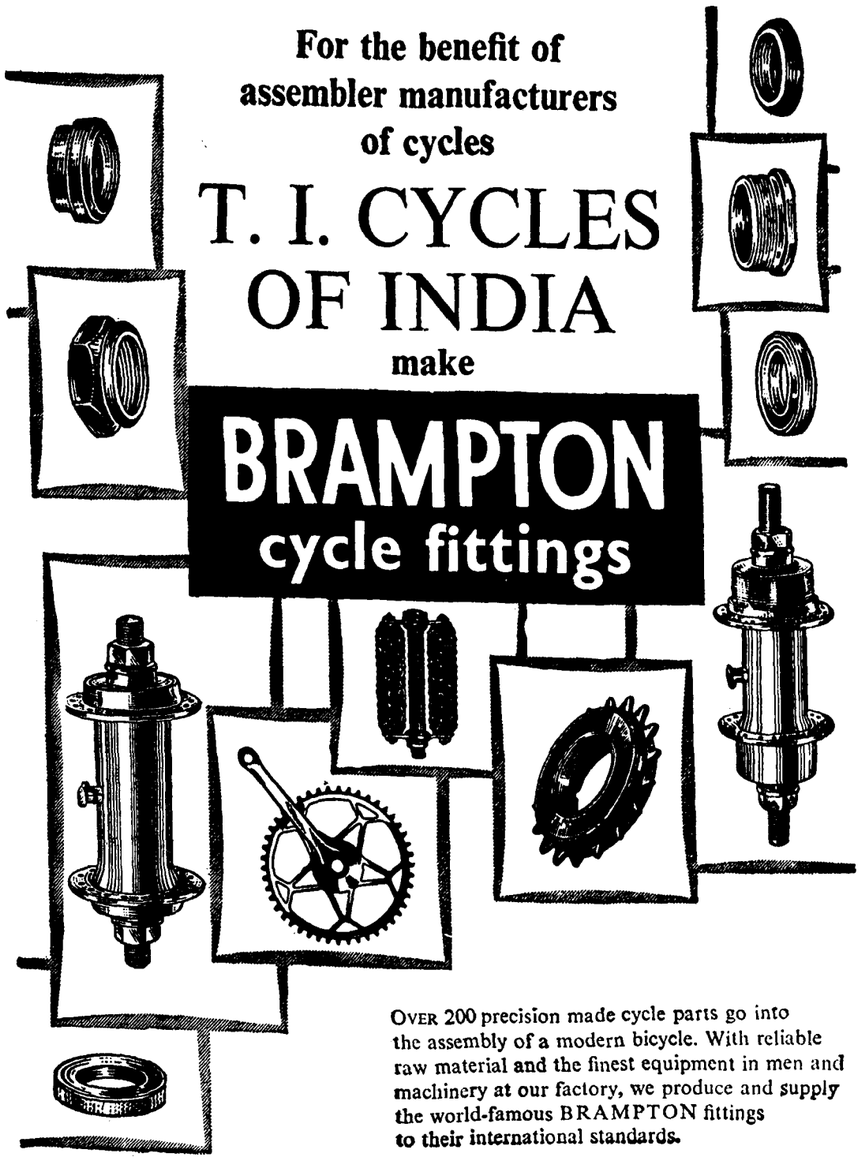
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Special Article

CREATIVE ADMINISTRATION

(CONTRIBUTED)

THE Administrative Staff College at Hyderabad, which opened in December 1957, is playing an important part in developing executive talent for the private and public sectors. Its course is patterned on that of the College at Henley in England, which in the eleven years of its existence has gained wide international recognition as an imaginative and flexible approach to the task of developing the potential higher executive. The aim is to help men—and women—who have already proved that they have managerial and administrative capacities, to expand these abilities by working with small groups of their contemporaries drawn from a wider variety of experience and employment than would be possible within any one industry or service.

The thinking which lies behind this idea is that in the early years of a career distinction is won by doing some limited job well. Success in a specialised or limited field—for example as a salesman, technologist, accountant, works manager, or officer in charge of a sub-ordinate department or section—marks a man out for higher responsibility. To do the limited job well requires specialisation and concentration; knowing the job as well as, and probably better than, anyone else; doing the job himself or telling subordinates what to do and even how to do it. As responsibilities become wider this aspect of the work becomes less. It now becomes necessary to deal with others of whose specialisms he knows perhaps little at first hand; to inquire into and judge their work, instead of minding his own business; to gain objectives by obtaining the co-operation of colleagues rather than the compliance of subordinates. Moreover, the nearer an executive comes to the top of an organisation the more do its external relations become his concern. As well as seeing that all is well within, he must now look to relations with Government, with organised labour, with the providers of funds and with customers, clients, or the public generally. The impact of changes in the world at large, as well as changes peculiar to the techniques of his particular organisation, loom larger on his horizon.

Some adjustment to these new challenges can be made by training undertaken within the particular industry, service, or organisation, but the wider contacts with Government and other forms of Industry or Commerce can only be obtained by hard experience, or at some place which draws together representatives of all these sides of the life of the country. It is one of the distinctive features of the Administrative Staff College that it brings men and women from the public and private sectors and from the Union and State Governments to work together. Nor is the traffic all one way. Government must concern itself much with industrial and commercial matters, particularly in a society which aims at a socialistic pattern of life and a welfare State. As is being increasingly realised, in implementing the objectives of Government the private sector, as well as the public, has a part to play. Government can learn from Industry and Commerce and must use the resources of men, material and knowledge in Industry and Commerce, if it is to achieve its ends without wasteful duplication. Industry and Commerce on the other hand—both public and private—require to understand Government. Co-operative study of common problems by representatives of Government and public and private sector industry at a formative period in their lives should generate constructive understanding of each other's needs and attitudes.

In practical matters the best thinking comes from experience. The Staff College therefore seeks in most of its studies to distil the experience of its members, who must therefore be persons of some maturity, though yet able to learn. Its methods emphasise the importance of exchange of experience rather than book-learning. Those who aspire to positions of high responsibility should be creative persons, aware of what is being done and thought in other places, as well as in their own particular world, and able to apply what they observe to the requirements of the circumstances with which they have to deal. For this a text book or standardised course of instruction is of limited value. For the creative administrator the source material for study is the practice of those who administer and their thinking about the issues which they encounter at first hand. This approach, which is fundamental to the method of the Staff College, not only gives a markedly practical flavour to its work, but also helps to ensure that it is based on the distinctive needs of India and not on theories evolved to meet the needs of quite different circumstances.

It is these capacities for creative administration that the Staff College seeks to develop. Its method of syndicate study under chairmen drawn from the members is devised to meet this aim. The method is at least as important as the content of the studies. An important part of what members derive from their three month session comes from the responsibility of managing a diverse group of colleagues in the syndicate and getting them to work together effectively, as senior executives so often have to do in their everyday work. The role of the staff in the College is therefore rather unusual. It is not to instruct, but to set the scene for these activities by providing the appropriate papers and documentation, bringing suitable experts in to speak or be consulted, arranging visits to see at first hand things which bear on subjects under discussion, explaining the method of work and the reasons for it and helping to create the kind of atmosphere in which it can flourish. This requires high qualities of judgment and personality.

Such a course is of necessity relatively sophisticated. It makes great demands on those who participate and can be an invaluable stimulus for those who have the experience and potentialities to take advantage of it. For men of lesser calibre it would be a wasteful use of time. That is not to say that only men who are intellectual 'high-flyers' should be considered for the College. The qualities required of a creative administrator or manager are not primarily intellectual.

Good common sense and judgment, combined with integrity of character and a capacity for getting things organised and seen through, is more effective than mere intellectual ability. The College is not a University and the criteria which it applies are not those which would be appropriate in a more academic institution. It is rather a practical attempt to help practical men to do their practical jobs better.

It would be unrealistic to expect an institution of this kind to deal with large numbers. The kind of men who can profit from this sort of course are limited. They can only be spared from their jobs with difficulty and a few at a time. The course lasts three months and experience shows that it is often only in the last two or three weeks that some members develop most. To shorten the period would rob the course of much of its value. The method of work itself also sets limits on the number who can take part at any one time. This number has grown from thirty on the first session to fifty now, which is not far from the upper limit. An output of one hundred and fifty a year may seem numerically small; qualitatively it is very important for the future of the Indian economy.

The College is no substitute for other courses with different aims. The development of executive talent is a continuous process. Much of it has to be done by experience on the job, for which there is no substitute, but at various stages training can help. To be effective the programme and methods at each stage must be geared to the ability and needs of the individual at that period in his development. Some things are best done by straight-forward instruction; some are better handled within a particular organisation, service or industry; some should be done by a University or Technical Institution where staff of distinctive calibre and capacities are available; some should be done under the auspices of a professional body, some are better tackled on a local or regional basis, for example by a Management Association. The Administrative Staff College is designed to deal with a particular stage and aspect of this long-term development. The higher the standards reached and the more extensive the activities in these other institutions the better will be the work at the College, which depends to such an extent on the experience, training and calibre brought to it by its members.

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THE BUSINESS WORLD

The Small Man in the Economy

By CROESUS

TWO happenings of last week have convinced me that the small man—I would studiously avoid the much-abused term "common man"—in India too will soon come into his own. Although the middle classes are supposed to constitute the backbone of a country, one is amazed at the neglect of this class by the powers-that-be, especially in India, who are, not without reason, perhaps, more keen on appeasing the organised industrial worker. The large body of these workers constitute a convenient vote packet. But the shrewd Indian financiers and the shrewder foreigners have not been slow to realise the potentialities of this class. At any rate that is how I am inclined to interpret the instructive and interesting talk on "Investment as an Art" by Mr. A. D. Shroff, a Director of Messrs Tata Industries Private Ltd., under the auspices of The Democratic Group and the Bombay Shareholders' Association and the U.S. Small Industries Exhibition which began here last Sunday. Both seem to open up possibilities undreamt of hitherto and, if properly harnessed, should make the lot of the small man a hundred times happier than today. If Mr Shroff's talk took note of the common man as a prospective investor, the U.S. Small Industries Exhibition has unfolded a variety of ways in which the frustrated small man — frustrated because of absence of opportunities to make a decent and honest living—can hope to build up or carve out a career for himself.

Although Mr Shroff expatiated at length on how investment is an art, it was his forceful plea for the establishment of unit trusts (as in the U.K.) or mutual funds (as in the U.S.A.) in India that appealed to me most. This is the only way in which the idle purchasing power—particularly in the hands of small man whose potential role as an investor has only just begun to be appreciated—released by the Government's large doses of deficit financing can be effectively mopped up. That is at once countering inflation and promoting capital formation. A means of mechanism must be found to canalise the savings of the common man, a mechanism that ensures both safety of investment and adequacy of return, and experience in the advanced countries of the West has provided the answer in the form of unit trusts or mutual houses. Way back in the twenties and early thirties,—i.e. in the wake of the first world war—the unit trust movement took strong roots in the U.K. Although proposals were then made even in this country to popularise it we did not advance beyond the Investment Trust Companies stage, probably the first phase. Anyway, the time is ripe for it now and the initiative must be taken by some of our leading industrialists and financiers to give it a good start.

It was just as well that Mr Shroff disabused the wrong notion entertained by some of our administrators who are believed to have been responsible for cold-shouldering earlier moves to start unit trusts in this country, by refusing to extend certain tax concessions as in the other countries. According to these administrators, it would appear, encouraging unit trusts would adversely affect the Government's savings drive. This is just a presumption and a wrong one at that. In the first place, it is not that everyone will go in for Government's savings schemes. Secondly, in the countries where unit trusts and mutual funds have been operating, instead of the savings movement of the concerned Government being hit badly, it is actually stated to have received a fillip. The reason is obvious; the unit trust movement has promoted and encouraged the savings habit among the people, the small men in particular. There is no reason, therefore, why, given the requisite encouragement and the right sort of start, the movement should not take firm roots in the country. As a matter of fact, if the slogan of people's capitalism is to become an accomplished fact, the unit trust movement, it seems to me, is an essential pre-requisite. So much for the small man as a would-be invester.

As for small industries, one must take a round of the U.S. Small Industries Exhibition to believe what a vast potential field there is before the small man of this country if only he is enabled to take to it. The Bombay Governor, Mr. Sri Prakasa, was saying just the thing necessary when he remarked whilst inaugurating this Exhibition, that there was no doubt that small industries of the type displayed at this Exhibition would be very helpful in developing our economy and raising the living standards and purchasing power of our people. From his speech it was evident the Governor attaches to the Exhibition a high sentimental value. Thus, recalling Gandhiji's wish that the amenities and employment opportunities of cities should be extended to the villages, Mr Sri Prakasa expressed the hope that small industries (of the type on display at the Exhibition) would help to fulfil that dream of the Father of the Nation. As he rightly said, there are machines here that can be operated in the countryside by our people—actually it is Indians who operate all the U.S. machines exhibited—and I fully endorse the wish that large numbers of our people from the villages should visit the Exhibition. If it is not impolite to make a suggestion to the U.S. Exhibition authorities, I would go even so far as to tell them to locate their next Exhibition not in a city like Bombay but in a small town, if not a village (of course a town or village where there is electricity). Incidentally, we must guard against the Sarvodaya champions raising hares at these small industries on the plea that they have to be power operated or that they are too costly for our people. With all the agencies now available for providing finance to small scale industries, the latter should not present much difficulty.

I would particularly like to bring to the notice of our Sarvodaya people the merits of the small industries of the type on display at the Exhibition. The U.S. Ambassador, Mr. Ellsworth Bunker, has made my task easy by listing the three advantages of small industries as gleaned from American experience: as an employer, as a producer and as a source of strength to the economy. In the United States, he said, small industry (i.e. firms employing less than 50 persons — this corresponds to the definition of a factory in India—) employs

more people than do the industrial giants. There are four million of these firms employing some 65 per cent of the country's industrial workers, producing roughly 1/3 of all manufactured goods and accounting for 3/4 ths of the total earnings of the service industries.

At the Exhibition, I noticed these words in bold type "Great industries from small industries do grow," presumably meaning that, in course of time, small industries grow into big industries. It is no less true that small industries are very necessary for the big industries, as a supplier to the big industrial projects, as Mr Bunker mentioned. It may not be known to many that the U.S. Steel Corporation, the largest American business enterprise, buys from as many as 54,000 small enterprises; so also the General Motors which has more than 20,000 sub-contractors. What is even more notable is the claim of the U.S. Ambassador that these small industries "permit our large industrial plants to operate more efficiently and more economically, thus bringing lower prices to the consumers." It is hardly necessary to add that such small industries are bound to be a source of strength to the economy of any country. To use Mr Bunker's words again, these industries are, in a true sense, "private enterprise with little firms willing to take big risks, putting energy, skill and resources into independent ventures which benefit our economy as a whole." Let us first make sure we need such industries and go ahead with them knowing full well all their implications. If, as Mr G. L. Mehta observed, in his welcome address, this Exhibition proves "a source of education and instruction for large numbers," there may be still some hope that the enthusiasts of out-moded and out-dated village industries will not torpedo the one practical possibility that is now before us to provide adequate employment to our people. Here is an answer for the question or questions of our planners, namely, to find employment for some than 20 million people by the end of the Third Five-Year Plan.

Business Notes

Under-Developed Economies

THE ROLE OF INDUSTRIALISED NATIONS

AT THE Annual General Meeting of the Lloyds Bank Ltd., Sir Oliver Franks, the Chairman, pointed out certain salient features of the new relationship that has emerged between the economically developed and the under-developed nations. In sharp contrast to the forties and most of the fifties, when the main problem that attracted attention of the nations was the East-West tension, there has arisen a second problem of equal importance, as Sir Oliver calls it, "the North-South Problem". Broadly, it involves the relationship of the industrialised nations of the North of the globe to the under-developed countries that lie to the South, whether in Central and Southern America, in Africa, in the Middle East or in South and South-East Asia. "The balance of the world now turns on a right relationship between the industrial North and the developing South", he added.

Many of the nations which achieved political freedom recently intend to develop economically as fast as they can. But in doing so they face a vicious circle. Low living standards and free democratic societies cannot create sufficient savings indispensable for the accumulation of capital. They need more capital for rapid economic development. This vicious circle can only be broken in one of the two ways: either by tyranny—by enforcing hardships on the people and holding down their consumption and raising thereby the savings for rapid economic development—or by inflow of capital from outside, giving a free society a chance to develop and reap the fruits of political freedom. This fact is more than proved in India's case where foreign assistance is an imperative of economic development.

Sir Oliver made it clear that to face this problem the industrial North should have a sort of common programme and ascertain how much capital can be made available to the under-developed countries. The question, however, arises that in the present set-up of various economic agencies of the United Nations like the IBRD, is there any need for a new agency or is it enough to intensify the programmes already taken up by these agencies? He believes that the industrially advanced nations should have a common ground to discuss the problem. But then, he too has his doubts as to whether any new agency for such discussions would not involve the problem of political associations. Nevertheless, in drawing attention to the desirability of establishing such an agency he has expressed the prevailing mood of the advanced countries to help the growing nations in the economic development. Sir Oliver's views on this subject are invested with significance in view of the fact that he leads the three international bankers' delegation visiting India and Pakistan.

Public Corporations

MYSORE OPTS FOR THREE

THE SUGGESTIONS of the Planning Commission that all State undertakings should be run as public corporations, instead of as wings of the administrative machinery which is the present practice, is being slowly implemented in several States. The latest to join the list is the State of Mysore which has decided to form a corporation each for the Mysore Iron and Steel Works, the Kolar gold mining undertakings and the small scale industries in the State. Giving details about these corporations, the State Chief Minister, Mr B. D. Jatti said that the authorised capital of the Mysore Iron and Steel Works Corporation would be Rs. 20 crores and the issued capital Rs. 12 crores. The authorised capital of the Kolar Gold Mining Undertakings Corporation would be Rs. 2 crores and the issued capital Rs. 180 lakhs. With regard to the Small Scale Industries Corporation the authorised capital would be Rs. 50 lakhs out of which it is proposed to issue only Rs. 10 lakhs at present.

It is further stated that all the corporations would be autonomous, even though all the shares would be owned by the State Government. It was no doubt recognised, there was perhaps one snag, namely that, with the formation of the corporation, the new bodies would be called upon to pay income and other taxes, but it was also realised that the benefits accruing to the State following the expansion which has to depend upon Central assistance (which in turn is dependent upon the formation of corporation) would be even greater. From the public point of view, however, the test will be efficiency. If, therefore, consequent upon the change in the administrative set up, efficiency and production improve, the change will be welcomed. This may be expected and is possible only if the corporation is allowed to function in a really autonomous way, that is without the State interfering in the day-to-day working of the proposed corporations

Cement

PRICES AND DEMAND

THE YEAR 1959 had mixed fortunes for the cement industry in India in the sense that a general expansion in the installed capacity was accompanied by a drop in demand. The despatches of the cement companies, particularly for Government requirements, failed to keep pace with the increasing production. Figures for the latest available month reveal that with an installed capacity of 7.05 lakh tons per month, the output was 5.83 lakh tons in October 1959. Though some improvement was visible in the later part of the year, it is not likely that the demand may catch up with the installed capacity of the industry. The disparity, however, may not remain wide very long as there are already signs of increasing construction activity.

The attitude of the Government of India towards the industry leaves much to be desired. The Tariff Commission, for instance, did not consider the demand of the industry realistically. Commenting on the meagre price increase of Rs. 3.50 per ton allowed by the Government on the recommendations of the Tariff Commission, Mr. D. M. Khatau, the Chairman of the Associated Cement Companies, observed at the annual general meeting of the Company that it was quite inadequate, particularly as it ignored various elements of cost such as the commission to stockists, annual bonus payments to employees and the remuneration payable to Managing Agents. In addition to this, there have occurred certain increase in specific items of cost, after the Tariff Commission enquiries, such as the upward revision of the railway freight, rise in the pit-mouth price of coal, rise in wages consequent upon wage settlements and adjudications, new levies and increases in the rates of duty on power, revision of electricity tariff, and so on. Furthermore, the Chairman pointed out, there was a basic error in the Tariff Commissions' approach to the problem of costs. They assumed dogmatically that dispatches, and therefore, production would be equal to the installed capacity. It was quite difficult to attain production at the level of 100 per cent of installed capacity and sustain that level for a considerable period. It is very clear, therefore, that the Tariff Commission's estimate 'cost of production per ton' was faulty to a significant extent. This, indeed, is a reasonable objection and it is time the price formula was revised in the light of these important factors. This is all the more necessary in view of the fact that a target of 15 million tons is likely to be fixed for the Third Five-Year Plan and most of the existing units will have to execute it. The price must respond to the cost structure so that they may be rendered capable of shouldering this responsibility.

Plantations

DECLINING TEA EXPORTS

AT THE Nineteenth Annual General Meeting of the Calcutta Tea Merchants Association, Mr. A. S. Dholakia in his presidential address pleaded that intensive efforts be made to step up exports of Indian tea. In view of the falling exports, this obviously is very important. It may be noted that during the first 11 months of 1959 tea exports fell by about 45 million lb. compared to exports during the corresponding period of 1958. Ceylon's overall exports, on the other hand, were up by 23 million lb. in the same period. The East African territories picked up to the extent of 18 million lbs. over the previous year in the first six months of 1959, while Pakistan, Rhodesia, Nyasaland, Mozambique and Formosa all registered substantial improvements. The UK which is our principal market, imported from us in the first nine months approximately 30 million lbs. less than in the same period of 1958.

In this situation, the relief has come from the continued interest of the USSR in the Indian auctions, the better interest shown in Indian tea by East European countries like Poland, Czechoslovakia, East Germany and Rumania and increased offtake by Sudan and some of the Middle East countries. Mr. Dholakia has indicated how an intensive drive can be made to boost the export of this commodity. The emergence of new producers and new customers now required that an energetic and imaginative programme be launched soon to capture the markets.

Coal

STRESS ON QUALITY

WHILE THE consumer is aware of the price he pays for a certain quantity of coal, he is perhaps, more conscious about its quality. There is evidently a shortage of quality coal in India and this is particularly felt by two big consumers — Steel Industry and Railways — where demand exists for coking coal. Recently the Tata Steel Works, who are now ready with the equipment for 2 million tons production, had to purchase 30,000 tons of coke from Rourkela. The quality of coal has a direct bearing on the industry; every one per cent increase in the ash content of coke above a certain standard content would mean 5 per cent loss in the production of iron which would result in raising the cost to the tune of Rs. 3 per ton. As was pointed out recently by the President of the Coal Consumers Association of India, the Indian Iron also complained regarding their failure to secure the coal of required specifications so that the ash content of the coke had increased by 2 per cent. Railways as consumers of coal also had to bear a loss to the tune of Rs. 5 crores just because they did not get the coal of desired quality.

It seems, therefore, that only raising the output of coal during the current Plan and also during the Third Five-Year Plan, irrespective of quality, should not be the aim before the planners. Proper stress should be laid on the quality of coal to be produced. It would be of little significance if the production goes on increasing in the case of low grade coal only. In this connection the awaited report of the Sub-Committee appointed by the Coal Council under the Coal Controller to appraise the quality of the additional coal likely to be produced from each coalfield during the Third Plan would be of great importance. It is hoped that the report would be available before the targets for the Third Five-Year Plan are finalised. It may be added that next in importance to the mining of quality coal, is the role of washeries. This is another way to relieve the shortage of coking coal to a great extent because the washeries by reducing the ash content of non-coking coal make it a suitable substitute for coking coal. It is also hoped, therefore, that proper stress would be laid on the setting up of more washeries during the Third Five-Year Plan.

Export

POLICY FOR FERROUS SCRAP

THE LATEST ferrous scrap export policy—that for the period Jan.-June, 1960—announced recently by the Iron and Steel Controller has been received in trade circles with a sense is disappointment. Save for the deletion of the obnoxious provision of "No Objection" letters from furnace owners for licensing the export of turning and boring scraps, it is said, there is no significant improvement in the latest policy. "The Policy," says a Press release of the Scrap Traders and Exporters' Association, Bombay, "contains no major liberalization, nor is it coupled with a barter export programme," both of which had been urged by the interests concerned.

For some time now, the scrap market in Bombay has been devoid of activity. Local prices of all exportable grades are quoting at Rs. 15 per ton below those that prevailed early in December, 1959. The hopes that at least the announcement of the new policy would revive activity have now been shattered. Meanwhile,

Japan, the main buyer of Indian scrap, has been experiencing a veritable glut. Excessive buying by Japan during the last few months and the diversion of the unconsumed volume of about six million tons of scrap by the United States consequent upon the 116-day steel strike, coupled with the persistent wooing of Japanese importers by the U.S. shippers with high grade scrap, has brought down world rices by about one pound a ton. If India wants to export more scrap, she should immediately think in terms of developing alternate markets and remove all the impediments that now inhibit any further increase in scrap exports. In this connection, trade circles feel that Pakistan, from where there would appear to be enquiries for our scrap, could well be developed as an alternate market. Traders further aver that, if export of cast iron varieties were permitted, it would not only help our exporters to establish a foreign market for our scrap in Pakistan but also in disposing of a large quantity of cast iron ingots scrap and cast broken machinery which are now being actually wasted in the country.

With a view to facilitating the further utilisation of India's scrap potential and an increase in our scrap exports, the Association has pleaded among others, for an immediate announcement of a barter export policy for scrap, for decontrol of domestic scrap prices, for permission not only to export all varieties of cast iron scrap but also to include a higher proportion of heavy scrap in export shipments, and for including scrap in all bilateral trade agreements with countries that use imported scrap for production of steel.

Economic Tensions

MIDDLE CLASS ON THE MOVE

THE "MIDDLE CLASS," in the Indian sociological setup, is slowly becoming more vocal, thanks to the pressures of creeping inflation and mounting taxation. Although it is a stratum of society which defies definition and exactitude, its tremendous influence on public opinion cannot be belittled. It posseses great power. Nevertheless, the tragedy is that the middle class, unlike the working or the upper class, has not been able thus far to shape either economic or political issues. This is because it had not organised itself and chose, perhaps unwittingly, to suffer silently. That a section of the community which provides the nation not only with material but with eminent men should have thus suffered in silence in the face of a number of hardships, such as unemployment, housing shortage, mounting prices and, above all, a continuous state of interference with every aspect of life, is as amazing as it is unfortunate. But these things are soon to change and the middle class bids fair to come into its own, as witness the growing popularity of the Middle Class People's Convention, the second session of which was held in Bombay recently.

Although one may not accept some of the suggestions, especially the plea for more controls, put forward by two of our well-known economist to check rising cost of living—the recent bitter experience about sugar is still green in the memory of all—the Convention, it must be said, has definitely helped in rousing public opinion. This is a great gain indeed. For, as Prof. A. R. Wadia remarked in his inaugural address, 'silent suffering is not likely to be appreciated either by the man in power or by the voting public at large. Grievances have to be ventilated not once or twice but again and again till they reach the ears of men in power and the volume of public opinion is aroused to such an extent that even the mighty cannot afford to turn a deaf ear to these palpable grievances." If still the powers-that-be persist in neglecting the middle class, they will do so at their own peril.

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Current Topics

PAPER INDUSTRY AND THE THIRD PLAN

What is likely to be the demand for paper in the Third Five-Year Plan? There have been two estimates in this connection, one by the Industry Division of the Planning Commission and the other by the Panel for Paper and Paper Board functioning under the Commerce and Industry Ministry. These are given below.

THOUGH it is rather difficult to make an accurate forecast of demand for a commodity like paper, on the basis of past trend — an increase of 8 per cent in the First Plan and 10 per cent in the Second Plan — a 12½ per cent progressive annual increase in demand in the Third Plan would appear to be a reasonable estimate. The actual demand for paper and paper board by the end of the Second Plan period would be of the order of 350,000 tons. Proceeding on this assumption, the growth of demand during the Third Plan period might be reckoned as follows:

1960-61	..	350,000 tons
1961-62	..	400,000 ,,
1962-63	..	460,000 ,,
1963-64	..	520,000 ,,
1964-65	..	585,000 ,,
1965-66	..	650,000 ,,

The above estimate is broadly corroborated by an independent assessment recently made by the Tariff Commission according to which the demand for paper in 1963 is placed at 520,000 tons. Providing a 25 per cent increase in the last two years of the Third Plan over the demand estimate for 1963 of the Tariff Commission, it would be seen that the requirements in 1965 will reach 640,000 tons to 650,000 tons. The Industry Division of the Planning Commission is of the view that unless there is reason to believe that prices of paper and paper products would reflect a fall over current levels, offtake will not go beyond this level by the end of the Third Plan.

The demand for paper and paper board has also been considered by a sub-committee appointed by the Panel for Paper and Paper Board functioning under the Commerce and Industry Ministry. At its meeting on November, 12, 1959, the Panel discussed the estimates made by the Industry Division along with the estimates of the sub-committee. The Panel agreed with the annual rate of growth of 12½ per cent in the Third Plan as assumed by the Industry Division but differed from it on the demand as at the end of the Second Plan. While the Industry Division has estimated the effective demand in 1960-61 at 350,000 tons, the Panel placed it at 400,000 tons. On account of this difference, the Panel's estimate for 1965-66 is higher by 50,000 tons than that of the Industry Division.

It has been estimated by the Panel that the pattern of consumption among different categories of paper would be as follows:

Writing and printing paper ..	65 per cent.
Packing and wrapping paper ..	16 per cent.
Paper board	16 per cent.
Miscellaneous and specialities ..	3 per cent.

On this basis, the demand for different categories of paper by 1965-66 as estimated by the Panel and that by the Industry Division is as follows:

	Demand as estimated by by the Panel	Demand as estimated by the Industry Division
1. Writing and Printing paper	455.0	422.5
2. Packing and wrapping paper	112.0	104 0
3. Paper boards	112.0	104.0
4. Miscellaneous and specialities	21.0	19.5
TOTAL	700.0	650.0

The trend of production in recent years seems to show that paper factories have been operating at an average level of about 95 per cent of the capacity. Even providing for unavoidable shut-downs, it is essential that the industry operates at an average of at least about 85 per cent of its capacity during the Third Plan period. On this basis, the capacity targets for the Third Plan duly linked up with the demand estimates discussed earlier would be as follows:

1. On the basis of Industry Division's estimate of 650,000 tons .. .. 750,000 tons.
2. On the basis of Panel's estimate of 700,000 tons .. .. .. 820,000 tons.

The Panel has, however, suggested a capacity target of 900,000 tons to achieve a production of 700,000 tons by 1965-66.

Hitherto the development of the industry has been mainly based almost entirely on conventional raw materials like bamboo and sabai grass. In the further development of the paper industry there will have to be major reorientation in favour of new raw materials namely bagasse, rice, straw, paper waste and other cellulosic materials which have not hitherto been exploited to any significant extent. A beginning has already been made in the direction of the use of bagasse pulp with pulp produced from conventional raw materials. Areas abundant in the supply of bagasse would attract attention in the future for the location of additional paper units in the Third Five-Year Plan.

On a rough basis it is estimated that foreign exchange of the order of Rs. 22 crores would be required for import of plant and machinery during the Third Plan period as given below:

		Foreign exchange requirement (Rs. in crores)
1. Establishment of small units	(50,000 tons)	3.0
2. Establishment of five large new units ..	(75,000 tons)	15.0
3. Expansion of existing units	(75,000 tons)	12.0
	200,000 tons	30.0
Available of machinery from indigenous sources.		—8.0
Net foreign exchange requirements		22.0

In addition, foreign exchange of about Rs. 1 crore (after taking into consideration indigenous production worth Rs. 6 to Rs. 7 crores) will be required for maintenance of stores for the five-year period. It is estimated that a sum of about Rs. 70 crores would have to be invested in the paper and paper board industry during the Third Plan period to achieve the capacity target of 750,000 tons. In estimating this investment, it has been assumed that half of the expenditure on schemes under implementation at the end of the Second Plan would be spilling over into the Third Plan.

A DELHI NOTEBOOK

ELECTRICAL INSULATORS

FEELING the urgency for stepping up the production of electrical procelain insulators, consequent upon the rapid progress already made and envisaged to be made in the near future in power and electrical industries, installed capacity targets of 13,600 tons a year for high-tension insulators and 14,200 tons per annum of low-tension ones have, it is understood, been proposed for the Third Five-Year Plan. At present, there are ten plants (including the Government Porcelain Factory, Bangalore, and the Bharat Potteries, Calcutta, which resumed production in 1957 after having gone out of operation during the preceding year) engaged in the manufacture of electrical insulators. They have a total capacity of 13,900 tons a year, as against 6,056 tons at the end of the First Plan. A large part of the increase effected in the manufacturing capacity during the past three years has been in respect of high-tension insulators.

The present installed capacity is not being worked to the full as the following table giving actual production in the past four years and estimates for the last two years of the Second Plan, shows:

PRODUCTION OF INSULATORS

(Quantity in tons and Value in Rs. lakhs)

Year	H. T. Insulators		L. T. Insulators.	
	Qty.	Value	Qty.	Value
1955-56 .	372	16.5	3887	39
1956-57 ..	74	3.5	4280	43
1957-58 ..	410	18.5	4420	44
1958-59 ..	1168	52.6	4136	42
1959-60 (Esti.) ..	1300	60.0	5500	55
1960-61 (Esti.) ..	2400	108.0	6000	60

The considerable shortfall in production compared to the installed capacity, it is stated, has been due to the time taken in attaining the stringent quality and performance characteristics demanded in the case of H.T. insulators, the shortage of malleable castings and some other raw materials, especially ball clay.

DEMAND FORECASTS

The Central Water and Power Commission's working group on power has forecast the demand for H.T. and L.T. insulators in 1965-66 at 12,000 tons each, inclusive of 2,000 tons for export under each category. The corresponding demand estimates for 1960-61 have been placed at 6,000 tons of H.T. insulators and 7,500 tons of L.T. insulators. In monetary terms, the value of the joint output of H.T. and L.T. insulators in 1965-66 would be to the tune of Rs. 6.6 crores.

The working group tentatively envisages that the addition to power generation capacity, which has a bearing on the demand for the expansion of transmission and distribution systems, would be as follows under the Third Five-Year Plan compared to the actual growth during the Second Plan period.

	Addition to the Installed Capacity (In million kw)
1956-57	0.22
1957-58	0.29
1958-59	0.34
1959-60	0.72
1960-61	1.36
1961-62	1.00
1962-63	1.00
1963-64	1.20
1964-65	1.50
1965-66	2.00

For transformers of 33 kw and below intended for use in the case of power distribution, the requirements have been assessed at 4 million kva by 1965-66.

INDUSTRY DIVISION'S ESTIMATE

The appreciation of the Industry Division in regard to requirements of insulators by the end of the Third Plan is as follows:

"The accurate assessment of the demand for various types of insulators will be closely linked with the correctness of the forecast relating to transmission lines of each voltage to be developed in the Third Plan period. The extent of transmission lines would itself depend on a number of factors such as the location of the power stations with respect to load centres, types of industrial and other areas to be served, pattern of industries consumption and rural electrification programmes. Based on actual mileage of transmission lines installed during 1954-58, it is reckoned that the requirements of these insulators would have been approximately of the order of 225,000 Nos. per year and that of insulators of 33 kv and below 60,000 Nos. per year. During these years, the growth of installed generating capacity has been of the order of 200,000 kw per year. As against this position, the development of generation capacity is expected to be on average not less than about 1.2 million kw per year in the Third Plan period, increasing progressively to an annual rate of 1.5 m. kw by 1965-66. On such basis, the requirements of high-tension insulators would come to about 64 lakhs of Nos., comprising both disc and pin-type insulators. It is understood that each ton of output of insulators would be equivalent to 500 disc insulators or 700 pin-type insulators. Assuming this relationship between numbers and weight, the estimated demand for H.T. insulators would go up to about 10,000 tons in 1965-66. A major point for consideration in taking a final view on H.T. insulators is the export target recommended by the Development Wing.

"As regards L.T. insulators, their requirements stem mainly from the programmes of rural electrification, commercial and public lighting, and extension of telegraph and telephone communication facilities. It is proposed that doubling of the requirements might be kept in view for planning the production of L.T. insulators during the Third Plan period. In other words, expansion of production of L.T. insulators might be visualised against a demand target of 9000 tons by 1965-66."

RAW MATERIAL SHORTAGES

The targets suggested for the electrical insulators for the Third Plan involve a substantial increase in the output over the current levels. As a consequence, there would be a considerably heavy draft on raw materials and malleable castings. As already explained, one of the existing impediments of this industry is the non-availability of malleable castings, even for meeting the demands at the current low level of capacity. Necessary attention would have to be paid to the stepping up of the supply of malleable castings, china clay and ball clay, three of the essential materials required for this industry. Though ball clay is not found in the country and is allowed to be imported, it is necessary to examine whether substitutes in the form of good quality clays available in Saurashtra cannot be used for replacing the imports. It is understood that preliminary investigations into these Saurashtra clays have shown that for most purposes they are suitable. Similarly the clay deposits of Kundara, in Kerala, with suitable washing and beneficiation arrangements could, it is claimed, meet the growing demands of the electric porcelain industry in step with its expansion under the Third Plan. Early and serious attention should be paid to the expansion of output and beneficiation of clays from Kundera in Kerala State.

WORLDGRAM

India

Synthetic Fuel From Coal: A pilot plant for the production of synthetic liquid fuel from coal, believed to be the first of its kind in India, have been set up in the Indian Institute of Technology at Kharagpur. The plant has started operation and has a daily output of 100 gallons of synthetic oil. The plant has been installed to produce synthetic oil from coal on a small-scale for getting reliable engineering data on the design, construction, maintenance and operation of the various pilot plant units. It will also provide an opportunity to carry out research and development work and to impart training to the students of the Department of Chemical Engineering.

*

Survey of Indian Ocean: Three Indian scientists will join 70 Soviet scientists aboard "Vityas," the flagship of the Russian oceanographic fleet, for a three-month expedition in the Indian Ocean for research work. The survey includes deep sea survey, current measurements, collection of various types of marine organisms and species of sea animals. The "Vityas," the Soviet floating laboratory arrived in Cochin on January 28 and it will be anchored in the harbour for about a week before leaving for oceanographic research and survey.

*

Prototype Centre at Howrah: An agreement has been signed between the Governments of India and Japan for the establishment of a Prototype Production and Training Centre at Howrah in West Bengal. Under the agreement, the Japanese Government will supply, free of cost, the plant and machinery for the Centre. The services of the requisite number of Japanese experts will also be placed at the disposal of the Government of India. Expenditure on land, buildings, and Indian staff will be borne by the Government of India. The total cost of the project is estimated to be over a crore of rupees and production is expected to commence early next year. The Prototype Centre will also develop special purpose machinery for assisting small units to improve their production techniques, besides imparting training to technicians in small industrial units, State Governments' Departments of Industries and the Central Small Scale Industries Organisation.

*

Rihand Aluminium Plant: The U.S. Export-Import Bank has approved its first loan to date to a joint Indo-American venture. The $13.6 million loan is for the Hindustan Aluminium Corporation Limited, a joint venture of the G. D. Birla Associates and the Kaiser Aluminium and Chemical Corporation of the U.S. The 13.6 million dollar credit will pay almost the entire foreign exchange cost for the equipment and services necessary for the new plant. This is the first Export-Import Bank loan made in India since the 150 million dollar Export-Import Bank credit of 1958 to the Government of India. The new aluminium facility will consist of bauxite, alumina and aluminium reduction facilities with an annual capacity of 20,000 metric tons of aluminium and will be located at Rihand, Uttar Pradesh. Site preparation for construction would start within two months and all components of the plant are expected to be in operation during 1962. Repayment of the dollar loan is scheduled over a 10-year period starting in 1964.

Foreign Aid: The assistance received from countries other than U.S.A. as on December 1, 1959 amounted to 2,248.4 million dollars (Rs. 1,070.2 crores). The details are:

	(million $)
Soviet Bloc Countries	763.6
Free World (Non-U.S.A.)	867.3
International Institutions	617.5
Total ...	2,248.4

The break-up of the aid from the Soviet Bloc countries are as under:—

U.S.S.R.	680.0
Czechoslovakia	69.5
East Germany	3.0
Rumania	11.1
Total ...	763.6

United Kingdom

Liberalisation of Dollar Imports: The British Government has announced further relaxation of controls on imports from the dollar area. Quota limitation on tobacco and tobacco manufactures, (other than cigars), fresh, chilled and frozen fish, synthetic rubber and transistors will be lifted with effect from February 1. Restrictions imposed on the remittance of American film earnings in Britain, under the Anglo-American film agreement, will also be removed and the agreement terminated. The latest relaxation is a continuation of the process of dismantling of controls on imports from the dollar and "relaxation" areas (including Western Europe) which was very largely effected in two major measures of liberalization announced on May 28 and November 4, 1959 and it is reflection of the greater strength of the British economy.

*

Trade with Communist bloc: The British Council for the Promotion of International Trade has released figures of U.K.'s trade with the Communist countries for the period 1949-59. The figures disclose that U.K.'s exports of non-ferrous base metals to all the Communist countries during the period totalled £83 million, with the Soviet Union taking a value of more than £57 million. Over £23m. worth of iron and steel are exported to these countries, the biggest share going to Communist China taking £12.3m. worth. Wool tops exports during the period totalled almost £47m. with China sharing £32.7 m.—which according to the Council's statistics is 12.3 per cent of U.K.'s total exports of this commodity to all countries.

*

Pact on Insurance: An Anglo-German agreement has been signed concerning insurance claims, not met as a result of the war. The agreement covers both insurance and re-insurance and it provides the framework in which the claims are to be settled. The approval of the West German Parliament is required for ratification of the agreement.

*

Rapid Strides in Ship-building: The launching of 86 ships, totalling more than 400,000 tons in the last three months of 1959 puts Britain in the second place among

the world's shipbuilders. Over the full year, Britain launched nearly 1,400,000 tons of shipping, a figure exceeded only by Japan with 350,000 tons more. A statement issued by the United Kingdom's Shipbuliding Conference estimates the current value of the order book for British yards at £625 million. Orders have been secured, in the last quarter of 1959, for another 69 ships, making a total for the year 198 ships with a gross tonnage of 319,000. At the end of the year total tonnage in hand is approaching 4,200,000, representing 498 ships, of which 19 per cent is for foreign account.

U.S.S.R.

Aid for Aswan Dam: The Soviet Union will grant £E 100m (£103m.) in aid to the United Arab Republic for the construction of the second stage of Aswan High Dam, in addition to the £34m already given for the first stage, according to an official announcement. The project will be executed by Soviet and Arab engineers exclusively and it is expected to be completed by the end of 1967—three years earlier than planned and at a reduced cost of £E 337m. as against the original estimated expenditure of £E 367m.

*

Earthquake-proof Buildings: Tajik architects have worked out a principle of designing multi-storey houses which can withstand big earthquakes. For the first time in the practice of quake-resistant housebuilding, the architects have applied the principle of "resilient construction" of the first floor. This makes it possible to "cushion" underground tremors, thereby weakening their effect on the entire building. The first house of this type would be built in Stalinabad this year.

*

New Method of Obtaining Glass Fibre: A new method for obtaining fibre from minerals — quartzites pumice sands, tuff and obsidian—has been evolved by Armenian chemists. A method has also been developed for obtaining white and coloured glass fibre from yerevanit, a new chemical product of nepheline cyenites. No costly materials like aluminium and magnesium oxides are needed for obtaining glass fibre by the new method. The new glass fibre can find broad application in construction work, in yarn production and in automobile industries.

Yugoslavia

Shift in Structure of Population: The non-agricultural population will prevail over the agricultural population in Yugoslavia for the first time this year. It is estimated that out of the 18.86 million inhabitants, nearly 9.12 million or 49.8% will earn their livelihood mostly from incomes derived from agriculture and 9.54 million or 50.2% will earn income from other sources. Experts estimate that the change in structure of the population will be continued at a still more rapid rate in view of the dynamics of Yugoslavia's general development. The development of those economic fields which absorbed much manpower and which have been lagging behind, such as transport and trade will be responsible for the rapid rate.

Japan

Steel for Australia: Four leading Japanese steel mills have secured orders to supply 50,000 tons of hot rolled sheets in coil to Australia. The order, worth over £2m. f.o.b. basis, is the first export contract this year involving a large volume of Japanese steel products. The Ministry of Trade has further disclosed that leading Japanese steel companies and power generation and distribution concerns are studying the possibility of floating external bonds on the New York capital market. This is partly because Japanese industrialists are finding it increasingly difficult to obtain new loans from the World Bank and partly because American investors are showing active interest in Japanese industries.

Czechoslovakia

Transistor Chronometer: Production has started in Czechoslovakia of silex transistor chronometers, which record seconds with an accuracy of one-thousandth of a second. They will be used in time-measuring, clock regulating centres and in research work. Designed by the Institute of Radio Engineering and Electronics of the Czechoslovak Academy of Sciences, the chronometer employs a transistor oscillator controlled by a silex plate oscillating at the rate of 100,000 times per second.

Egypt

Krupp's Aid for Ore Prospecting: Krupp experts have begun prospecting for iron ore deposits in Upper Egypt, near Quseir, on the Red Sea. The work is being carried out as part of the West German agreement for technical assistance to the United Arab Republic. The Krupp team is to spend three years surveying the possibilities of industrial exploitation of the ore deposits.

Austria

Atom Radiation to be Checked: The degree of radio-activity in air, water, soil and food is to be measured by the International Atomic Agency, in a new laboratory near Vienna. This work will be undertaken at the request of member States and of international organiations which have relations with the Agency. There will be collaboration in the work with the United Nations Scientific Committee on the Effects of Atomic Radiation. Assistance will be given to member States by the Agency in the collection of samples of material to be analysed and experts and equipment may also be made available. It is hoped that as a result of this work, hazards of radiation resulting from all peaceful atomic energy uses will be reduced.

I.D.A.

Articles of Agreement: The articles of agreement of the International Development Association are now ready for acceptance by prospective member Governments, according to an announcement made by the World Bank. The membership in IDA according to the articles of the agreement, will be open only to the 68 member countries of the World Bank and the subscriptions are to be roughly proportionate to subscriptions to the World Bank's capital. Thus the United States will be the largest shareholder, with a subscription of $320.29 million, followed by U.K. with $131.14 million. A unique feature of IDA is that member countries have been divided into two groups for purposes of subscription funds. Subscriptions will be payable over a five-year period, and the countries in both groups will subscribe 10 per cent of their initial subscriptions in gold or freely convertible currencies. Different provisions are made for the two groups, however, with regard to the remaining 90 per cent of their initial subscriptions. The first group, the 17 more industrialized member countries of the Bank, will pay their 90 per cent in five equal instalments in gold or freely convertible currencies, whereas the second group, the 51 less developed countries, will pay their 90 per cent in their national currencies, which IDA will not be free to convert into other currencies or to use to finance exports from the country concerned without its consent.

NEWS IN BRIEF

INDIAN

Letters have been exchanged at Djakarta between the Ambassador of India there and the Secretary General of the Department of Foreign Affairs of the Republic of Indonesia, extending the validity of the trade agreement between the two countries, along with schedules attached to it, upto June 30.

*

The first, meeting of the Iron and Steel Advisory Council will be held on February 6, 1960 to review the development of the industry in India.

*

The Regional Research Laboratory, Hyderabad, has developed a process for the production of Phenylacetic Acid and Phenylacetamide which are used as promoters for the fermentative production of benzyl penicillin.

*

In December last year, five projects under the subsidised Industrial Housing Scheme of the Union Ministry of Works, Housing and Supply were sanctioned by three State Governments.

*

It has been decided that the trade relations between India and North Viet Nam should continue to be governed by the provisions of the original letters exchanged on the 22nd September, 1956. The extended arrangements will be valid upto the 22nd September, 1962. Letters to this effect have been exchanged between the representatives of both the Governments at Hanoi.

*

The Miners' Boots Committee, set up by the Government of India, has recommended that workers in coal mines should be given the option to choose between boots and shoes for a preparatory period of two years after which boots only should be issued.

*

The highlight among Bank Balance-sheets for the year 1959 appears to be that of Pandyan Bank Ltd., Madurai, which has come out with excellent results. Profit for the year 1959, subject to audit, is Rs. 7,14,840 as against Rs. 4,18,825 for the previous year, an increase of 68 per cent.

*

An agreement has been signed between the Governments of India and Japan for the establishment of a Prototype Production and Training Centre at Howrah in West Bengal.

*

The Government of India is reported to have turned down a suggestion from the wool trade for a price stabilization scheme on the lines of the scheme in operation in New Zealand and South Africa.

*

The prices of petroleum products in those parts of India which received their supplies from Calcutta have been raised. The rate of increase is 5 nP. per unit of eight gallons for kerosene, 4 nP. per gallon for motor spirit and aviation spirit, 1 nP. per gallon for aviation turbine fuel, high speed diesel oil and vaporising oil, 1 nP. per gallon or Rs. 1.64 per ton for light diesel oil and Rs. 1.64 per ton for furnace oil.

*

The Amriki Mela at the World Agriculture Fair exhibits how 250 varieties of fruits and vegetables were being processed into frozen food in America.

FOREIGN

The World Bank has made a loan equivalent to $17.6 million in Colombia for projects to increase the supply of power to Bogota and the surrounding area. The new installations will have a generating capacity of 117,000 kilowatts or nearly double the present capacity of the power system serving this area.

*

A Press Note states that on January 11, a TWA jet became the first airliner to fly from Paris to New York in less than seven hours.

*

A recent study by the U.N. Economic Commission for Latin America shows that average annual trade between Latin America and the countries of the Communist group over the last five years was higher in absolute figures than at any time either before World War II or during the early postwar years.

*

Argentine crude oil production for the first nine months of 1959 rose by 1.1 million cubic metres to 5.5 million cubic metres from 4.4 million cubic metres for the same period in 1958.

*

A basic agreement has been signed, setting out conditions under which Jordan will receive assistance from the UN Special Fund. The Fund has already approved one project which includes Jordan among its beneficiaries.

*

Mr. Allan Sproul has accepted Mr. Eugene R. Black's suggestion to go to India and Pakistan in place of Mr. Joseph M. Dodge, who is ill, as a member of a group of bankers visiting those countries very soon. Mr. Sproul is a former President of the Federal Reserve Bank of New York.

*

Provisional figures for European jute industry output in 1959, released by the Association of European Jute Industries, show that yarn spinning rose to 500,000 tons against 498,000 tons in 1958.

*

The New China News Agency has announced that China has reached the main targets of her 1958-62 second Five-Year Plan three years ahead of schedule.

*

U.S. steel companies have budgeted a near record $1,600m. for mill expansion and new equipment in 1960, or $640m. more than was spent on capital facilities in 1959, the American Iron and Steel Institute reported.

*

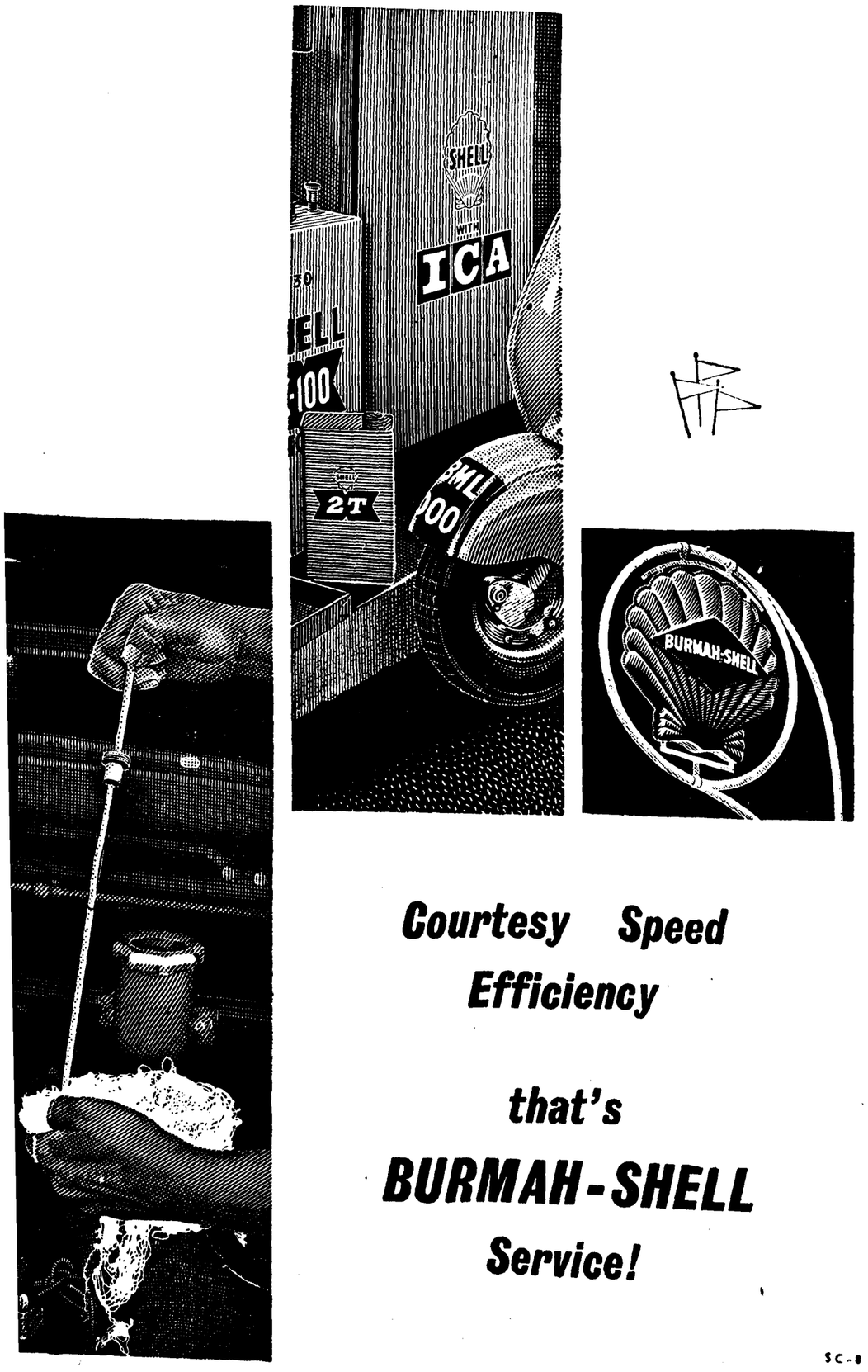
It is reported the possibilities of setting up an iron and steel mill in Ghana are being explored by the Russians. A geological survey in Northern Ghana, where deposits of high-grade iron ore are known to exist in good quantities is likely to be carried out soon.

*

Imperial Chemical Industries has announced that it had reached an agreement with the Czechoslovakian National Silon Corporation, under which I.C.I. has granted to the Corporation a non-exclusive license under certain patents in Czechoslovakia for the manufacture of polyster fibre.

*

The Japanese Iron and Steel Federation has announced that production of crude steel in Japan this year is expected to increase by 18 per cent to 19.7m. tons.



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COMMODITY NEWS AND NOTES

WORLD RICE HARVEST

The 1959-60 rice harvest appears favourable almost everywhere, with increased crops in the principal exporting countries, says the latest issue of the monthly 'Rice Bulletin', recently published in London by the Commonwealth Economic Committee.

"Exports from Thailand have now followed the recovery in world trade which began in the third quarter of 1959; export prospects for 1960 are promising in the principal countries of Asia and the United States", the report says. Burmese prices for 1960, the review goes on, are lower than in 1959 for both inter-governmental and private purchases, while there was a sharp drop in Thai prices in December after a slight recovery in the previous month. Cambodian prices also showed a downward tendency. In a review of production, the report says that the first estimate in Burma puts the crop at 6,600,000 tons—slightly higher than last year, but with a lower yield per acre. In Thailand, reports indicate that the crop in the north and north-east is better than in 1958, but in the central plain and the south there has been a slight decline. Dealing with exports, the report shows that, of Burma's principal Commonwealth outlets, India took less than previously, but exports to Pakistan and Ceylon rose by nearly one-half and one-third respectively, while sharp increases occurred in those to Malaya, Hong Kong, and the United Kingdom.

DRYING OF COCONUTS

Tests of a recently developed oil-fired coconut drying machine, built by a British firm, are to take place soon in Jamaica, West Indies. The machine has been developed by the Tyneside Foundry and Engineering Co., of Newcastle-on-Tyne. The firm has been building "Huttenbach" rubber-processing machinery for plantation work and "chula" drying machinery for tropical fruit for over 50 years. Its products have been exported to many parts of the world. The new coconut drying machine is capable of drying 10 cwt. to six tons of coconuts daily. The Jamaica tests will be the first under tropical conditions, though the dryer has been extensively tested in Britain in the past few months.

PRODUCTION OF STEEL INGOTS

The production of steel ingots in India at the end of the First Five-Year Plan period was 1.8 million tons. The production of Tatas was 1.2 million tons whereas Indian Iron and Steel Co. produced 0.5 million tons. The contribution by Mysore, electric furnace owners and ordinary factories was about 0.1 million tons. The corresponding quantity of finished steel amounted to 1.3 million tons. The Second Five-Year Plan target aimed to raise country's output of steel to 6 million tons of ingots by 1960-61, i.e., 4.5 million tons of finished steel.

The target is being achieved by setting up three new steel plants in the public sector at Rourkela, Bhilai and Durgapur with 1 million tons capacity each and also by expansion of the existing capacity in TISCO to 2 million tons ingots and IISCO to 1 million tons ingots. The expansion of the Mysore Iron and Steel Works so as to produce 100,000 tons of ingots is also in the programme.

One blast furnace each in Bhilai and Rourkela went into production early in 1959. The second blast furnace of Bhilai and the first furnace of Durgapur were commissioned in December 1959. Rourkela's second blast furnace has gone into production in early 1960. By 1960-61 both Rourkela and Bhilai should go into regular production. By the end of 1961 Durgapur plant should also be in full production. The expansion schemes of Tatas and Indian Iron are almost complete. When the target of steel production for Second Five-Year Plan is achieved, India would be producing in all 4.6 million tons of saleable steel and about 0.9 million tons of pig iron. The total production in terms of ingots would be 6 million tons.

IRON ORE PRODUCTION IN INDIA

The output of iron ore during the month of November, 1959 was estimated at 654,000 metric tons, according to the Indian Bureau of Mines. This brings the total production since the beginning of 1959 to 7,054,000 metric tons which represents an increase of 27 per cent over the output of 5,543,000 metric tons in the corresponding period of 1958. The output of 252,000 metric tons each was reported from Bihar and Orissa. Among the other producing States, Mysore, Bombay and Madhya Pradesh accounted for 77,000, 26,000 and 17,000 metric tons respectively. During the month, despatches of iron ore to the iron and steel plants totalled 483,000 metric tons while the despatches to the export market were 196,000 metric tons.

PRODUCTION OF LEAD-ZINC ORES IN INDIA

The production of lead-zinc ores in India during January-November 1959 was 147,000 metric tons, according to the Indian Bureau of Mines. This represents an increase of nearly 40 per cent as compared to the production in the corresponding period of the preceding year. The recovery of lead and zinc concentrates was also substantially higher being 5,855 metric tons and 8,909 metric tons respectively as compared to 4,812 metric tons and 6,619 metric tons in the corresponding period of the preceding year. The entire production was reported from the Zawar mines in Udaipur district of Rajasthan State. Lead concentrates are sent to the smelter at Tuundoo in Bihar State for extraction of refined lead while the zinc concentrates are shipped to Japan for smelting of zinc, as there is no zinc smelter in India at present. The production of refined lead during January-November, 1959 was 3,674 metric tons as compared to 2,063 metric tons in the corresponding period of the preceding year, representing an increase of about 24 per cent.

COMPANY AFFAIRS

LARSEN AND TOUBRO LTD.

The progress of Larsen and Toubro Ltd. during the past decade or so has been steady and satisfactory. The Company, which began as a trading company only a few years ago has now taken to a number of manufacturing activities, thanks to the transformation of the country's economy brought about by the developmental plans. It looks forward to ambitious manufacturing programmes in which it is fortunately assured of tech nical co-operation and collaboration from its overseas principals. In other words, the activities of the company have been sufficiently broad-based to make it easily absorb the shocks that may normally hit any industry.

Larsen and Toubro, Ltd., which is one of the pioneers in the field of dairy engineering in India, will now manufacture about 69 items of dairy machinery and equipment, including milk receiving vats, insulated milk storage tanks, batch pasteurisers, milk coolers, butter churns, hand-operated fillers and sterlising equipment, and instrument panels. It is also contemplating to go in for the production of H.T.S.T. Plate pasteurisers, balance tanks, stainless steel milk pump and rotary can washers. The Company will further take up soon the production of refrigeration plants, ice accumulating coils, chilled water tanks, agitators, spray water recooling towers and other accessories.

Among others, the Company is about to commence production of low tension industrial dust-tight heavy duty switchgear and H.R.C. fusegear and motor starters in co-operation with Laur Knudsen Ltd. of Denmark. The installed capacity (in terms of value) of this factory, which will be the most modern of its kind in India, is about Rs. 60 lakhs.

There is then a proposal to take to the heavy industries field, normally reserved to the public sector only. But the Company has already received a licence for this project from the Government of India, and negotiations have been in progress with two West German firms. It is expected that a new company to be called Utmal (Utkal Machinery Private Ltd.)—that is in case the location is finally decided to be Orissa, because it is still not known whether the proposed factory is to be in Orissa or Bihar—will be formed for this purpose. This brief picture of the Company's increasing and diversified activities —besides manufacturing, the Company also undertake contracts—should enable one to "look into the future with confidence," as Mr M. V. Desai, Director of the Company, told pressmen and shareholders who were taken round the factory recently.

THE WESTERN SHIPPING CORPORATION LTD.

The net profit earned by the Company after meeting all expenses and providing for normal depreciation, mounts to Rs. 2.60 lakhs. It has been pointed out by Directors that only a sum of Rs. 2.34 lakhs, being -fourth of the four-yearly special survey expenditure he s.t. "Desh Sewak" has been charged to this year's lt and Loss Account, carrying forward the balance s. 7.03 lakhs to be written off during the subsequent years. No portion of the special survey reserve . 2.50 lakhs which was appropriated from the last profit, has been utilised this year for the adjust of one-fourth expenditure on this account. The e under this head has been kept intact by the ation to meet exigencies as may arise when load of the special survey expenditure in respect the vessels of the Corporation is incurred in future. The Directors have decided to separate a sum of Rs. 2.50 lakhs for special survey reserve and Rs. 75,000 for deferred taxation reserve.

THE EASTERN SHIPPING CORPORATION LTD.

The working results of the Corporation during the year ended March 31, 1959 were satisfactory in the sense that the freight and passage earnings have arisen from Rs. 2.25 crores in the previous year, to Rs. 2.98 crores during the year under review. This is the highest amount which the Corporation has so far earned. The increase is attributable to large liftings of the cargo and passengers, as a result of performance of more voyages. There was a profit of Rs. 15.33 lakhs during the year, after making a provision of Rs. 41.08 lakhs towards normal depreciation on fleet and other assets, Rs. 58,000 as a provision for taxation and Rs. 20,000 towards gratuity provision. The Directors have now decided to transfer Rs. 14 lakhs to fleet special repairs reserve and Rs. 4.60 lakhs to deferred taxation reserve. The balance of Rs. 24,969 has been decided to be carried forward.

THE INDIAN OVERSEAS BANK LIMITED

The net profit of the Indian Overseas Bank Ltd., subject to audit, for the year ended 31st December, 1959 after providing for contingencies and expenses amounts to Rs. 35.64 lakhs including the sum of Rs. 2.03 lakhs brought forward from the previous year's account. The Directors have made the following allocations: Provision for taxation Rs. 12.50 lakhs, Transfer to Reserve Fund Rs. 7.00 lakhs and Provision for bonus to staff Rs. 5.00 lakhs. The Directors propose to recommend to the shareholders at the next General Meeting payment of dividend of 14 per cent subject to tax, as against 10 per cent free of tax declared last year, absorbing Rs. 9.38 lakhs. Rs. 1.76 lakhs are to be carried forward.

CORRECTION

The Deccan Sugar & Abkhari Co., Ltd. — Chairman's Speech

In the Annual Number 1959, on page 184 left hand column, line 18 —

For 1,500,000 tons.

Read 1,50,000 tons.

(The printing error is regretted — Ed.)

CORRECTION

PROSPECTUS

ASIAN CABLES CORPORATION LIMITED

In the Prospectus that appeared in "The Eastern Economist" of 30th January, 1960 the name of the Director should be read as **Shri Dhirendra Nanjibhai Kalidas Mehta** and not Shri Dhirendra Manjibhai Kalidas Mehta.

Regarding Preliminary Expenses — The expenses of the present issue of Rs. 25,00,000/- Share Capital are estimated at Rs. 1,10,000 and not 11,000/-.

Company Meetings

THE ASSOCIATED CEMENT COMPANIES, LIMITED

Twenty-third Annual General Meeting of the Company

SPEECH OF THE CHAIRMAN, SHRI DHARAMSEY M. KHATAU

PRODUCTION AND PROFITS

Speaking at the 23rd Annal General Meeting of the Associated Cement Companies Limited, the Chairman, Shri Dharamsey M. Khatau, said: "The year under review has been one of mixed fortunes for the cement industry. While the pace of expansion of installed capacity was maintained, the industry was confronted with a sudden drop in the demand for cement, particularly for Government requirements, with the result that despatches failed to keep pace with increasing installed capacity. In the case of your Company, the installed capacity of our factories in India increased during the year from 31.27 lakh tons to 34.42 lakh tons; but the despatches amounted only to 31.47 lakh tons compared with 30.69 lakh tons during the previous year. Though the situation improved somewhat in the latter half of the year, it is unlikely, despite the most intense and sustained sales efforts, that demand will catch up with installed capacity in the very near future.

"The turnover of cement and other products showed an increase of about Rs. 133.00 lakhs. A substantial part of this was accounted for by the price increase of Rs. 3.50 per ton ex-Works which was operative throughout the year under review. As this price increase was merely designed to counteract the cost increases already established by the end of 1957, there was naturally no increase in the profits. On the contrary, the ratio of gross profit to turnover after payment of all expenses other than depreciation and taxation was actually lower; and the amount of gross profit was also down by about Rs. 13 lakhs due mainly to lower income under other heads. The provision for depreciation increased by about Rs. 33 lakhs and the statutory Development Rebate Reserve absorbed about Rs. 53 lakhs more than last year. Consequently, despite the lower incidence of direct company taxation, the net distributable profits after providing for depreciation, development rebate, taxes and other charges, were considerably lower than in the previous year.

"Your Directors sincerely regret that due to these and other circumstances beyond their control, it has been necessary to lower the rate of dividend from slightly over Rs. 12/- per share (subject to tax) declared last year to Rs. 11/- per share (subject to tax) proposed this year. They also deeply regret that for the same reason, it was necessary to scale down the rate of bonus payment to employees."

TARIFF COMMISSION

Commenting on the meagre price increase of Rs. 3.50 per ton allowed to the Company by the Government on the recommendations of the Tariff Commission, the Chairman observed: "In the industry's representations to Government it was pointed out that the price increase granted was quite inadequate, particularly as it ignored various elements of cost such as the commission to stockists, the annual bonus payments to employees and the remuneration payable to Managing Agents; but these representations were summarily rejected. Moreover, simultaneously with the price increase, Government imposed a ban on the use of second-hand bags for packing cement, which item alone has put your Company to a loss of as much as Rs. 1.50 per ton. Furthermore, subsequent to the completion of the Tariff Commission's enquiry into costs, there have occurred several increases in specific items of cost during the year under review, such as the upward revision of railway freight, rise in the pitsmouth price of coal, rise in wages consequent upon wage settlements and adjudications, new levies and increases in the rates of duty on power, revision of Electricity Tariff, etc."

Pointing out the major basic error in the Tariff Commission's approach to the problem of costs, Shri Khatau stated that while computing the Company's manufacturing costs, the Commission proceeded on the assumption that despatches, and therefore production, would be equal to the installed capacity. "Even apart from market considerations resulting from slackness of demand, the Company had strongly urged the Commission not to equate attainable production with installed capacity, since experience had shown that over a period of time actual production was technically incapable of being maintained at a sustained level of 100 per cent of installed capacity. Taking the performance of all the factories of the Company into account, it was a virtual certainty that production could not be continuously sustained at the maximum level for any appreciable length of time. And this technical situation was re-inforced during the year under review by commercial considerations, because the poor offtake due to slackening of demand did not, in any event, warrant full capacity production. All this has been borne out by the fact that the Company's total output in India was only 95 per cent of the effective rated capacity, resulting in a production of only 32.11 lakh tons during 1958-59 as against an estimated 34.71 lakh tons assumed by the Tariff Commission. Consequently, the cost of production 'per ton' was naturally higher than it would have been, had production and despatches been fully up to installed capacity.

"In the circumstances, your Company was compelled to make a fresh representation to Government urging them to allow an increase in the retention price of cement sufficient to offset the various post-1957 increases in costs to which I have referred. Government's attention has also been pointedly drawn to the present unsatisfactory position of the industry generally and of your Company in particular. It has been made clear to Government that unless the retention price is suitably increased.

(i) it would not be possible for the Company to earn even the meagre 'return on capital' which was recommended by the Commission and accepted by Government as a fair return;

(ii) the capacity of the Company to maintain dividends even at present low levels would be gravely impaired; and

(iii) there would hardly be any 'surplus' left to be ploughed back into the business to finance, at any rate partly, the further expansion of installed capacity so necessary for the Third Plan.

It is hoped that Government will take early action in the matter. Their decision is anxiously awaited."

TAXATION

Turning to the fundamental changes in the structure of Corporate Taxation introduced by the Finance Act, 1959, the Chairman welcomed it as a long overdue change in the right direction. Commending it both for its simplicity and for the logicality of its main conceptions, Shri Khatau observed that judging by the experience of its incidence upon the Company—a not untypical case in the field of basic industry—there were at least two directions in which second thoughts were necessary.

"The first concerns the aggregate rate of Income-tax and Corporation Tax. While this has been reduced from 51.5 per cent to 45 per cent and the Wealth Tax and Excess Dividend Tax on Companies have now been abolished, the shareholders have lost the benefit of "tax-credit" hitherto enjoyed by them in respect of Income-tax paid by the Company. As a consequence, every Company is now obliged to declare a considerably higher "gross" dividend under the new system than the "net" dividend under the old system, so that after deducting tax at the prescribed rates from such gross dividend at the time of payment, the shareholders may get a net (tax-free) dividend more or less on the same basis as under the old system. So far as your Company is concerned, the resultant gross burden on the Company under the new system, that is to say the combined burden of Income-tax and Corporation Tax at the new rates on its own profits, together with the provision of the "tax credit" for the shareholders in the new form on the net dividend paid to them under the new system, considerably exceeds the aggregate burden under the old system. In other words, the saving to the Company resulting from the lowering of the rates of Income-tax and Corporation Tax and the abolition of the Wealth Tax and Excess Dividend Tax, falls short of the amount required to make good the loss of tax credit to the shareholders. This means, in effect, that the net yield to Government, at a given level of income of your Company, under the new system will be more than under the old system, even though this was explicity not desired by the Finance Minister. It is interesting to note here that the same conclusion emerged from a study carried out by the Associated Chambers of Commerce of India concerning the net incidence of taxation under the new system upon a large number of representative companies chosen at random. When these findings are considered in the light of the undoubted fact that "profit ratios," especially in basic industries, have shown a downward trend since 1957, the conclusion is inescapable that the aggregate rate of Income-Tax and Corporation Tax under the new system ought not to exceed 40 per cent at the most if the declared objective of the Finance Minister, namely, **not to get a higher net yield merely by the change in the system of Corporate Taxation,** is to be fulfilled.

"The second major defect in the new system concerns the virtual confiscation of tax credit on the taxed reserves of companies. This has already affected your Company with special severity in the year under review because of the unfortunate necessity which arose, in the very first year of the operation of the new system of Corporate Taxation, of having to draw heavily upon Reserves to pay anything like a reasonable rate of gross dividend this year compared with that paid last year. It seems to me plain that where Reserves have to be drawn upon in circumstances such as these, the Company concerned ought to get credit in some form, preferably in its own assessment, for the tax credit already accrued in the past upon the amount of reserves so utilised, subject of course to an upper limit set by the extent of taxed reserves available with it. What matters, however, is not so much the mechanics of the relief operation as the need for the unquestioned acceptance of the principle that tax credits of this kind should not be confiscated. Any other course would be indefensible on grounds of public policy, for it would spell bad faith with the shareholders of precisely those companies whose managements have followed sound conservative financial policies by building up reserves in the past,—reserves which would normally remain deployed in industry, but which could be drawn upon in lean years."

EXPANSION AND REHABILITATION

Despite the adverse conditions under which the Company had to operate, the Chairman reported that the Company had gone ahead with its planned expansion and had spent during the year considerably more on expansion, rehabilitation and modernisation than the Rs. 31.49 lakhs net received as rehabilitation allowance in the price of cement. Giving details Shri Khatau mentioned that the expectations that the Dry Process plant at Mancherial would be more economical in operation than the conventional Wet Process plant had been justified in spite of the fact that optimum conditions of production have yet to be reached. The duplication of the Mancherial plant as well as the extensions at the Company's Kymore and Shahabad Works were progressing satisfactorily, while work on the slag cement project at Chaibasa and on the slag processing plant at Jamshedpur was proceeding according to schedule.

The Chairman also announced that the Company's new firebricks plant at Katni was now also manufacturing two special refractory cements marketed under the trade names of ACCOSET-50 Refractory Cement and ACCOCID Acid-proof Cement. The Company's white cement, currently being produced at the Porbandar factory, and marketed under the trade name of SILVICRETE, was becoming increasingly popular with consumers.

THIRD FIVE-YEAR PLAN

Discussing the problem of setting an achievable target for the cement industry in the Third Plan, Shri Khatau continued: "I should like to take this opportunity to express our appreciation of the more realistic way in which the Government and the Planning Commission are tackling the problem of setting the cement target for the Third Plan compared with the manner in which it was approached for the Second Plan. On this occasion, all aspects of the problem have been discussed at a meeting held in November last between the Planning Commission and the Industry, at which the Ministry of Industry was also represented; and a target of 15 million tons has been tentatively fixed as a result of these deliberations.

"This, in my judgment, is an achievable target, both financially and technically. It is unlikely to lead us into the unfortunate position of excessive capacity in which the Industry found itself during 1958 and 1959. In saying this I am not unmindful of the possibility that recent disturbing developments on India's northern frontiers may give rise to a situation of national emergency in which **inter alia** the demand for cement may suddenly shoot up. Should such a contingency unfortunately arise, I should like to assure the Government, without qualification, that we in the A.C.C. shall again readily shoulder the primary responsibility for expanding cement production as fast as we possibly can, to the utmost of our financial and technical resources. We shall also be ready and willing, if so required, once again to shoulder the responsibility for ensuring the fair distribution of cement throughout the country. I do not say these things in any boastful way, but merely to reiterate our humble duty."

ACC-VICKERS-BABCOCK LTD.

Continuing, the Chairman stated that the work on the design and construction of the ACC-Vickers-Babcock Heavy Engineering Project at Durgapur was proceeding according to schedule. "The land for the factory site and the housing colony has been acquired; and contracts for a substantial portion of the housing colony and for the structural steelwork for the Shops have been placed. The requirements of plant, machine tools and equipment have been finalised and orders are to be placed very shortly. The Works is expected to be ready during the latter half of 1961 enabling pilot production to commence. Full-scale production will start from early 1962."

LABOUR-MANAGEMENT RELATIONS

Commenting on labour-management relations, Shri Khatau observed:

"This year, while the labour situation at the Collieries unfortunately continued to be unsatisfactory, our efforts to maintain good relations with the workmen at our Cement Works have been subjected to great strain at the Kymore and Banmor Works by factions and internal rivalries for the control of the Labour Unions. There was also unrest at Mancherial. Despite these shortcomings, I may state with some pleasure that there was no major stoppage, strike or lock-out at any of our factories to mar the good employer-employee relations which your Comany has so assiduously endeavoured to cultivate over the years.

"I would on the whole like to congratulate the workers and their leaders for their goodwill and co-operation which have enabled the management to enter into long-term settlements at practically all our Works. This is a notable achievement and is bound to have beneficial effects on the future relations with our workmen. It should certainly lead to greater prosperity for the Company as well as for its employees."

Referring to the Central Wage Board for the Cement Industry constituted by the Government of India, the Chairman mentioned that the Wage Board had now submitted its report to Government and the publication of the report as well as the Government's decision on the recommendations made were awaited.

Shri Khatau also stated that in the bonus dispute with the Company's employees for the year 1953-54, the Industrial Tribunal's decision awarding one month's additional bonus was reversed by the Supreme Court in the Company's favour. "The Supreme Court's judgment had laid down certain major guiding principles for the determination of bonus and is, therefore, important not only for our industry but also for other industries. While this decision will not, of course, obviate disputes regarding payment of bonus for subsequent years, it should act as a deterrent against unreasonable demands and will make the resolution of such disputes easier in future by restricting their scope."

ACC VILLAGE IMPROVEMENT SCHEME

The Chairman also mentioned the Company's efforts to assist the people who live in the villages near its factories from where it draws the major portion of its labour force to improve their living conditions through self-help, with the Company providing free advice and guidance. Started in a few villages around Balasinor, the Company's Village Improvement Scheme now served nearly 100 villages at seven centres at Sevalia, Balasinor, Chaibasa, Shahabad, Khalari, Kymore and Lakheri, and has received enthusiastic response from the villagers.

The Chairman concluded with an expression of warm appreciation of the hard work and unstinted co-operation of all the Company's employees.

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.

LLOYDS BANK LIMITED

Sir Oliver Franks Reviews A Record Year

INTERNATIONAL ECONOMIC SITUATION: THE PROBLEM OF 1960

The Annual General Meeting of Lloyds Bank Limited will be held on February 19 at the Head Office, 71 Lombard Street, London, E.C.3.

The following is an extract from the circulated statement by the Chairman, The Rt. Hon. Sir Oliver Franks, G.C.M.G., K.C.B., C.B.E.:

The profit for the year, at £3,424,614, is £697,079 higher than in 1958 and the dividends paid or proposed represent an effective increase of 2 per cent per annum. The past year has been one of record activity in all branches of our business.

The business of our branches in the East during 1959 was maintained at a satisfactory level. There has been some easing of restrictions on imports, but conditions are still difficult for those of our merchant customers who, in freer conditions, would make much greater use of our services. Reduced activity in this field over the past few years has, however, been offset to a considerable extent by sustained activity in the domestic sector of our business, which is steadily becoming of increasing importance. Since the war we have seen significant changes in the pattern of our business and we are glad to feel that we have been able to play our part in supporting the development of old and the fostering of new industries.

FOCUS ON DOMESTIC AFFAIRS

During the last two years we have genuinely reached a point of strength in our economy and of stability in our trading relationships up and down the world which entitles us to expect, another world war apart, that we shall be all right and have a margin in future years, provided only that we go on being reasonably sensible in the management of our affairs. Beyond this, we have maintained and in some ways intensified our living relationships with the other nations of the Commonwealth and have actively shared in their development with men, ideas and money. This has been a very great achievement. But it has had its price: a general myopia about other projects and activities. It is time that we lifted our heads and, as a nation, began seri-

ously to consider some of the developments in the world around us.

THE NORTH-SOUTH PROBLEM

During the late 1940s and most of the 1950s the great political and strategic problem of the world was that of East-West tension, polarised in Washington and Moscow. In broad parallel with this there were two main objectives in the international economy: the recovery of Western Europe and the strengthening of world liquidity. It would be foolish to suppose that we had reached ultimate and enduring solutions in this context; but when we consider how strongly international trade has grown, the extent to which the manufacturing industries of Western Europe have been rebuilt, how the reserves of the central banks have been increased and a better distribution of gold stocks of the free world brought about, when we add to all this the increase in the resources of the International Monetary Fund and also the increased strength of sterling, one of the two great international trading currencies, then the contrast between now and the earlier years after the war is absolute.

It is no longer true that the East-West problem is the sole great political issue; we now have a second problem of equal importance. It has connections with the first but has its own independent quality and being. I call it the North-South problem and I mean by this phrase the general problems of the relationship of the industrialised nations of the north of the globe to the under-developed and developing countries that lie to the south.

This political North-South issue has its immediate economic side. Many of the new or newly free nations intend to develop at all costs. It is no good our wondering whether it is wise for them to force the pace. We developed ourselves earlier and won from it power and position in the world: they are now going to develop themselves in turn. But in so doing they face a vicious circle. Low living standards and free broadly democratic societies cannot produce sufficient savings for the rapid economic development they will not forgo. They need more capital to increase output: low output prevents sufficient saving for capital.

This circle can be broken in one of two ways. It can be broken by tyranny which, by enforcing hardships on the people and holding down their standards of living, forces the savings for rapid development: or it can be broken by the inflow of capital from outside, giving a free society the chance both to develop and to remain free. In coming years for country after country this vicious circle will be broken one way or the other. We have already had evidence in the Middle East how real and how urgent these problems are.

A FORUM FOR THE INDUSTRIAL NATIONS

The first issue on which we might well reflect concerns one aspect of the economic relations between the industrialised nations and the developing nations. At present there is a general lack of co-ordination in this regard between the industrialised nations. There is not even the most general kind of programming. There is a pronounced lack of continuity in what is done. Again, there is no general view of how much over a period of years the industrialised North can expect to make available for the developing countries. Beyond these issues there are others emerging. It is already clear that the United States will wish to press on with discussions already begun on the appropriate shares to be borne by the different nations of the industrialised world.

There can be no doubt that preliminary discussion of such issues is needed between the industrialised nations. One would think some appropriate international meeting-place must already exist. I doubt if this is right. Only one of the international institutions has been able to maintain regular, searching, intimate discussion of the general economic problems which concern the member countries: namely, the O.E.E.C. All the same I have doubts whether the O.E.E.C. is the natural vehicle for the discussion of these preliminary problems in the economic relationships of North and South.

The O.E.E.C. is a European institution and to use it for this purpose would alter its nature and diminish its European quality. Secondly, the working out of these preliminary questions of sharing co-ordination, programming and amount must involve the United States in the first place, because the United States possesses a full half of the industrial capacity of the entire free world. But in the O.E.E.C. the North American countries, the United States and Canada, are not full members. These preliminary questions need a forum which would bring together all the industrialised nations of the North to confront their new tasks.

Next, the problems of our relationships with Western Europe claim major interest and attention. But it is the task of statesmanship to see that these are temporary phases in the adjustment of Western Europe to the European Idea. The United States, and for that matter Canada, is troubled at the possibility of a recovered Western Europe, even though split in two, building discriminatory fortifications, with North America—and of course Japan—left on the outside. It does not seem to me in the interest of the outside world to try to break down these European groupings, still less to favour one against the other. The true interest of the international community is to see that the existing two groupings merge in the end, so that the dream of the free movement of men, goods and ideas comes true in Western Europe, and in addition to work with the Six and the Seven, or with the group that may emerge, so that together we progressively lower economic discrimination in the free world.

Now that our economy has been rebuilt and is reasonably strong we can give attention to the problems which face us in 1960. It is important that we do so. For one thing it is expected of us by our friends both across the Atlantic and in Western Europe. For another we owe it to ourselves, since only in this way can we make time our ally.

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in
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PAPUA and NEW GUINEA
or FIJI?

Businessmen who are interested in developing trade with these countries are invited to use the complete banking services provided by the Bank of New South Wales.

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RESERVE BANK OF INDIA

Applications are invited for the posts of Probationary Assistants in the Department of Banking Operations of the Reserve Bank of India.

(A) SCALE OF PAY: Rs 250-25-450 E.B. Rs. 25-650.

In addition to pay, the selected candidates will be eligible to draw local pay, house allowance and dearness allowance at the rates prescribed by the Bank from time to time. A higher starting pay up to Rs. 350.00 may be given to well-qualified and well-experienced candidates.

(B) AGE LIMITS: Candidates should be between **21 and 25** years of age as on the 1st February, 1960. The maximum age limit is relaxable but not beyond 30 years, in the case of (i) candidates with approved war service, (ii) ex-employees of banking institutions whose services had to be terminated for reasons of economy or as a result of the banks going into liquidation, (iii) personnel retrenched from Government offices after **at least** one year's service, applying through Employment Exchanges, (iv) candidates possessing special qualifications and experience of value to the Bank and (v) candidates belonging to the Scheduled Castes or Scheduled Tribes.
(C) QUALIFICATIONS: Applicants should have a brilliant academic record with a first or high second class Master's degree of a recognised Indian or Foreign University in Economics, Commerce, Banking Accountancy or Law as a special subject. Educational qualifications may be slightly relaxed in the case of candidates who have passed the Institute of Bankers Examination and possess practical experience of commercial banking **and/or** of foreign exchange business in a supervisory capacity in a good commercial bank.

THE SELECTION BOARD WILL INSIST ON A VERY HIGH STANDARD OF SUITABILITY IN MAKING SELECTIONS FOR THE POSTS AND ONLY THOSE CANDIDATES WHO POSSESS GOOD ACADEMIC QUALIFICATIONS AND ADEQUATE EXPERIENCE OF THE TYPE SPECIFIED ARE ADVISED TO APPLY.

2. Applications should be in the candidate's own handwriting and in the prescribed form obtainable from the Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Madras, Bangalore, Nagpur, Lucknow and Trivandrum. All applications should be accompanied by copies of certificates regarding age and educational qualifications, marks lists in respect of graduate and post-graduate degree examinations and two testimonials (originals should not be sent; the Bank does **Not** accept responsibility for returning the originals if sent through oversight) and should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay-1, so as to reach him on or before the 29th February, 1960. **Candidates already in service must submit their applications through their employers.** Candidates belonging to the Scheduled Castes/Scheduled Tribes should mention this fact prominently in their applications and also enclose a copy of a certificate to that effect from a competent authority.

3. Applicants must remit along with their applications an application fee of Rs. 7.50 (Rs. 1.75 in the case of Scheduled Castes/Scheduled Tribes candidates) by **Postal Order, Cheque or Bank Draft on a Scheduled Bank payable at Bombay.** The application fee is in no case refundable. Bonafide **unemployed** refugee candidates applying through any Employment Exchange are exempted from payment of the application fee.

4. Selected candidates must be prepared to serve in any office of the Bank in India and to undertake tours when required.

5. Appointments will be subject to the candidates being found medically fit for service in the Bank by the Bank's Medical Officer.

6. If any candidate desires to have his application acknowledged he should send it by "Registered Post — Acknowledgement Due". Apart from those who may be specially called, interviews will not be granted to candidates nor will the Bank enter into any correspondence with them.

7. Canvassing will be regarded as a disqualification.

ORISSA CEMENT LIMITED
Regd. Office: RAJGANGPUR, S.-E. RLY.
ORISSA

This is to inform to all the applicants who have applied against new issue of 7,50,000 ordinary shares of Rs. 10/- each of the Company that the Allotment Letters in respect of the shares allotted to them have been despatched from the Registered Office of the Company on 25th January, 1960, "UNDER CERTIFICATE OF POSTING" at their respective addresses recorded in the Company's Books.

S. KEDIA
Assistant Secretary

Dated, 26th January '60

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101 1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99 6	99.7	92 5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106 3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
October 1958 ..	121.2	93.0	115.4	116.9	110.3	108.5	108.7	116.1
November ,, ..	118.0	96.0	114 5*	113.2	110.0	108.6	108.8	114.0
December ,, ..	113.3	96.4	115.1*	112 5*	110.3	108.0	108.3	111.4
October 1959 ..	124.0	101.4	116 3	122.6	114.4	110.5	111.1	119.3
November ,, ..	121.4	104.6	116 6	122.5	116.0	110 9	111.6	118.2
December ,, ..	118.2	103.7	116 8	127.2	117.8	112.4	113.1	117 8
19-12-1959 ..	117.3	103.1	116 8	127.3	117.8	112 9	113.5	117.4
26-12-1959 ..	116.7	102.5	116.8	129.2	118.6	113.5	114 2	117.6
2-1-1960 ..	116.6	102 5	116.9	129.4	119.5	114.2	114.9	117 8*
9-1-1960 ..	116.7	102.5	116.6	129.9	121.3	114.2	115.2	118.0
16-1-1960 ..	118.4	101.0	116.6	131.1	122.2	115.6	116.6	119.4

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 =100	Bombay: Ahmedabad July 1927 = 100	Delhi	Bengal	U. P.	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras	E. P.	Bihar	All India†
1939 (Aug-Dec.)	103	..	—	..	..	105	104	..	106	..	..	—
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
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	—	—	498	—	—	—	—	—
1959 February	380	399	300	167	364	492	485	166	411	174	165	163
March	382	401	290	164	364	474	488	159	411	174	167	161
April	381	400	296	156	364	454	489	157	414	169	167	161
May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	162	179*	173*
October	408	427	324	158	406	470	510	166*	441	162	179*	174*
November	405	424	322	158	399	475	511	—	449	—	—	174*
December	401	420	311	157	—	—	511*	—	—	—	—	—

† Base 1944 = 100 • Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 22-1-1960 High	22-1-1960 Low	22-1-1960 Average	15-1-1960 High	15-1-1960 Low	15-1-1960 Average	8-1-1960 High	8-1-1960 Low	8-1-1960 Average	1-1-1960 High	1-1-1960 Low	1-1-1960 Average
Gold [per fine tola]	134.62	130.00	132.41	129.53	128.22	128.81	128.25	126.12	127.41	126.62	125.37	125.87
Silver (per 100 fine tolas)	215.44	212.31	213.59	214.56	212.44	212.93	213.37	210.75	212.11	213.12	210.12	211.51

DIRECTION OF INDIA'S FOREIGN TRADE: 1958-59

(Rs. Lakhs)

Country	Exports (incl. Re-exports) Jan.-Sept. 1958 (1)	Jan.-Sept. 1959 (2)	Variation of (2) over (1) (3)	Imports Jan.-Sept. 1958 (4)	Jan.-Sept. 1959 (5)	Variation of (5) over (4) (6)
Aden	5,11	4.15	— 96	46	91	+ 45
Afghanistan	2,35	2.90	+ 55	2.92	2,26	— 66
Argentina	7,51	6.24	—1,27	2	4	+ 2
Australia	16,18	14,54	+ 1,64	12,39	9,11	—3,28
Austria	14	18	+ 4	1,40	1,42	+ 2
Belgium	3,55	3,23	— 32	11,52	10,64	— 88
Bulgaria	9	24	+ 15	7	24	+ 17
Burma	5,11	7.53	+ 2,42	28,78	9,15	—19,63
Canada	11,15	11.83	+ 68	13,23	16,21	+2,98
Ceylon	13,08	16,59	+ 3,51	3,05	4,44	+1,38
China	2,49	5.43	+ 2,94	3,42	3,06	— 36
Cuba	3,60	1,59	—2,01	—	—	Nil
Czechoslovakia	2,72	3,24	+ 52	4,95	2,61	—2,34
Denmark	1,47	1,85	+ 38	1,80	1,57	— 23
Egypt	7,08	5,22	—1,86	4,31	5,03	+ 72
Ethiopia	1,60	1,94	+ 34	—	1	+ 1
Federation of Malaya	3,72	3,62	— 10	8,21	7,50	— 71
Finland	19	22	+ 3	1,53	1,84	+ 31
France	5,63	5.86	+ 23	10,08	14,37	+4,29
Germany, Eastern	64	1,76	+ 1,12	70	2,56	+1,86
Germany, Western	11,36	13,56	+ 2,20	70,12	91,63	+21,51
Hongkong	3,50	2,52	— 98	54	77	+ 23
Hungary	47	53	+ 6	47	1,93	+1,46
Indonesia	1,74	3,15	+ 1,41	1,82	2,65	+ 83
Iran	3,60	2,78	— 82	22,88	21,26	+1,62
Iraq	1,18	2,00	+ 82	74	1,00	+ 26
Irish Republic	3,05	3,86	+ 81	—	2	+ 2
Italy	4,13	4,17	+ 4	17,53	20,50	+2,97
Japan	20,52	26,03	+ 5,51	26,86	31,29	+ 4,43
Kenya	3,48	3,59	+ 11	8,37	10,34	+ 1,97
Kuwait	2,86	3,02	+ 16	6,17	5,08	—1,09
Netherlands	5,13	5,70	+ 57	7,05	8,24	+ 1,19
New Zealand	4,85	3,64	—1,21	92	85	— 7
Nigeria	5,68	3,13	—2,55	34	13	— 21
Norway	95	96	+ 1	2,79	1,71	—1,08
Pakistan, West	2,38	2,09	— 29	29	32	+ 3
Pakistan, East	3,12	2,29	— 83	4,64	3,57	—1,07
Poland	83	1,65	+ 82	90	3,35	+ 2,45
Rhodesia, Southern	—	—	—	—	—	—
Rumania	51	1,58	+ 1,07	25	66	+ 41
Saudi Arabia	3,12	2,80	— 32	13,77	12,23	—1,54
Singapore	6,36	5,69	— 67	6,93	6,29	— 64
Sudan	6,34	6,94	+ 60	6,10	8,32	+ 2,22
Sweden	1,09	96	— 13	6,82	7,47	+ 65
Switzerland	57	66	+ 9	6,93	5,77	—1,16
Syria	1,54	85	— 69	1	1	Nil
Tanganyika	1,91	2,15	+ 24	1,81	1,52	— 29
Thailand	1,78	1,64	— 14	26	44	+ 18
Turkey	1,80	3,15	+ 1,35	—	1	+ 1
United Kingdom	1,16,08	4,13,17	—2,61	1,21,49	1,27,31	+ 5,82
U.S.A.	72,51	70,77	—1,74	82,56	1,59,67	+77,11
U.S.S.R.	16,08	20,10	+ 4,02	16,25	11,50	—4,75
Viet Nam, South	1,45	1,00	— 45	22	1	— 21
Yugoslavia	72	1,08	+ 36	1,73	1,89	+ 16
TOTAL for all countries	425,24	433,64	+ 8,40	571,37	663,90	+ 92,53

COMPOSITION OF INDIA'S FOREIGN TRADE

EXPORTS

(Rs. Lakhs)

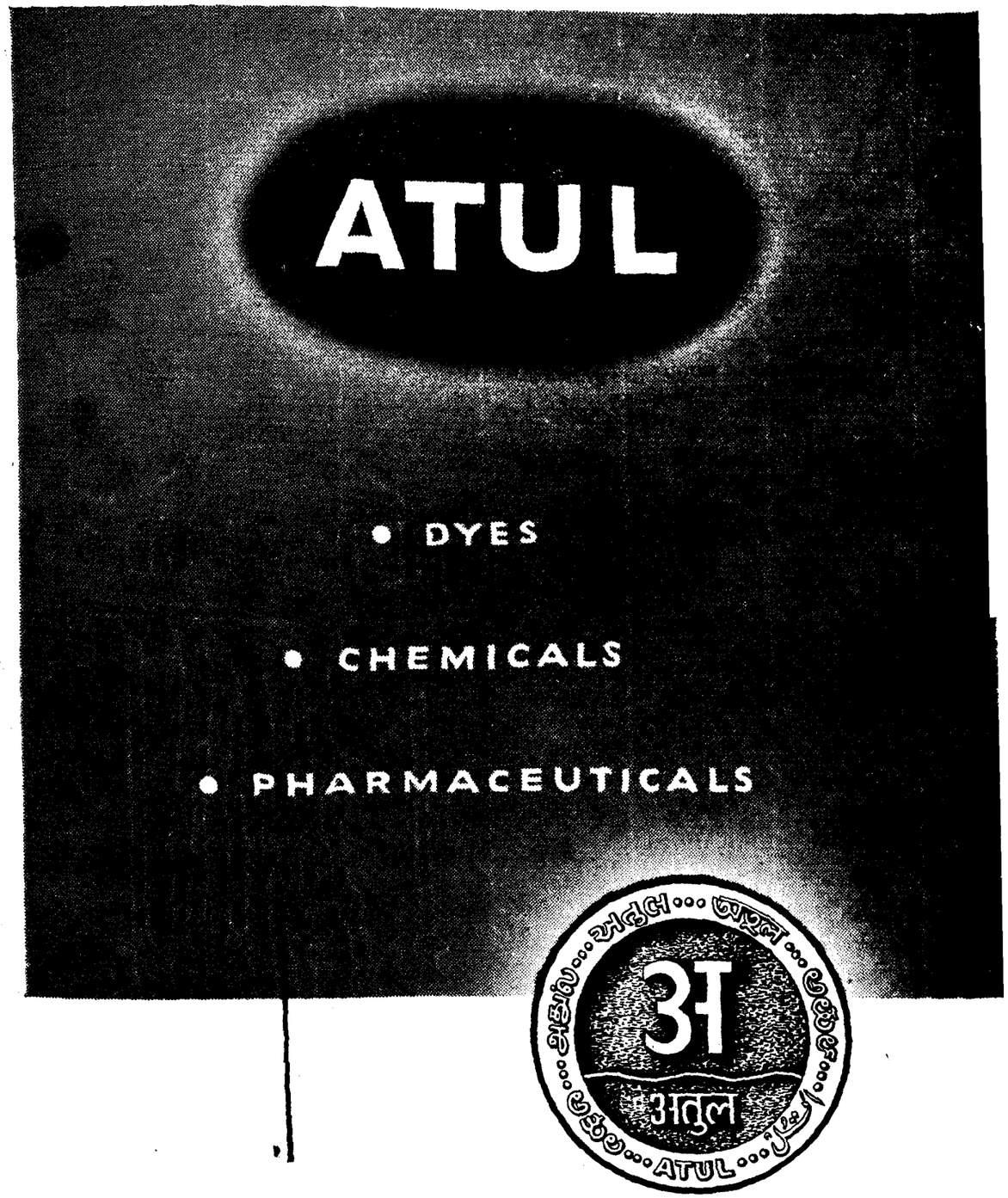
Items	Jan.-Sept. 1958 (1)	Jan.-Sept. 1959 (2)	Variation of (2) over (1) (3)
I. FOOD			
Cashew Kernel	11,11	11,79	+ 68
Sugar	1,76	2,31	+ 55
Coffee	5,15	5,16	+ 1
Tea	89,94	76,64	—13,30
Black pepper	2,18	1,95	— 23
Oilseed cake and meal and other vegetable oil residues	4,62	12,57	+ 7,95
II. BEVERAGES AND TOBACCO			
Tobacco unmanufactured	13,83	12,10	— 1,73
Tobacco manufactures	1,05	70	— 35
III. CRUDE, MATERIALS, inedible except fuels			
Hides and skins (except fur skins undressed)	5,15	7,59	+ 2,44
Wool and other animal hair	7,38	8,36	+ 98
Cotton	16,76	13,46	— 3,30
Oilseeds, oil nuts and oil kernels	17	2,18	+ 2,01
Wood anad lumber	1,28	1,48	+ 20
Mica	6,85	7,67	+ 82
Iron ore and concentrates	8,30	9,51	+ 1,21
Iron and steel scrap	1,01	3,17	+ 2,16
Manganese ore and concentrates	12,93	10,25	— 2,68
Bones, ivory, horns, hoofs, claws and similar products	1,65	1,93	+ 28
Natural gums, resins, balsam and lac	5,68	5,95	+ 27
IV. MINERAL FUELS, LUBRICANTS AND RELATED MATERIALS			
Coal (anthracite, bituminous, sub-bituminous, lignite)	4,01	3,58	— 43
V. ANIMAL & VEGETABLE OILS AND FATS			
Linseed oil (crude, refined or purified)	33,04	1,07	—31,97
Groundnut (peanut) oil (crude or purified)	5	2,64	+ 2,59
Castor oil (crude, refined or purified)	2,32	3,46	+ 1,14
Hydrogenated oils and fats	32	42	+ 10
VI. CHEMICALS			
Essential vegetable oils	1,51	1,37	— 14
Soap	7	12	+ 5
Chemical elements and compounds	40	49	+ 9
Pigments, paints and varnishes	9	21	+ 12
Medicinal and pharmaceutical products	62	60	— 2

COMPOSITION OF INDIA'S FOREIGN TRADE (Contd.)

EXPORTS

(Rs. Lakhs)

Items	Jan.-Sept. 1958 (1)	Jan.-Sept. 1959 (2)	Variation of as over (1) (3)
VII. MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIALS			
Leather	13,79	20,40	+ 6,61
Rubber tyres and tubes	9	9	Nil
Cigarettes paper	50	39	— 11
Cotton yarn and thread, grey (unbleached) not mercerized	2,36	1,79	— 57
Cotton yarn and thread, bleached (coloured) mercerized	1,06	1,54	+ 48
Coconut fibre yarn	3.45	3,47	+ 2
Cotton fabrics, grey (unbleached)	15,88	19,88	+ 4,00
Cotton fabrics, other than grey (bleached, dyed, mercerized, printed or otherwise finished)	18,71	20,19	+ 1,48
Silk fabrics	18	26	+ 8
Woollen and worsted fabrics	38	64	+ 26
Jute twist and yarn	52	68	+ 16
Hessian cloth	42,93	47,53	+ 4,60
Sacking cloth	1,00	1,12	+ 12
Webbings of jute	61	54	— 7
Jute bagging for raw cotton	1,52	2,29	+ 77
Jute corn sacks	4,16	3,19	— 97
Jute hessian new bags	5,28	4,64	— 64
Jute sacking bags (new)	20,52	17,68	— 2,84
Jute wool sacks	2,09	2,26	+ 17
Cement	20	78	+ 58
Pig iron and sponge iron including iron & steel powder	—	81	+ 81
VIII. MACHINERY & TRANSPORT EQUIPMENT			
Diesel engine	6	9	+ 3
Sewing machine	9	16	+ 7
Electric ceiling fans	16	25	+ 9
Table fans	2	4	+ 2
Pedestal fans	—	1	+ 1
Electric batteries accumulators etc.	14	11	— 3
IX. MISCELLANEOUS MANUFACTURED ARTICLES			
Footwear	1,78	2,21	+ 43



THE ATUL PRODUCTS LTD.
Atul, via. Bulsar,
Western Railway.

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CONTENTS

	Page
Leading Articles:	
NIKITA S. KHRUSHCHEV	405
MR. PATIL'S PLAN	406
A 'PAPER' POLICY FOR PAPER	407
A DELHI DIARY	408
THE WEEK'S NOTES Burma; Education; History; Small Industries; Bhakra Dam.	409
A WINDOW ON THE WORLD: Odysseus on "What is Liberty?"	413
THE EUROPEAN SCENE: Competing for Hot Money	417
ECONOMIC REPORT FROM THE U.S.: International Development Association	421
Special Article:	
A DRAFT REVENUE BUDGET FOR 1960-61	423
The Business World:	
THOUGHTS ON MONETARY POLICY	425
BUSINESS NOTES Foreign Trade; New Issue; Paint Industry; Economic Growth	426
CURRENT TOPICS: Japanese Delegation on Small Industry	429
A DELHI NOTEBOOK	430
WORLDGRAM AND NEWS IN BRIEF	431
COMMODITY NEWS AND NOTES	436
COMPANY AFFAIRS	438
CURRENT STATISTICS	443

Nikita S. Khrushchev

IN Delhi today there is the world's most interesting man, Nikita S. Khrushchev. In the language of *real-politik*, he is also the most powerful man in terms of any individual's capacity to decide the future history of the world. He has been described as the third Red Czar, but, in fact, he has, in some respects, proceeded well beyond Czardom and Communism; for he can negotiate world settlements, which have never been within the powers of any individual Czar, including Peter the Great and Catherine. Internally, too, fortunately, his position surpasses that of any Czar. Inside the Communist world in which, as is now being appreciated, a monolithic character is giving place to a broad spectrum, he can carry liberal policies to lengths which make him a pace-maker of economic progress of a kind not known at any time in the Soviet Union and hardly ever in the world. The capacity to raise by decree the standards of living of peoples has never in the history of the world rested so much on the mind of one man. Thus Mr. Khrushchev carries a power, as well as a capacity for good, which is unique. Whether in point of fact that power and that capacity will always be so used may still be in doubt. But at least we in India have received him with great expectations.

Because he comes with a stature equal to that of the greatest makers of history of all time, and because he speaks to us with supreme authority on behalf of the Union of the Soviet Socialist Republics, Nikita S. Khrushchev would have a right to an even greater welcome than he received in Delhi on Thursday. India's relations with the Soviet Union have broadened in the last three or four years in a manner which now has no ambivalence. While we fight Communism within, we do not now see its essential mainspring in the Kremlin. Indeed, the Kremlin may be leading the liberal wing of Communist thought so far as India is concerned, while Peking still lives in the age of Stalin putting its own people to stern compulsory service and creating in its neighbours a deep sense of insecurity. At least there is a widespread new image, true or false, emerging from the Kremlin. The manner in which Premier Khrushchev has detached Russia from the central picture of Communist aggressive strategy has been an achievement of such tremendous significance that, on its own account, it would raise him to international greatness. The image of Russia in the Western World and, necessarily therefore in the Eastern World—which often reflects the West—has been changed from one of terror to one of intelligent, and interested, cooperation. It is right to recognise that this is largely the work of one man.

To say all this is not to say that the forces of democracy and the character of democratic thinking, associated with the arrangement of economic affairs, do not have in this remarkable man a profound adversary. But the weapons of Khrushchev are not those of Lenin or of Stalin; and so long as co-existence can proceed without aggression, it may even provide a challenge which will create a great opportunity. The non-Communist world needs now to reckon with the tremendous capacity of the Communist world to do imaginative original things, of which the 1959 shot at the moon is only a symbol and a warning.

This is the time to recognise, too, that some of the best promoters of economic progress come from the spirit of Communist competition in which the unexpected has overtaken complacency. So long as the Soviet Union continues to lead the democratic world in peaceful scientific technology, one need not fear its superior skill, and, so long as nuclear war is excluded, one need not fear the tremendous missile ascendancy that the USSR enjoys over the United States. The guarantee, however, that co-existence will be peaceful rests more than ever with this one man. Therein lies profound danger; for brinkmanship based on one man's continuous life hangs always by a fatal thread. For death is the common heritage of all.

Last but not least, Mr. Khrushchev comes to us at an opportune time as the highest channel of communication in our relations with the People's Republic of China. It is unlikely that he will see the disadvantage to the Soviet Union of Chinese expansionism in the light that we currently do Chinese incursions in Ladakh. But even if he does not view our border dispute with China in terms of a dangerous new capacity of the People's Republic to intrude on her neighbours, we can well hope that his good offices will be thrown on our side. This is because Mr. Khrushchev really seems to be a man of peace. Peace continues to have many meanings, and some might decry the peace for which Mr. Khrushchev is trying. But he is extremely likely to see the point that any arrangement he might reach in the West would be heavily jeopardised if China and India resorted to arms to settle a border dispute even locally. He has, therefore, a stake in our affairs which is today perhaps our greatest asset; and the opportunity to convey our sense of injury could never have been greater. Meanwhile, there are direct relations with the USSR in respect both of the Second and the Third Plans. Undoubtedly, our relations with the Soviet Union in the economic sphere will grow rapidly with the years. Because of the shadow of the People's Republic of China they may be hindered. Is that not another reason why Russia's Prime Minister should create more goodwill in Peking than in Delhi? Here it is full to overflowing, so far as he is concerned.

Mr. Patil's Plan

THE food policy of the Government of India at long last is taking shape. Mr. S. K. Patil, since he assumed charge of the Union Food and Agriculture portfolio nearly five months ago, has apparently bestowed some serious thought on the subject and is seized of the core of the problem that has evaded solution all these years. He has decided upon a three-pronged attack on the issue. To check the unhealthy practices of the trade a buffer stock of 5 million tons of grains is to be built up in the next twelve months or so. Foodgrains production is envisaged to be increased to about 110 million tons by the end of the Third Five-Year Plan. Concerted efforts are to be made to popularise the use of subsidiary foods to replace partially the consumption of cereals.

It is reassuring that Mr. Patil has decided to build the buffer stock mainly through imports. Four million tons of grains, it is believed, will be available from U.S.A. under P.L. 480. The rest will be made up by commercial imports of rice. By implication it means that the State trading experiment in grains, which was pursued with great dogmatism last year with disastrous results, will be abandoned at least for the current year. Only surpluses in some areas may be mopped up through open market operations if prices tend to fall below a certain minimum. With a good harvest expected this year despite floods in West Bengal and Andhra Pradesh, this tactical retreat from State trading will surely produce a wholesome effect and the consumer can look forward to some respite from undue high prices of food.

No lasting solution of our food problem, however, can be expected unless output is stepped up appreciably. It is heartening to note that Mr. Patil has set his heart on raising the output by all possible means. Like a bold man he has accepted the challenge of boosting foodgrains production to 110 million tons by 1965-66 — the ambitious target proposed by the Ford Foundation's Team on Agricultural Production. And he appears to know how to go about to achieve this high rate of production. It is rightly envisaged that the additional output is to be realised mainly through intensive cultivation of the land; extensive cultivation has only limited scope in this country, but that too is sought to be fully exploited in stages. For intensive cultivation, artificial fertilizers will be made available in adequate quantities. There are plans to set up small fertilizer factories in every State besides the three big units in the public sector — Sindri, Nangal and Trombay plants. But till the time indigenous production is sufficient to meet the demand, imports will be effected. Again, greater stress will be put on small irrigation projects which, unlike giant dams, are easy to build and can yield quick results. Attempts will be made to improve cultural practices and foster the use of better seeds and pesticides.

But the core of the plan is to concentrate effort on selected areas where through "package programme" output is sought to be doubled by 1965-66. The "package programme" envisages selection of a favourable district in each State with maximum irrigation facilities and minimum natural hazards for the provision simultaneously of all factors necessary for increasing agricultural production. Seven districts with an area of 5.8 million acres have already been selected and their current output of about 2.19 million tons of foodgrains is expected to go up as a result of this scheme to nearly 4.46 million tons by the end of the Third Plan period. Another seven or eight districts will be added in course of time to cover each State in the country. Improvement in cultivation standards in these districts, it is thought, will serve as an example to the peasants in the neighbouring areas.

With the basic framework of the policy having thus been laid, it is time to devote attention to organisational matters. The State Governments, which are the primary agencies concerned with the production of foodgrains, will do well to shed their attitude of casualness in food matters. Mr. Patil has been obliged to issue a warning that the Centre will have to look for sanctions against the erring States which fail to pull their weight. It is hoped this warning will not fall on deaf ears. The danger is there; the existence of the proposed 5 million tons buffer stock may reduce the sense of urgency to increase output. It has to be guarded against.

A 'Paper' Policy for Paper

THE Third Five-Year Plan continues to go together, with stress and strain, piece by piece. As it enters into the most exacting phase, called integration or consolidation, particular targets escape, as atoms after nuclear bombardment, at Development Council meetings under the need for Ministerial statements. Not too much should be made of trial and error on these occasions. One particular case, that of paper, however, provided by the meeting of the Development Council for Paper and Allied Industries last week cries out for comment. This is because paper is invested with a political content, largely due to the fact that it has become a symbol for education, and education, particularly in the technical field, is a necessary adjunct of economic progress. Supplies of paper even during the Second Plan should really have been in readiness for an education policy for the Third Five-Year Plan. But the disturbing thing is that we are not learning anything from our past errors, and, in fact, are planning a low Third Plan target, knowing clearly that the shortage will be intense during the whole of this period and as far as the eye can see into the future.

The Union Minister for Industry, Mr. Manubhai Shah, is not normally given to a lack of sustained realism, but on paper, at the Development Council meeting, he was in very poor form. "Production of paper", he said, "has reached a figure of 2,92,000 tons, which is three times the production ten years ago. In spite of this, paper has been a scarcity material and the demand is on the increase .... The industry should, therefore, not only put in efforts to increase efficiency to get maximum production out of the installed capacity, but also take steps to expand". The implication of this was that there have been some severe failures in the industry. But, in the very next sentence, the Minister paid a handsome tribute to "the very dynamic activity" in the development of the paper industry. How are units in the paper industry to apply both counsel and dubious exhortation given to them on this occasion? Have they the financial capacity? Has the Government of India studied the market in anything but a most slipshod manner?

There are conflicting reports on the volume of total demand. Estimates, as high as a million tons (without newsprint) have been fixed for demand while supply is proposed for a capacity of only 900,000 tons with production of only 700,000 tons in 1965. It has been pointed out by some studies that if the gap between the demand and supply to which the Minister drew attention is to be overcome, something like Rs. 170 crores of new investment into the paper industry is required between 1961 and 1965. Who, it will be asked, in the circumstances can invest the sum over the next seven years?

Over the last few years, the Reserve Bank's splendid company finance studies have established some very striking results which deserve consideration. In the October 1959 issue of the Reserve Bank Bulletin, an analysis of profits of 750 companies in the Indian organised industry from 1951 to 1955 and for 1,001 companies for the years 1955 to 1957 has been made. From this study, it can be seen how the Indian paper industry emerges in relation to other industries as a seeker for equity or loan capital. The index numbers of industrial profits of paper have, it is true, been generally higher than the average for all industries, considerably so in the year 1957 when the figure of 216 for paper was about 40 per cent above the average figure. But, there has been a heavy decline of profitability from 1951 to 1957 in respect of the ratio of gross profits to total capital employed. Indeed, in 1957, when its total profits before tax were much higher than the average, profitability at 85.3 was just above the average for all industries at 82.2. If one turns to index numbers of profitability based on the ratio of profits after tax to net worth — this is the most important index of the state of health of the industry — the position is very disquieting. For 1957, the figure was 73.4 for paper as against 84.1 for other industries. How in the face of these facts can the paper industry carry out Mr. Manubhai Shah's exhortation for rapid expansion? Calculations based on revised prices indicate that retained earnings over the whole Plan period may not exceed Rs. 5 crores in the Third Plan if dividends are maintained at their present moderate figure. How does the paper industry find funds to double production in the next six years?

The principle that prices of products should be fixed high enough to allow the products to obtain sums for rehabilitation and expansion has been accepted in the steel and cement industries. And it has been reported this week that a firm decision has been taken by the Ministry of Steel and the Ministry of Heavy Industry that, so far as steel is concerned, the current glut in certain categories will in no way affect the principle that prices shall nowhere be reduced. It is thus clear that the Government is riding two horses at the same time, and the only conclusion that can be drawn is that what is sauce for the goose is not sauce for the gander. In industries in which the public sector has a major interest, such as steel, the consumer apparently is to have no benefits from price reductions. In areas where the private sector predominates — such as paper — Government control conveniently takes the form of a reduction of price reckless of its effects on capital formation and rehabilitation. The conflicting principles on which industrial policy is sought to be based cannot be justified in any way, particularly when targets for production are fixed high in relation to resources. The Government of India must either revise its policy on steel prices or its policy on paper. It is not difficult, in view of what has been stated above, to see exactly where revision needs to be made. The question is whether the Government of India will have the courage to revise a decision reached in December and implemented with indecent haste from January 1, this year.

Mr. Manubhai Shah has allowed himself to be drawn personally into this controversy by his unwise discrimination between steel and paper. And thus, it is largely a question which is addressed to him. But these are questions for the whole Cabinet's early consideration. Is industrial policy to be an integrated body of principles or a collection of individual and inconsistent *obiter dicta* of Ministers under strong political pressure? Here, it would be seen, is a case for sounder second thoughts. The longer they are delayed, the less likely it is that our grandiose plans for paper will materialise; but in any case those plans are not large enough to save the consumer. In this case, the consumer is the nation; for education will be fatally hurt if the target is not raised and the means to attain it found.

A DELHI DIARY

THE MAN OF THE MOMENT

THERE is only one topic of conversation in Delhi—Nikita S. Khrushchev. And I see from all the foreign magazines that I have received in the last two weeks that there are few countries in the world in which he is not the first priority in public interest. Indeed, so remarkable is the volume of Khrushchev literature that I imagine a large piece of consolidated research could profitably be done to distil it into a single publication to be called "Nikita Khrushchev—Man or Mahatma?", or, (seeing that some people attribute to him both feminine charm and feminine intuition) "Nikita Khrushchev—Man and Woman?" The speed of his movements—sometimes East, sometimes West, and as much North as South — has never been equalled in historical time. Perhaps he is approaching the happy state of the young lady of the Limerick:

> "There was a young lady called Bright,
> Who travelled faster than light;
> She set out one day,
> In a relative way,
> And arrived the previous night."

In the twenty-four hours during which I have caught glimpses of the Russian Prime Minister I am sure of one thing—like Napoleon, his greatest virtue is Romance! Most surprisingly this is without his being a lady's man. And yet, as he showed in Los Angeles, he can even dance the Can-Can! Let me delve deeper. I was much struck by an article in the January 1960 issue of 'Encounter' by Arthur Schlesinger Jr., in which the following paragraph appears:

> "At no time since the Revolution have ordinary Soviet citizens felt themselves both so free and so affluent. Quite naturally, they exult in a tremendous debt to the man who made these gains possible. Certainly Khrushchev himself rejoices in their gratitude. Still, to be fair, there is little evidence yet of the emergence of a new personality cult. One sees few pictures of Khrushchev around and no statues, and one does not constantly feel a Big Brotherly presence as one did in pre-war Germany or Italy or in Stalinist Russia. Khrushchev is a rare bird among dictators: he wants very much to be liked. He cares about popular moods, he basks in the affection of crowds, and he goes vigorously around his country as if engaged in a perpetual campaign for re-election."

It is a remarkably good tribute to a man of tremendous dynamism that he seems unconscious of his own Big Brotherly possibilities. This anxiety to be loved, which might well be a Freudian complex, turns out to be one of the most attractive virtues of the monolithic political form. Whether it is a feminine element in Mr. Khrushchev's character like some others to which writers refer I am unable to guess!

THE THIRD RED TSAR

What is of interest to me is the extraordinary manner in which the Russian Prime Minister confounds his critics and friends. Arthur Schlesinger Jr. seems to be a critical friend. I now turn to a not-so-friendly critic Salvador de Madariaga, who pays him a grudging tribute in a leading article called "Khrushchev's Year" in the February issue of the "Swiss Review of World Affairs". Here is Salvador de Madariaga at his worst:

> "Of the three Red Tsars, the third is by far the most acute and the shrewdest. True there is a fashion, amounting almost to a tradition, to bestow on Lenin the attributes of genius. An unprejudiced study of his life would hardly confirm this view. He was handicapped by an almost insane hypertrophy of the will which deprived his actions of fertility. He brutally mutilated a hopeful revolution only to lead his country straight from one prison into an even more repellent one. Stalin was so insane that he made Lenin look sane. But Khrushchev's mind is sound. Sound and shrewd and acute. This means that he is capable of sizing up events and of meeting the challenges of ever changing sets of circumstances. The free world has not yet had to face a more dangerous adversary. Adversary. Strange as it may seem, this is the first point to be established. For the third Red Tsar has been so successful in his as yet short reign that the number of people who have ceased to see an adversary in him seems to be growing fast."

Thus, it comes that Khrushchev has broken down opposition, is loved in Russia, and is coming to be liked in America and Western Europe. It seems a pity that we have seen so little of this romantic character in the East. We think, he spends too much time at Peking and not enough in South-East Asia. But now that he has come, the signal has been given. I think the Khrushchev legend, strong in almost every journal abroad, will grow rapidly in Indian newspapers. Indeed, I have already seen so much of it this week. I should not jump on the general whirligig of time. I shall wait for the tide of comment to subside and then distil deep analysis from the numerous comments to give an Indian picture of history's latest "life force."

STRAIGHT FROM THE SHOULDER

The Russian Prime Minister has attained a reputation for speaking straight from the shoulder. A quite embarrassing opportunity occurred when he was addressing Members of Parliament on Thursday evening. In full view of the distinguished visitors' gallery — and I believe cocking an eye at it — he spoke of the responsibility of those countries which had exploited the under-developed countries. He said: "It would only be fair if the Western countries now returned to the peoples held in colonial dependence in the past at least a part of the wealth appropriated by them." Apparently, the U.S.S.R. had an easy conscience in its own aid, but other powers had heavy conscience money to invest here. The implication was that, until the balance was struck of incomings with some vast past outgoings, Western Europe would be in our debt. Therefore, notwithstanding the much greater sums the Western World had put into India, the U.S.S.R. is leading in the foreign assistance field. Quod Erat Demonstrandum!

I had an occasion to talk to some diplomats about this argument. All have told me breathlessly that this particular stroke had never been played before. No doubt, the Chancelleries of Europe — I leave out the United States as a non-colonial power — are busy working out an agitated reply. Meanwhile, the cheery Prime Minister has made a clean get-away with his haul!

To end, let me say this that in addition to confounding his critics and friends by many-sidedness of his character and behaviour, Khrushchev confounds the cartoonists; to some he is an angel with wings (of peace?); to others he is the butcher on a tank; and to others again the wonderful maker of miracles in any form in which miracle workers are required. But is it not fortunate for a cartoonist that in his cherubic face and butcher-like form any particular role assigned to him comes easy? Is it not nice to have the face of a child on the form of a man? Long may variety remain in this remarkable man the spice of life!

ARGUS

THE WEEK'S NOTES

Burma

U NU'S TRIUMPH

COMING AFTER the recent municipal elections, the landslide victory of U Nu's party, the "Clean" AFPFL, in the Burmese election was not unexpected. U Ba Swe, the Leader of the "Stable" AFPFL was himself defeated by an overwhelming majority. As a matter of fact, these two parties were only two factions of the AFPFL which split up in 1958. The result was the formation of a care-taker Government under the leadership of General Ne Win in October 1958. The new Government addressed itself to its task with vigour and during the 15 months of his period in office, General Ne Win, besides arresting the deterioration in law and order provided a clean administration. He was largely successful in crushing the insurgents and recovering the illicit arms in the possession of the civil population. He also inaugurated a series of measures to ease the economic position. The most significant contribution of the General's 'parting shot' was, however, the settlement negotiated in Peking over the long-standing border dispute between Burma and China, along with the conclusion of a treaty of non-aggression. It was a signal success for the General, before handing back power to a civilian Government.

U Nu has already declared that he has approved of the non-agression treaty concluded by General Ne Win and Mr. Chou En-lai, and that as a matter of fact the agreement over the border is only a continuation of the work already done. Though his party has won, there were no fundamental differences between the two factions of AFPFL, either over the domestic or the foreign policies. The 'Stable' AFPFL lost the elections because of two reasons: One, the identification in the public mind of the party with the army. Thus U Nu was able to exploit the slogan "Democracy or Fascism". Two, the personal popularity of U Nu as a deeply religious man and the support he was able to acquire from the monks by promising to make Buddhism the State religion. However, it is not clear what the introduction of Buddhism as the State religion would mean and there is apprehension that such a step may only lead to discrimination against other religions, and disrupt the unity of the people. This is what U Nu has to guard against. So far as India is concerned, her relations with Burma have been of the friendliest kind. This is not only because of her common frontier, but because of the large concentration (of four lakhs) of Indians now remaining in Burma. Unlike in the case of Ceylon or South Africa there is no difficulty for Indians in Burma in getting citizenship rights. But the problem is one of divided loyalty which explains why only about 20,000 have applied for citizenship. Many Indians are worried about their future since they have not adopted Burma as their own country. This is an aspect, which deserves closer examination in view of the need for promoting friendly Indo-Burmese relations.

Education

MORE NOSTRUMS

THE CENTRAL Advisory Board of Education, which met this week, is reported to have commended the objectives and proposals outlined in the Report of the National Service Committee and urged speedy implementation of the Committee's recommendations. It is not known what is the need for any haste since these proposals are bound to be controversial. In the main, the Committee has recommended compulsory national service for a period of 9 to 12 months. The object is stated to be the "inculcation in students of the values of discipline, social service, dignity of manual labour and dedication to the country." It has suggested that the best age for drafting the youth in national service is when they pass out of Higher Secondary School or pre-University class. It has also drawn a programme for this period which envisages a "disciplined life for students comparable to that in the armed forces for a period of nine months to a year of social service and manual labour for at least four hours every day in the areas selected for work." It is claimed that this would bring about the "emotional integration" of the youth and "orientation" towards activities of national reconstruction.

Apart from the colossal nature of the programme and the huge cost involved, it is difficult to find a rational justification for these proposals. Is it seriously contended that a nine-month "orientation" of the kind proposed is going to work a miracle from the point of view of inculcation of "discipline" and "emotional integration." Already, the emphasis on extra-curricular activities has taken a direction that comes in the way of concentration on academic pursuits and the new programme will only add to the difficulty. Apart from this, what is more objectionable is the Committee's view that "the absorption of young persons in national service spread over a year would also enable the educational authorities to select better material for university education on the basis of academic and other achievements." This is indeed a strange way of recruiting students for the Universities. What does "other achievements" really mean and how are they relevant? For instance, if a student wants to pursue higher studies in physics or chemistry, what are the "other achievements" that he will be expected to have to his credit? These are clearly to be thrashed out before the new programme is launched, even assuming that it has something to commend itself.

History

HOME TRUTHS FOR WRITERS

THOUGH MR. NEHRU called himself "a complete amateur" while speaking at the 35th session of the Indian Historical Records Commission last week, his address in fact was replete with home truths for historians. They have as much relevance to writers of history as teachers of history and those who have anything to do with the framing of the syllabus in the schools and colleges. In the whole range of humanities, there can hardly be a subject so fascinating as the study of history and yet it has been the experience of many a student that the books he has to read should be boring and the classes he has to attend still more so. It is because history is mainly treated as a record of the doings of kings and rulers and a chronicle of events like wars, which the students have to commit to memory. It is obvious that these "dry-as-dust outlines of history" can hardly be made interesting. It is hence that Mr. Nehru said that the period of history that interested him was one with which he would



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A Window on the World

WHAT IS LIBERTY?

By

ODYSSEUS

IF WE NEVER disagreed about politics, if we all agreed that capitalism was a throw-back to feudalism and Socialism the only path to salvation, professors of political theory would be out of a job. Where everyone agrees on the theory, the only argument is about its *application*. Can income tax be increased further without stalling progress? Can we do without foreign capital? These are technical, not political, problems: they can be settled by experts, like a discussion between engineers on the manufacture of a motor car. That is why—as Sir Isaiah Berlin (Britain's leading philosopher, whose views we have discussed before in this column) points out in his arresting booklet "Two Concepts of Liberty" (Oxf. Univ. Press, 1959. Price 5 sh.) that is why those who hold some vast world-transforming faith, such as the final triumph of reason or of the proletariat, must also believe that there exists a set of doctrines, which are absolutely correct, by means of which all political problems can be solved, in the same way that the laws of engineering, properly understood and applied, enable you to manufacture a motor car.

This outlook, I submit, is utopian because the achievement of perfect political, social, and economic harmony is impossible. This idyllic delusion is, however, widespread because few "practical" people can be bothered to take time off to study the *fundamental* problems of political theory. Most people regard these problems as the quaint choice of professors seeking topics for examination papers, and add that students would be better occupied in engineering or chemistry.

This attitude is a pity because there has never been an epoch when so many millions have had their lives so profoundly, sometimes violently, upset, by *fanatically held doctrines*. It is also dangerous because when ideas are taken for granted, they can acquire a power over the masses that may grow too violent to be *modified by rational criticism*. Over a century ago, the German, Heine, warned the French that the rumination of some obscure professor could destroy civilisation. He recalled that the works of Rousseau had been the bloodstained weapon with which Robespierre had destroyed the old regime and he prophesied that the romantic faith of Fichte would one day be turned, with terrible effect, by his fanatical German followers against the liberal culture of the West. He was right.

THE BASIC QUESTIONS OF POLITICS

Our own opinions and activities will be obscure to us unless we understand the doctrines that condition them. The great issue today is the conflict between two systems of ideas which give opposite answers to the basic questions of politics: What is freedom? Why should I obey anyone? Why should I not do as I like? If I disobey, is it right that I should be coerced? Who is to do the coercing? How much freedom should I be allowed before I am brought to heel? What principles should guide the *ruler*? For the sake of what should he coerce me? What makes him certain that he is right to coerce me and that I am wrong to resist? How should the ruler be chosen?

The two questions which Isaiah Berlin sets out to examine are (1) negatively "What is the area within which a person or a group can be left to do what he or they like without interference?" and (2) positively "What, or who, is the source of interference that can decide that someone must do something that, left to himself, he would *not* do?"

A man is free to the extent that no one interferes with what he does. Political liberty is thus the area in which a man can do what he likes. Mere incapacity to attain your aim is not, however, lack of political liberty. If I cannot jump a 10 foot fence, or cannot pass exams because I am not clever enough, or cannot manage a factory because I have no aptitude for management, I am not enslaved. This is clear when we consider the implication of the words "economic slavery". The implication is not that I am inadequately gifted to earn a big income but that someone is preventing me. "Economic slavery" implies a particular social or economic theory about the causes of my poverty. If my lack of income is due to the limitations of my natural ability then I begin to speak of slavery only if I accept the theory. The Marxist conception of social laws is the best known version of this theory, but it also forms a large element in some Christian and utilitarian and all Socialist doctrines.

The criterion of oppression is the part that I believe is played by others in frustrating my wishes. The wider the area of non-interference the greater is my freedom. The English classical philosophers disagreed only as to how wide the area should be. They agreed that the area could not be unlimited without chaos. Because they valued other goals justice, happiness, security, or varying degrees of equality they were ready to curtail freedom for the sake of these goals. Consequently, they assumed that freedom must be limited by law. But equally they held that if the individual were not to be confined in an area too small for the minimum development of his natural faculties, there ought to be an inviolable minimum area of freedom. Some compromise is necessary.

The optimists, Locke, Adam Smith, J. S. Mill, believed that social harmony and progress were compatible with a large area which the state must not violate. Hobbes and other pessimists argued that if men were to be prevented from destroying or exploiting each other the area of state control must be substantially increased at the expense of individual freedom. Benjamin Constant, mindful of the Jacobin dictatorship, held that the minimum area included freedom of religion, opinion, speech and property. Jefferson, Burke, Paine, and Mill compiled different catalogues, but the argument for keeping authority under *control* was always the same: we must preserve a minimum area because total self-surrender is degrading. They all stood for freedom from interference inside a certain shifting, but always recognisable, frontier.

The protection of the individual was sacred to Mill because he said that unless men are left to develop their own initiatives in the areas which concern them, civilisation cannot advance. Without a free market in ideas and individual experiment, truth and progress will not come to light. Society will be crushed by the collective mediocrity of bureaucrats. Mill agreed that coercion was justified to ensure that individuals, e.g., —

encroach on each other, but held that *it should be a minimum force.*

DEMOCRACY AND DICTATORSHIP

Isaiah Berlin invites us to note three facts about Mill's position.

First, Mill confuses two notions. One notion is that, on the one hand, coercion as such is bad, although it may be necessary to prevent greater evils; while, on the other, non-interference as such is good, although not the only good. Mill confuses this with a second notion that men should seek to discover the truth and to be fearless, imaginative, independent. Both these are liberal views but they are not identical. Certainly self-expression cannot flourish in a state where dogma crushes thought. But history shows that integrity, love of truth, and individualism, can grow in severely disciplined communities, such as the puritan Calvinists of Scotland, as in more tolerant societies. So that Mill's argument that liberty is essential for the growth of human genius is untenable.

The second fact is that the doctrine of individual liberty is modern. It did not exist in the Greek, Roman, Jewish, Chinese, and other ancient civilisations. The domination of this ideal has been exceptional. It has never been a rallying cry for the masses, but is a mark of high civilisation on the part of individuals and communities, which dates roughly from the Renaissance. To admit this, however, is not to suggest that the decline of the ideal of individual liberty would be a good thing.

Thirdly, individual liberty is compatible with (a) some kinds of autocracy, or (b) the absence of democracy. A liberal minded despot may, as we in India knew prior to 1947, allow a large measure of personal freedom. A despot who leaves his subjects a wide area of liberty, say of religion or opinion, or business enterprise, may be unjust or encourage inequalities, or care little for virtue or knowledge, but if he does not curb their liberty, or curbs it less than many other regimes, he meets Mill's specification. Self-government may, on the whole, provide a better guarantee of civil liberties, but there is no necessary connexion between individual liberty and democratic rule. In other words, the answer to the question 'Who governs me?' is distinct from the question 'How far should he interfere with me?' This is the difference between the two contrasting concepts of liberty about which men argue (1) negative "liberty from", and (2) positive "liberty to", the desire to be one's own master.

The connexion between democracy and individual liberty is more tenuous than many advocates of both realise. The desire for self-government, or independence, may be as strong as that for an area of free action, but it is not the same desire.

Next week, we will discuss how it is that this difference has ended in the emergence of the two ideologies which dominate our era the democratic and the totalitarian. We will consider how the Communists, and others, have found in the ideas of obscure professors means to prove that it is right to coerce the individual providing that he is coerced for his own good, for the good that he is too poor, too blind, or too uneducated to realise. The "positive" conception of freedom as self-mastery, with its suggestion of a man divided between higher and lower aims, lends itself to the splitting of personality into two: the transcendent, dominant controller and the bundle of passions to be controlled. Your concept of freedom derives from the view that you take of what constitutes an individual. You can manipulate definitions of man to define freedom in whatever way suits you, as Hitler and Stalin knew. Their examples demonstrate that the question is not just one to be confined to papers for students and thereafter dismissed as academic. Next week we will elaborate the argument summarised in this final paragraph.

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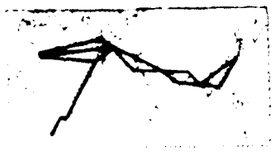
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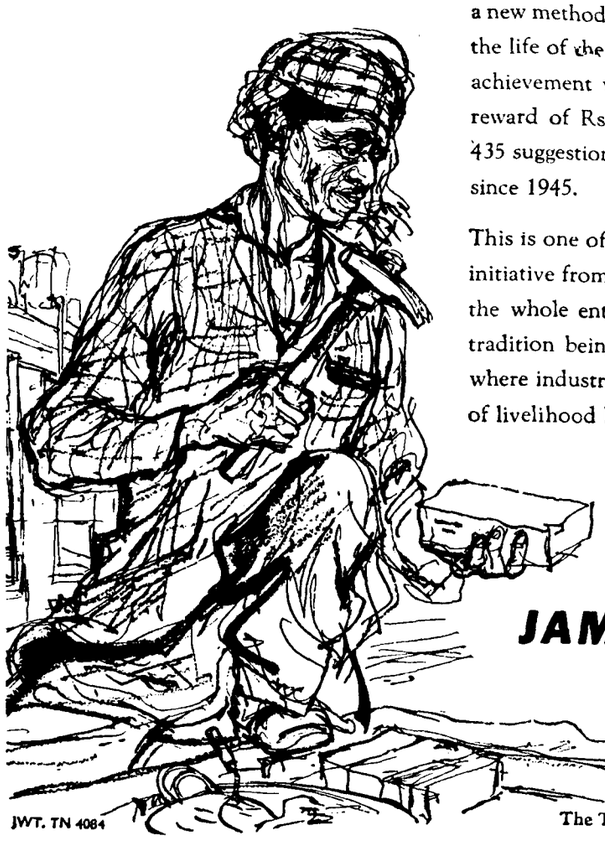
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The European Scene

COMPETING FOR HOT MONEY

From Our Special West European Correspondent

PARIS, February 6.

IN recent months there has been an almost general rise of central bank rediscount rates in Western countries. The United States gave the signal and was followed by West Germany, Holland, Belgium, Sweden, the United Kingdom and, now, Denmark. Daily reports from New York attribute the present weakness of Wall Street to the fear that this cycle might begin again: that the USA will increase bank rate further, whereupon some of the countries that followed suit the first time (and especially West Germany) might be obliged to fall in step again. In the three most important countries that have not so far joined in the bank rate competition—Italy, Switzerland and France—business men are wondering how much longer their central banks will be able to hold out, particularly if a new round of increases is touched off by the USA.

Why is this happening? One might imagine that the whole Western world was caught up in a paroxysm of inflation which central banks were trying to stifle by making money dearer. But this is not true. There is no generalised inflation in the West at this moment. Many of these countries have just emerged from a period of mild recession, and all of them are very properly concerned to see that their rate of expansion henceforth is comparable with that of the Communist countries. True, here and there one may see signs of a coming boom which, if not restrained early, could later get out of hand: this is so in West Germany, to a lesser extent in the USA and, if you base predictions on the present prosperity of consumer goods industries in Britain, it might become so in the United Kingdom.

But, firstly, none of these booms can yet be described as menacing inflation. Secondly, even if they were, other methods besides dearer money would have to be used to scotch them, and such other methods have not yet been resorted to in any of the countries that have raised bank rate, except for the USA where Mr Eisenhower has asked for a large budget surplus (which he probably will not get, when Congress has mauled his budget). Thirdly, finance officials around the world have spent the past few months, or should have, reading the Radcliffe Report which argues, with an emphasis rare in such documents, that changes in bank rate have very little effect on spending. If the finance officials have not absorbed this lesson, London stockbrokers have: when the Bank of England pushed up its rate from 4 to 5 per cent at the end of January, there was a wave of public and institutional investment buying which raised the 'Financial Times' share index by seven points in a few days.

So what is going on? When each central bank has raised its rate there has been some confused, not to say embarrassed, explanation of the change which has suggested in some cases that the authorities did not want to make their reasons clear. The anti-inflationary effect, or rather the supposed anti-inflationary effect, on the domestic boom has in each case been mentioned, but rather apologetically (because so many people have read the Radcliffe Report). This was immediately followed by a reference to another motive: the need to make short-term investment more profitable in order to prevent the exodus of volatile international capital. This is of course a perfectly respectable motive for increasing interest rates. No central bank can afford to see its currency weaken in free markets and its hard-won reserves evaporate just because a neighbouring country has made the return on short-term investment more attractive. But finance officials were afraid that if each capital in turn announced baldly that it was increasing bank rate to attract international funds, then it would strike even the simplest newspaper reader that they were all playing a rather silly game, each one trying to outbid the other to secure a larger part of a limited sum of hot money that is for ever floating around the Western world.

Now, if that thought got through to the public, some people might ask what is this international capital anyhow, that it arouses such keen competition. And if they asked a banker they would be told that it was largely hot money, perfectly sterile, perfectly unproductive, never invested in a country's industry or commerce, but simply left in short-term investments such as Treasury bills in order to get the highest rate of return possible. It might be explained that the country that attracted a large volume of this hot money did indeed obtain certain advantages for its economy, in the way of cheaper and more plentiful funds for its short-term operations—but the present competition for it is taking the form of increases in bank rate, i.e. dearer and less abundant funds. Disturbed by this information, the layman might then ask why Western capitals are obliged to compete in this way at the present moment and why the owners of the hot money are able to transfer it about the Western world at their pleasure, thus causing changes in bank rates. The answer would of course be in the one word: convertibility.

He might then draw the following conclusions. Each central bank is behaving perfectly rationally and indeed cannot avoid acting in this way if its currency is to be defended as everyone understands it must be. But, although all the participants in the game are acting reasonably, the game itself is quite unreasonable. It consists in a chain-reaction game of the sort, "anything you can do, I must do better." Ultimately, such a game is not only silly but dangerous, because if it goes on long enough interest rates can be pushed up to heights where they do begin to have unhappy effects on the country's industry and commerce. If our layman were possessed of robust common sense, he might ask, "Would it not be better to play a game with different rules? Everyone agrees to stop chasing hot money. Then, without giving up the bank rate weapon altogether and without falling for any Daltonian nonsense about the virtues of cheap credit, participants could agree to let bank rate fluctuate around some figure that seemed reasonable for each country: say, 3 per cent in the USA, 3 to 4 per cent in the United Kingdom, and 4 per cent in France. Hot money could then move as it wished, but central banks would not begin a selfish competition for it before consulting together about the ultimate results for all concerned of such competition." To which an harassed official might reply, "If you think you're so clever, why don't you stop the armaments race—it's the same sort of problem."

Not quite the same sort. The participants in the bank rate race are all members of the supposedly united free world, and they have just had a meeting in Paris where they recognised that their problems need to be dealt with co-operatively. The current chain-reaction competition for a limited quantity of useless, sterile, cosmopolitan cash is no great advertisement for this will to co-operate. When the USA and West Germany increased their interest rates, money began moving out of London to New York and Frankfurt—£100 million of it. And it was not just money that had migrated there: because rates were lower in London, some people began borrowing there and investing in New York and Frankfurt. So Britain increased her bank rate, whereupon some money came back across the Atlantic—but it also began to move out of capitals with which Britain is supposed to be co-operating in the free-trade area. Then Denmark, one of these latter, raised her rate from 5 to 5½ per cent, with the official observation, "This measure seems inevitable after the

recent increase in the discount rate in England and Sweden (another member of the free-trade area)." But when rates thus became more attractive in these countries, the USA and West Germany began thinking about increasing their rates still further.

As I have said, in every case the competitive rise in interest rates is accompanied by, or disguised under, a reference to the useful effect of dearer money on the threatening boom at home. For my own part, I am sceptical of these excuses; in any free, healthy economy one can always produce reasons for saying that a boom is threatening in the more or less remote future, unless there is a slump in progress at the moment. If such dangers were sincerely believed in, the authorities would take a variety of other steps to restrain excessive demand and investment. But it is irrelevant whether they are sincerely believed in or not; the competitive cycle still goes on. When the British rate was raised last month, there was some learned hair-splitting in London about whether the Bank of England really thought a boom was threatening and whether dearer money was the best way to deal with it. The Financial Correspondent of the 'Observer' printed an astonishing little piece of scholasticism of which this in an extract:

"Many economists consider that although the Government has done the right thing, it has done it for the wrong reasons. Rising interest rates throughout the world have been attracting substantial funds away from London in the last few months, and in a world of free capital market London would find it hard to resist the trend, unless Britain's balance of payments position were very strong indeed. If the change had been made for external reasons, therefore, the move would have been fully justified. What is found surprising is that the change has been made with the intention of limiting domestic expenditure". This pundit is mixing up his economics with his recollections of Sunday school morality, where he was taught that the intention is as important ethically as the consequences of an action. In economics, on the contrary, intentions are totally irrelevant: a competitive increase in bank rate has the same consequences on the international movement of capital whether it is taken for the "right" reasons or the "wrong" ones.

This is shown by recent West German actions in this field. Late last year Bonn increased the bank rate not because of the balance of payments (there had been capital losses but they caused no anxiety and were tapering off) but because of the pressure of demand at home. The result on international capital movements was just the same: in October and November the gold and currency reserves of the Bundesbank increased by more than 300 million dollars (drained away from the USA and London). This has, this week, earned West Germany the following very sensible admonition from the OEEC: "The German authorities should take all steps necessary to reverse their monetary policy (i.e. to bring down bank rate) and, in case of need, to resort rather to measures of fiscal restriction which have no direct incidence on the movement of international capital ..... it would be useful also to take new steps toward a reduction of tariffs and a liberation of trade in certain products, especially agricultural produce, both to limit the trade surplus and to avoid price rises".

One could not state more plainly that at the present moment there are no "right " reasons for increasing bank rate in the West. If inflation is feared, other measures are more effective at home and less damaging abroad. On the other hand, if it is a question of competing selfishly for cosmopolitan hot money, then the Western nations are playing a foolish and ultimately dangerous game that could discredit the new-found convertibility of their currencies. It is quite possible to put a stop to this competition and the first sign that some nations are going to do so is the establishment' by the Common Market Six in Brussels recently of a "short-term policy co-ordinating committee", which should be extended as soon as possible to include Britain and the U.S.A.

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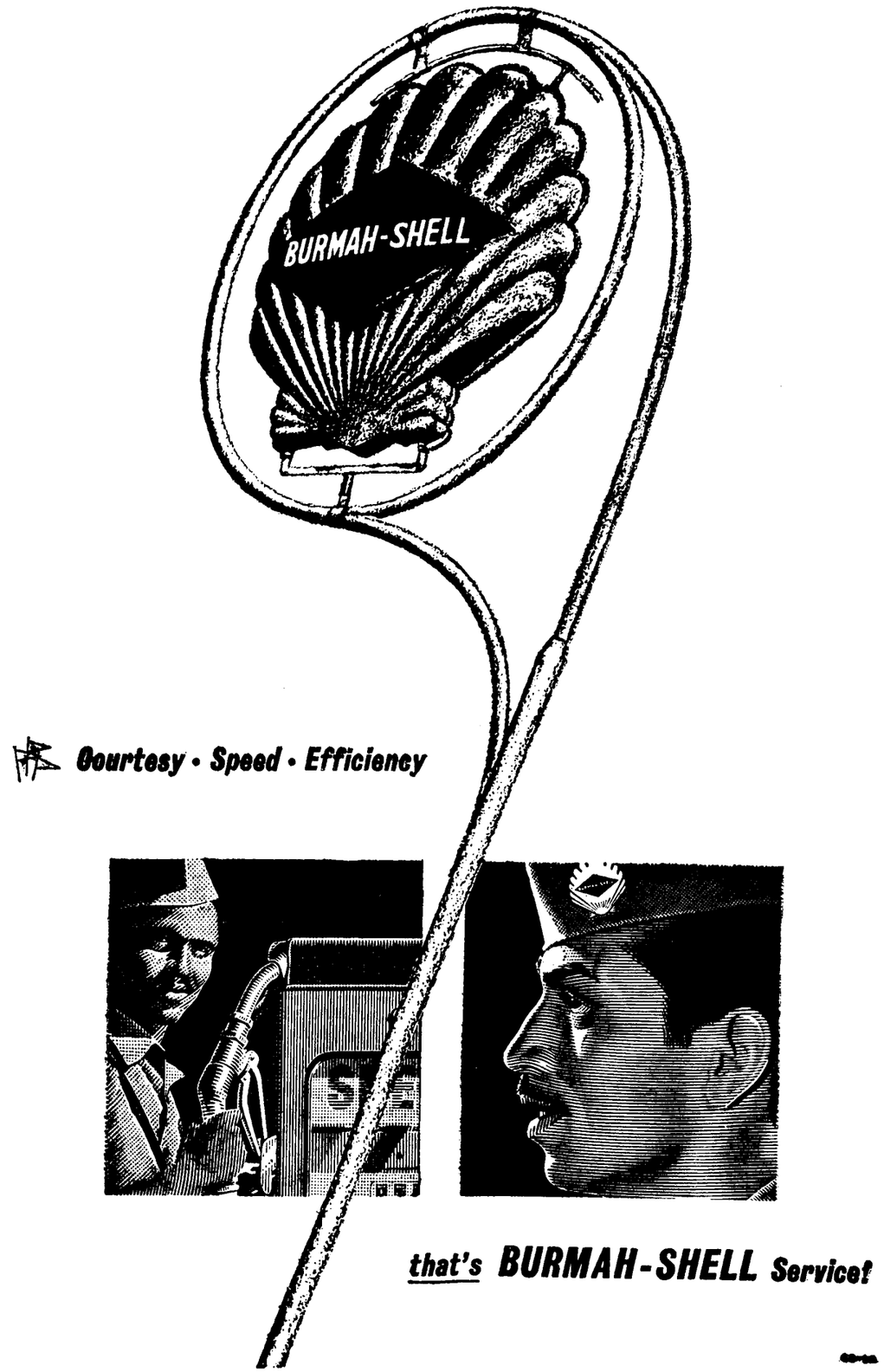
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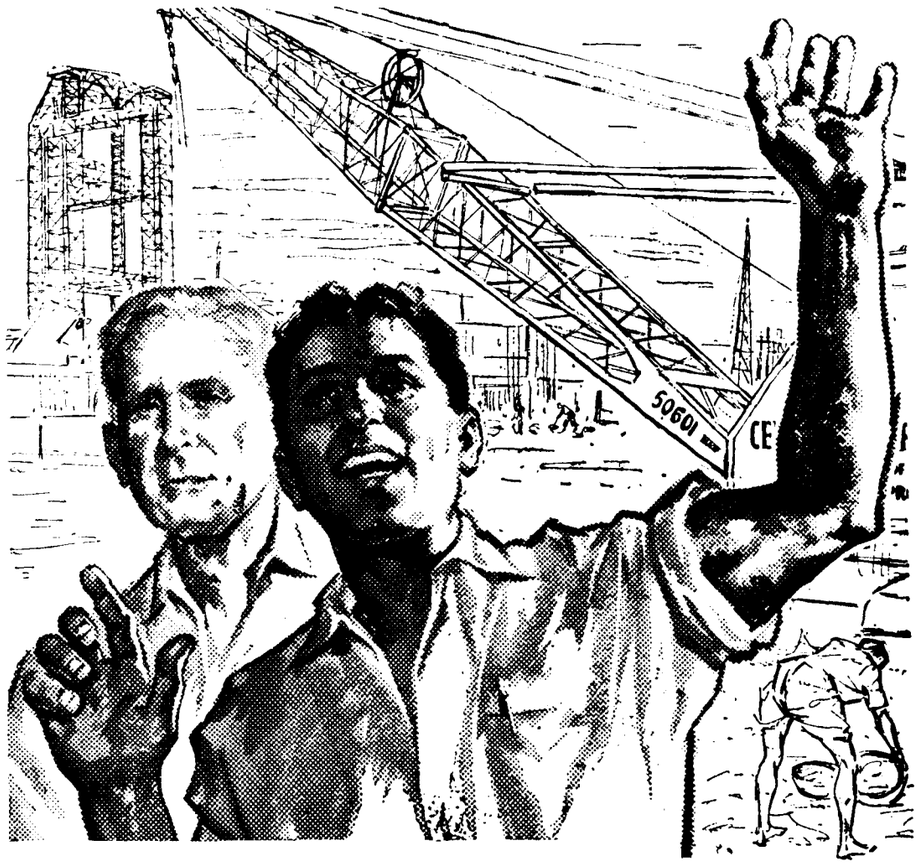
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Economic Report from the U.S.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By GUY SIMS FITCH

WASHINGTON, Feb. 2.

THE new global lending agency to spur economic advancement around the world—the International Development Association (IDA)—has come another big step closer to operating reality. Last week, at its headquarters here in Washington, the International Bank for Reconstruction and Development (IBRD), better known perhaps as the World Bank, announced that IDA's "Articles of Agreement" are now ready for acceptance. All that remains now is for this charter to be approved by the requisite number of the Bank's 68 member nations before the end of this year. A message to the US Congress requesting approval of US membership in IDA, plus appropriation of the initial US subscription, is expected to come from the White House soon.

When finally set up, IDA would begin lending a sum estimated at about $150 million a year to developing countries of the free world. Its total capitalization, and presumably its annual lending rate, could be increased with the approval of IBRD members. Thus, there is now in sight the culmination of an effort that began nearly two years ago. It was early in 1958 that proposals for an IDA-like approach to development problems first were offered by US Senator A. S. Mike Monroney (Democrat of Oklahoma). Later that year, the Eisenhower Administration concluded that a specific easy-term, "soft-loan" institution, founded on a multilateral basis, would be a useful supplement to the more commercial lending operations of the World Bank.

In the fall of 1958, U.S. Treasury Secretary Robert B. Anderson broached the subject of IDA at the joint meeting of the World Bank and the International Monetary Fund (IMF) in New Delhi. Last fall, at the 1959 meeting of these twin United Nations institutions in Washington, Mr Anderson formally introduced a resolution—which was approved by the delegates—that a charter for such an agency be drafted and submitted for approval to World Bank members. Understandably, Mr Anderson greeted last week's action with more than a little satisfaction. He pointed out that the United States attaches "great importance" to the fact that financial participation is required of all members of the Association, and to the proviso that a large share of the total subscriptions will come from "other more-developed nations." Mr Anderson has been in the forefront of the U.S. effort to widen the scope of development assistance through contributions by industrial nations other than the U.S. The United States, of course, will still be the largest contributor, in and out of IDA. Subscriptions to IDA are roughly proportionate to World Bank subscription allotments, which means that $320.3 million of the $1,000 million IDA total would come from the United States.

Actually, for capitalization purposes the articles of agreement divide subscribers into two groups: the first, made up of 17 industrial nations including the United States, would contribute a total of $763 million in gold and convertible currencies over a five-year period. The $237 million balance would come from the 51 less developed nations. They also would make their contribution over a five-year period, but only 10 per cent would have to be in gold or convertible currencies. These nations also would have what amounts to a "veto" over the use of their own "soft" currencies which account for the major part of their contributions. Of particular interest is the wide operating latitude permitted to IDA under its charter. About the only inflexible rule is that its assistance must go to developing lands. For the rest, IDA could lend directly to governments, to private business, and even to other multi-national lending institutions — such as, for instance, the now-completed Inter-American Bank for regional Western Hemisphere development.

IDA also could do some borrowing in the open market or from other agencies—with the exception of the World Bank. Likewise, it could accept "supplements" in soft currencies from donor countries as long as this was agreeable to the country whose currency was being donated. In practice, IDA's soft currency accounts could be used to finance the local costs of development projects, while the "hard" or convertible currencies would go for the foreign exchange costs of a project. Under its highly flexible "ground rules," IDA could finance just about every type of project. This would include not only heavy capital investments of a "productive" nature, but also "social overhead" outlays for such purposes as health and housing. Furthermore, its funds will not be "tied" to financing any particular members' goods and services, but will be spent where they can be put to effective use. Operational decisions on such items as interest rates, duration of loans and mode of repayment are left to the discretion of IDA's World Bank management. As one World Bank official put it, "IDA will make soft loans, but it won't be a soft lender." This implies that IDA will be practical as well as flexible, to meet the actual needs of developing lands.

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DELIVERY OF SHARE CERTIFICATES.

Shareholders are hereby advised that the certificates for the shares of the above issue will be delivered within fifteen days from the date of presentation to the Company of the Allotment Letters duly discharged.

As no intimation will be sent to the shareholders individually, delivery may be taken of the certificates by presenting the Allotment Letters duly discharged at the Registered Office of the Company between 10.00 a.m. and 1.00 p.m. and 2.30 p.m. and 3.30 p.m. on any working day other than Saturday.

Dated the 3rd day of February, 1960.

For and on behalf of
The Tata Iron and Steel Company Limited,
Tata Industries Private Limited,
Managing Agents,

J. J. BHABHA
Agent.

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OF
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Special Article

A DRAFT REVENUE BUDGET FOR 1960-61

FEBRUARY 29 is of more than usual interest this year in view of the fact that defence expenditure is known to have risen significantly already and is believed to require a much greater allocation next year. Also the rise in prices to which the Governor of the Reserve Bank has belatedly drawn attention this week has made it clear that deficit financing on the scale permitted in 1959-60 cannot continue in 1960-61. Two major elements of finance, viz, the economy in defence expenditure and excessive deficit financing, therefore, need modification. How, it will be asked, will the pattern of revenue and expenditure look for 1959-60 and the finances for 1960-61 be arranged? The table below shows revenue receipts and expenditure in 1958-59 (revised estimates) and 'The Eastern Economist' estimates of likely performance in 1959-60 along with 'The Eastern Economist' budget estimates for the year 1960-61.

Receipts and expenditure under various heads for the year 1959-60 need to be explained. The computations made by the Research Section of 'The Eastern Economist' are based on the actuals for the first two quarters and estimates for the last two. There are clear indications to show that receipts from union excise duties have risen by about 13 per cent, income-tax by 16 per cent and corporation tax by nearly one per cent; collectively, the rise is of the order of Rs. 62 crores over the budget estimates. On the other hand expenditure on defence at about 13.5 per cent above the budget estimates might require another Rs. 60 crores. On balance, the revenue deficit in 1959-60 against the budget estimates might be lower by Rs. 1.32 crores only.

How then is revenue to be arranged in the coming year? 'The Eastern Economist' believes that it is essen-

REVENUE BUDGET

(In Crores of Rupees)

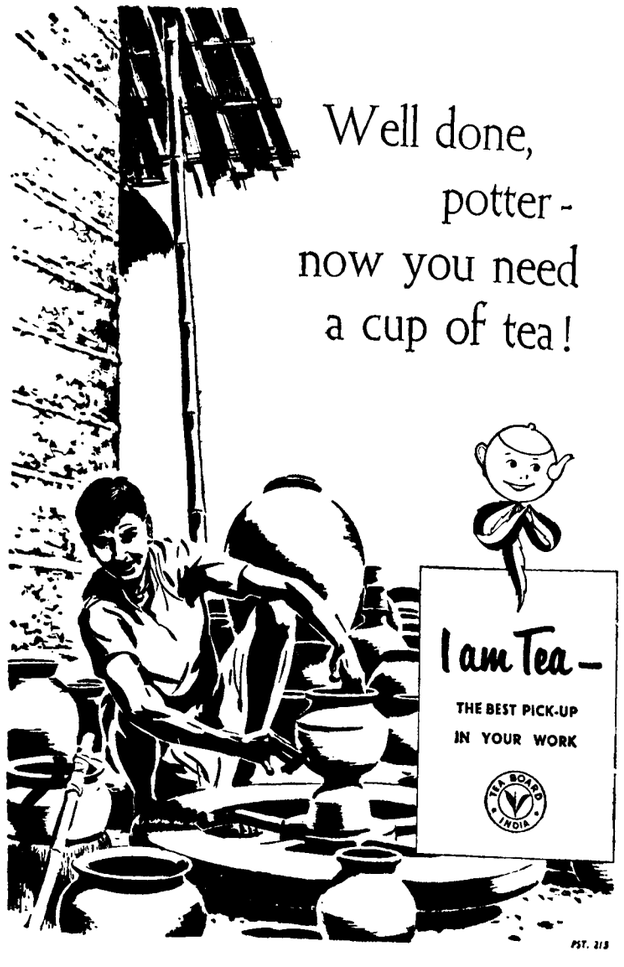
Revenue Receipts	1958-59 (Revised Estimates)	1959-60 (Budget Estimates)	1959-60 (E.E. Estimates)	1960-61 (E.E. Estimates)	Expenditure	1958-59 (Revised Estimates)	1959-60 (Budget Estimates)	1959-60 (E.E. Estimates)	1960-61 (E.E. Estimates)
Customs	136.00	132.77	151.00	158.00	Direct Demands	99.63	101.65	113.00	120.00
Union Excise Duties	301.15	325.08	342.00	400.00	Irrigation	0.16	0.16	0.16	0.20
Corporation Tax	56.00	58.75	57.00	60.00	Debt Services	42.06	57.88	60.00	70.00
Taxes on Income	162.50	166.25	188.00	195.00	Civil Administration	197..72	222.73	225.00	250.00
Currency & Mint	34.76	55.60	55.00	58.00	Currency & Mint	9.14	9.83	10.00	100.0
Civil Administration	45.63	35.80	36.00	38.00	Civil Works	18.32	19.35	20.00	20.00
Others	81.23	98.83	115.00	132.00	Defence Services	266.87	242.68	302.00	325.00
Deductions*	—89.07	—92 22	—100.0	—110.00	Grants to States	46.95	49.02	50.00	50.00
Deficit on Revenue Account	59.95	58.32	57.00	45.00	Miscellaneous	107.30	135.88	120.84	130.80
TOTAL	788.15	839.18	901.00	976.00	TOTAL	788.15	839.18	901.00	976.00

* Share payable to States for Income-tax, Estate Duty and Taxes on Railway Fares.

tial that there should be no drop in any item of receipts and proposes, in fact, that union excise duties be raised by Rs. 58 crores With expenditure proceeding as laid down in the last column of the Table above, total expenditure will then run at the figure of Rs. 976 crores and total revenue at Rs. 931 crores, leaving a deficit of Rs. 45 crores on the revenue account. It means that the deficit in the revenue account will be lower by about Rs. 12 crores in the next year. Also, the capital budget will need to be reduced in order to keep deficit financing within Rs. 100-crore mark.

The union excise duties proposed at Rs. 58 crores will naturally cause considerable stir. Happily, there are two items, namely, high speed diesel and kerosene which together are estimated to contribute Rs. 40 crores additional at the rate of 10 nP. per gallon for the former and 11 nP. per gallon for the latter. In addition, it is believed that there will be an excise on paper to take up the reduction in prices effected from January 1, 1960 which might yield a revenue of Rs. 3 crores. There is likely to be a duty on rayon to give also a figure of Rs. 3 crores and it may be that duties on minor products and adjustments of duties might be made to give about Rs. 4 crores. All in all, the total additional revenue as has been set out is Rs. 58 crores—a quite substantial addition to the revenue budget but, if arranged in the manner proposed, unlikely to stir the economy violently. It may be mentioned that a part of the increase in the excise revenue will result from the greater quantities to be taxed in each case. The picture that is set out here is in consonance with the belief that no additional direct taxation can be taken and that corporate taxation calls for minor reliefs, particularly in respect of bonus shares and other adjustments when the recipient of a dividend is a company. The loss on corporation tax on this account might be between 2 to 4 crores of rupees.

Whichever way it may be viewed, it is clear that additional sacrifices are called for and that few reliefs other than those indicated are likely to be forthcoming. These are times in which an austere approach would be fully justified and, of course, the Finance Minister will lose none of his austerity by the fact that February 29 happens to be his birthday.



THE BUSINESS WORLD

Thoughts on Monetary Policy

By CROESUS

ALTHOUGH the Rt. Hon. Sir Oliver Franks, Chairman of Lloyds Bank Ltd., prefaced his lectures under the Dorab Tata Memorial Lectures series on "Reflections on Monetary Policy in the Light of the Radcliffe Report" by saying that he was only talking about a British report on the British monetary system and was not there to suggest how India should run her monetary affairs, it would be unfair to him to suggest after having listened to his three illuminating lectures—(1) The objective of the monetary policy, (ii) The way in which the monetary system works, and (iii) the International aspect of the subject—that one failed to draw any conclusion of interest to this country. For the circumstances leading to the appointment of the Radcliffe Committee are not very much different from those now prevailing in this country, including the long lapse of years since an expert committee went into this question. Hence the pertinent plea of Sir Homi Mody, in the course of his concluding observations, for the appointment of a strong committee like the Radcliffe Committee to inquire into the inter-relation of monetary and fiscal policies and to adopt a logical line in respect of both. This plea gains further force by reason of the fact that our country has already gone through nearly a decade of intense economic planning. Similarly, what Sir Oliver had to say with regard to the sterling area and the question of an increase in gold prices, which has been a hardy annual at every International Monetary Fund meeting for some years now, are not without significance to us. Again, the problems of general liquidity of the economy and the post-war problems of meeting large annual maturities of Government debts (largely in the form of short or medium term borrowings) have their counterparts in India today. Thanks to the large outlays on economic development, we are "full of money." And, to the extent that this development is being met out of deficit financing by creation of 'ad hoc' treasury bills and short and medium term loans, we too will soon be faced with problems of frequent maturities. This maturities problem will be even more difficult in our case, because the increased tempo of economic development has become possible—as is inescapable in the case of all underdeveloped countries because of insufficient savings—only by resort to foreign loans. Then, again, like the Bank of England, the Reserve Bank also seems to be passive as regards the supply of cash, being "concerned only to see that the needs of the public are met," presumably because the Reserve Bank also shares the view of the Radcliffe Committee that the supply of cash (notes and coins) is not a prime instrument of monetary policy. "As things are", to quote Sir Homi, "there seems to be practically no limit to the quantity of 'ad hoc' treasury bills issued to the Reserve Bank in order to enable the Government to carry on with substantial deficit from year to year" which doubtless prompted him to pose the questions: "Is there any policy at all for regulating the suppy of money in the hands of the public? To what extent has the Reserve Bank a say in the matter?" Similarly, there is a close resemblance as regards the ineffectiveness of monetary measures and controls in the experience of the two countries. And equally relevant is the effect of the growing importance of the public sector on the effectiveness of monetary measures. So too, the stress laid by Sir Oliver on the fact that the market for credit is a single market, which forces one to ponder whether controls like "selective credit controls" adopted by the Reserve Bank would at all achieve their purpose. In short, as Sir Homi remarked, there is plenty of scope and a number of important matters for an independent and expert committee to go into.

What Sir Oliver said in regard to what can be done to preserve reasonable equilibrium in international liquidity also is as much of interest to India and other countries as to Britain. In this connection, it is significant that Sir Oliver unceremoniously dismissed the proposal for doubling the price of gold as an effective solution to preserve reasonable equilibrium. He gave two valid reasons for his view; first, this would mainly help those who already have large gold reserves rather than spread a general easement of the reserves position; secondly, the raising of the price of gold would lead to uncertainty and speculation about whether further movements may happen and this would be a disturbing influence. The Lloyds Bank Chairman expressed his preference, on the other hand, for a further development of the reserves of the I.M.F. as a long-term objective. In effect, he wholly endorsed the suggestion of the British economist, Mr Day, for a gradual transformation of the I.M.F. into an International Central Bank, free to accept deposits or to extend overdraft facilities to the Central Banks of member-countries.

As important as the observations made by Sir Oliver in his Dorab Tata Memorial Lectures, it seems to me, were the chatty points he made when he informally met journalists subsequently. At this meeting, he elaborated his views on the question of massive economic aid from Western nations to developing countries or, to use the expression he employed in his statement to the shareholders of Lloyd Bank, North-South issue—in other words, help from countries in the northern half of the globe to countries in the southern half. He thus reiterated that there should be greater co-ordination among all the developing countries and not only among the O.E.E.C. countries in extending aid to developing countries. As he said in the last of his three lectures, he was for enlarging the scope of an existing organisation for this purpose. But he did not think the "Washington Club" would meet the situation. It was not fully representative of the developing countries, he thought. Although he was not averse to a new institu-

tion as such, all that he was concerned with was that whether an existing institution enlarged its scope for the purpose in view or an altogether new institution was started, there should be no rigid constitution, but some form of a "loose and flexible forum" which could make for an effective co-ordination among all the aid-giving developed countries.

It is noteworthy that Sir Oliver did not share the view of some that the economic development of underdeveloped countries would adversely affect the already developed countries. He substantiated this view by citing the example of his own country which, he said, exported in a big way to two very well-developed countries, i.e. U.S.A. and West Germany.

Now there would appear to be a lurking suspicion in the minds of some people that if aid to developing countries is decided by a consortium of all the aid-giving countries and, more particularly if such aid is to be subjected to the findings of a small mission like the three-man World Bank Mission headed by Sir Oliver, the extent of the forthcoming aid might not be as much and as free as when the aid is extended by individual countries after mutual agreement. This may or may not be. At any rate, it seems obvious from Sir Oliver's statement to the Lloyds Bank shareholders that there is complete understanding, on the part of at least the leader of the three-man mission, that the urge in the developing countries is for a rapid economic development which they will not forgo, notwithstanding their insufficient savings. This vicious circle facing all underdeveloped countries, it is recognised, can be broken only by "the inflow of capital from outside giving a free society the chance both to develop and to remain free." This is reinforced by the categorical statement made by Sir Oliver to the journalists: "I go into the mission, having said these things."

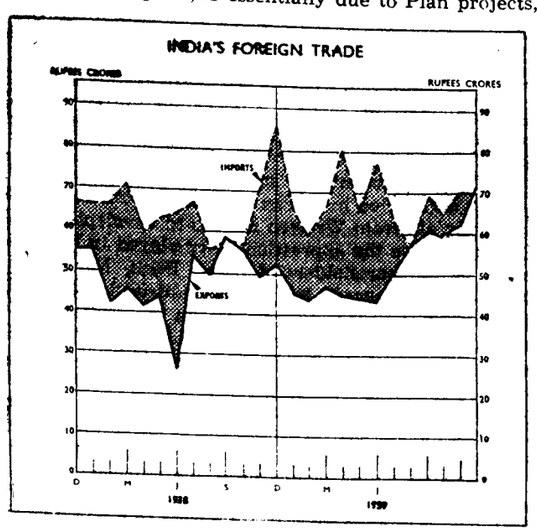
Business Notes

Foreign Trade

LARGER GAP IN 1959

NOW THAT the provisional figures are available in respect of India's foreign trade in the month of December 1959, we can examine the performance over the whole year. A trade surplus of Rs. 1.2 crores in December certainly stands in sharp contrast to a deficit of Rs. 33.4 crores that was recorded for the same month of 1958. Perhaps, it is this hopeful sign that led even the official statistician to jump to a wrong conclusion that during the year as a whole the trade gap, as compared to the previous year, had decreased. Apparently, there has crept in a mistake in adding up of import figures for the year 1958 in the official handout.

Imports at Rs. 869 crores, have risen during the year by about Rs. 85 crores against the previous year—or by about 11 per cent. Exports at Rs. 626 crores are also higher than the previous year, but only by 7 per cent. Thus, the trade gap during the year has increased to Rs. 243 crores against a gap of about Rs. 200 crores during 1958. A large increase in the imports has, therefore, nullified the effect of the modest rise in exports and it has aggravated the trade deficit. Because the increasing accent on the import of machinery and transport equipment, which accounts for about half of the total imports, is essentially due to Plan projects, this recurring trade gap seems to have become a permanent feature of our economy for some more years to come. The trade gap must, however, remain under strict scrutiny and should be kept as low as possible. A vigilant search ought to be made for postponing some of our imports of lower priority to reduce the size of the deficit.



A rise in the exports by about 7 per cent over the previous year seems to be perhaps, the only redeeming feature of our foreign trade during the year under review. This rise has mainly been contributed by higher exports of cotton fabrics, leather manufactures and oilseeds. If the traditional exports like tea and jute sackings had even retained their usual level, exports could have helped to reduce the gap significantly. Traditional exports are in fact our mainstay and the ground they have lost must be recovered.

(Rs. Crores)

	1958	1959
Imports ..	782.8	868.7
Exports ..	583.2	626.0
Deficit ..	199.6	242.7
Total Trade ..	1,366.0	1,494.7

EXPORT MARKET IN SOUTH-EAST ASIA

AS IS apparent from the preceding note, India's trade deficit is partly on account of a failure on the part of exports to rise to a level necessary for an expanding economy like ours. Consolidation of the position of traditional exports is no doubt a primary function of export policy. But of equal importance with alternative items of export is the need to search for more markets so as to diversify the direction of our trade. In this connection a study prepared recently by the Indian Chamber of Commerce, Calcutta, examining the scope for increasing our exports to the countries of South-East Asia and Oceania, is of considerable topicality.

The countries selected for study are Ceylon, Burma, Malaya, Thailand, Philippines, Indonesia, Australia and New Zealand. At the moment India's share in the import of these countries is very low. For instance, Ceylon's total imports during the 11 months, January-November 1959, were Rs. 1,818 million in which India's share was only Rs. 221 million. This is in spite of

Ceylon's proximity to our country. Similar is the case with most other countries. The study points out that most of the countries of this region are now engaged in a programme of industrialization and, therefore, their import requirements are steadily increasing. The governments of these countries are actively assisting the expansion of agriculture and industries as well as transport and social services, all of which call for a steadily increasing volumes of various types of commodities many of which India will be in a position to supply.

Apart from traditional items like cotton textiles and jute goods, there is considerable scope for increasing the exports of many other commodities like machine tools, locomotives, textile machinery, tea machinery, sugar mill machinery, etc. Presently these countries obtain most of these items from the U.K., U.S.A. and Japan. In view of our rapid rate of industrialization, it will be necessary for us to find markets for the export of the above mentioned items in the near future. The study brings out the fact that there is much scope for increasing India's exports with greater emphasis on quality, competitive prices, regular supplies and an imaginative publicity programme for Indian products in these countries.

COVERING EXPORT RISKS

THE PROGRESS of the State-owned Export Risk Insurance Corporation Ltd., which commenced its operations in October, 1957, during the fifteen-month period ended December 31, 1959, makes satisfactory reading. According to a Press statement issued by the Corporation, last week, the Corporation's premium income during the period under review was Rs. 2,65,427, as against only Rs. 43,409 in the previous year. Investment income amounted to Rs. 2,41,478. The gross income, including the carry-over of reserve for unexpired risks, was Rs. 5,24,148. The total expenses were Rs. 2,34,877. Adding to it the net provision for claims, the total outgo was Rs. 2,64,031. The excess of income over outgo amounted to Rs. 2,60,117 which has been carried to Underwriting Reserve that has been set up to meet the claims that may arise in future. After deducting the losses of last year, the Underwriting Reserve on December 31, 1959 was Rs. 2,43,695 which exceeds investment income by Rs. 2,217.

During the period under review, the Corporation issued 302 policies with a maximum liability of Rs. 9.87 crores, as against 146 policies with a maximum liability of Rs. 7.52 crores in the preceding year. The work of extending the Corporation's scope of export risk has also been quite encouraging. It has brought within its fold during the period under review, for the first time, some foreign firms also. Likewise, even though the facilities of the Corporation of covering risks are generally availed of by small and medium sized exporters, during the period under review, a number of big exporters also evinced interest. As a result, it is said, about 25 big parties with policies aggregating Rs. 20 lakhs are now on the registers of the Corporation.

The Corporation has also given a number of new concessions to exporters. Giving details of these new concessions, Mr. T. C. Kapoor, Managing Director of the Corporation, disclosed to pressmen, the other day, that, following the concessions given to the jute trade a few months back, there had been a flow of business from certain other commodities also, and he hoped that, as a result of their efforts, gunny exports would also come within its fold. The Corporation has also extended the facility of agreeing to advance money to exporters against claim amounts, if a bank guarantee is given. This is a move in the right direction and should net in more business, as it will enable the shipper to discharge his obligations promptly.

New Issue

AUTOMOBILE PRODUCTS OF INDIA

AS A consequence of the Five-Year Plans, the economic activity in the country is fast increasing which in turn is likely to heighten the pressure on road transport. Naturally enough the demand for transport vehicles will increase and these items will have a secure market in the years to come. Even today an all round shortage is being felt and the 'famine' is most pronounced in the case of scooters and cars. Under these circumstances the new issue announced by Automobile Products of India Ltd., evidently for carrying out their expansion programme, seems quite timely. The Company is engaged in the production of Lambretta Scooters and Three-wheelers, Meadows Diesel Engines, Borg & Beck Clutch Assemblies, Lockheed Brake System, Firestone Brake Linings and several other spare parts. The Company has at present an installed capacity of 12,000 scooters a year. The demand which is around 20,000 a year now may reach 60,000 in the Third Five-Year Plan. Similar expansion is likely in the case of other items too. The Company is planning a programme of expansion in all these sections: all these seem to have excellent potentialities for expansion.

The most attractive feature in this respect seems to be the collaboration that the Company has secured of nine leading foreign firms engaged in this business. This industry requires a high degree of precision and skill and for that some sort of foreign collaboration is necessary in the initial stages. Some of the collaborators are as famous as Firestone Tire & Rubber Co. of America; Innocenti S.G. and Fiat S.P.A. of Italy; Borg and Beck Co. of England and Alfred Teves of West Germany. These firms have been sending technicians from time to time to set up the plant and train the personnel working in the Company.

The financial requirements for the expansion programme undertaken by the Company amount to Rs. 52.50 lakhs. A sum of Rs. 6 lakhs will come from the balance of Mortgage loan to be drawn from Industrial Finance Corporation of India and Rs. 21.50 lakhs from Deferred Payment arrangements with the Innocenti & Cimat. The remaining Rs. 25 lakhs are to be raised by the issue of 2,50,000 fresh Equity Shares of Rs. 10 each. His Highness the Maharajah Fatehsingh Gaekwad of Baroda has agreed to take up 50,000 Equity Shares of Rs. 10 each for cash and 25,000 Equity Shares of Rs. 10 each will be issued at par to Messrs. Innocenti S.G. against the supply of machinery. The remaining 1,75,000 Equity Shares of Rs. 10 each are offered for public subscription which will remain open between February 15 and February 18. The shares are sure to have a very good response in the market.

Paint Industry

GRIEVANCES OF THE FEDERATION

WHILE PRESENTING a report on the Paint Federation's working during the past year, Mr. R. S. T. Cooke, Chairman, Paint Federation, Calcutta, at the Annual General Meeting held on February 2, voiced cogently the grievances of the Paint Federation and reviewed briefly some of the topics of interest presently confronting the paint industry. He pointed out that the Federation members were having considerable difficulty in realising claims for drawback of duty and obtaining import licences against exports. Since Indian made paints are still at a great disadvantage in foreign markets on the score

of price and exports can only be secured at the sacrifice of profit, the duty drawback and import-licence benefits are urgently needed by way of compensation. However, it is reasonable to suppose that as time passes there will be speeding up of procedure. In regard to the proposal that the paint makers should set aside 10 per cent of their production for the State Trading Corporation to dispose of in foreign markets, Mr. Cooke felt that it would be better to start with a much lower percentage as the State Trading Corporation was still investigating and trying to establish its markets.

Mr. Cooke believes that it will be greatly in public interest if liquid paints are sold only by volume instead of either by weight or volume. Although the changeover to metric measures provides a golden opportunity to achieve this objective, it is vital, Mr. Cooke stresses, that all paint companies throughout the country should conform. It is considered that this will not be possible without legislation. The shortage of steel is a perpetual anxiety and for the development of industry, it is important that manufacturers of drums for the paint industry be allocated sufficient quantities of steel sheets and not merely quota certificates. For the development of the industry, it is equally important that the Paint Federation should be directly represented on the Paint Panel set up by the Development Wing under the Industries (Development and Regulation) Act, 1951.

Economic Growth

THEORY VERSUS POLITICAL PRAGMATISM

IT WAS a brief but brilliant survey of the development of Indian economic thought and the changing role of the economist in this country over the past fifty years that Mr. H. V. R. Iengar, Governor of the Reserve Bank of India, made whilst speaking as the chief guest on the occasion of the Golden Jubilee Celebrations of the Department of Economics, University of Calcutta, on Monday last. In his speech, Mr. Iengar rightly highlighted the fact that, while the Indian economist was concerned, some five decade ago, with an analysis of the "process of economic delay" that had gone on in this country for nearly hundred years and the means of stopping it, today the subject of his enquiry is "the process of economic growth and the techniques of promoting it." This change in emphasis has rendered the task of the economist very complex and intriguing, even though it appears to be very fascinating. For, as Mr. Iengar said, "nowhere else is there the same combination of size, of crushing growth of numbers, a crumbling agrarian economy, a juxtaposition of the most modern and the most primitive industrial techniques, vast unemployment and underemployment, a functioning of democracy in its most sophisticated form and planning under a federal structure."

To evolve a theory of growth in such peculiar circumstances is verily a Herculean task for our economists. Their duty today is not to make the Government plan-conscious, for, as Mr. Iengar said, one wonders whether the State "in its anxiety to hasten industrial development on a planned basis, has not imposed procedures and regulations which have proved rigid and time-consuming and, therefore, frustrative of a sense of initiative and enterprise". Our planners, in their enthusiasm, are going so fast that they are heeding neither to the advice of experts nor to the realities of the situation. It is to the task of making the Indian planners conscious of the several constraints placed in the way of an unduly ambitious programme of development, such as resource availability and the adverse effect of overcentralisation on the way of life which we cherish and have chosen then that the economists of the country should address themselves today. However, as Mr. Iengar rightly added, whatever may be the warnings of the economic 'pundits,' it has now become a matter of political possibilities. Pragmatism on the part of politicians, rather than theoretical acumen of our economic 'pundits,' is the need of the hour. This is all the more so, as the answer to a variety of economic problems, such as striking a balance between the growth of the economy at an appropriately rapid rate and the maintenance of stability of the currency, which constitute "the crux of the Indian economic problem," is bound to be hedged in with conditions which fall within the purview of the politician and the sociologist.

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Current Topics

JAPANESE DELEGATION ON SMALL INDUSTRY

Systematic mechanisation and modernisation of small scale industries and expansion of technical, financial and other facilities have been recommended by the Japanese Team of Experts, which visited India last year for a study of small scale industrial enterprises. In a report submitted to the Government of India, the five-man Delegation, which was led by Mr. Teruhiko Iwatake, has expressed the view that Government's policy for development of small scale industries should be one of 'guidance and encouragement' rather than one of protection and fostering'.

THE Delegation has observed that the Government of India's policy in regard to the development of small scale industries has been worked out with thoroughness and that the steps taken by them compared favourably with those taken by the Japanese Government. The impact of the measures taken, however, has yet to make itself felt.

In regard to financial assistance, the Delegation has expressed the view that despite the various steps taken by the Government of India, a cautious and conservative policy is still being followed by Government financial agencies and private banks. The steps suggested by the Delegation to overcome the handicaps experienced by small scale units include:

(a) adoption of a Credit Guarantee System whereby a Credit Guarantee Fund, under each State Financial Corporation should be created for guaranteeing the obligations of small scale units to financing institutions;

(b) creation of a Credit Insurance system whereby a Credit Insurance Fund mainly contributed by the Central Government, should be established in the Reserve Bank of India; under this scheme, the sole insurer of the Credit Insurance Scheme would be the Credit Guarantee Fund and the scheme would become applicable only when the Credit Guarantee Fund, after repaying the money on behalf of the borrower, cannot collect it from him;

(c) the establishment of a State Co-operative Bank or Apex Co-operative Bank in each State for providing finance to small scale industrial co-operatives;

(d) routing of Government loans through State Financial Corporations; and

(e) utilisation of the branch offices of the State Bank of India as agencies of the State Financial Corporations.

INDUSTRIAL ESTATES

The Delegation has praised the Industrial Estates scheme adopted in India as unique and observed that the estates have an important role to play not only in the promotion of specialised industries, but also in the decentralisation of industries and encouragement of local ones. The expansion of the Industrial Estates scheme, step by step, in various parts of the country, has been urged by the Delegation. In enlarging the programme of Industrial Estates, due consideration should be paid to establishment of the estates by co-operatives, provision of diesel power in areas where electrical power is not available; avoidance of mixing up industrial units of various trades in one Industrial Estate; progressive increase in the rents charged from the tenants in Industrial Estates and the sale of these sheds on an easy-instalment system.

NATIONAL SMALL INDUSTRIES CORPORATION

The Delegation has recommended the strengthening of the National Small Industries Corporation, both in personnel and organisation. It has also suggested the establishment of a "State Small Industries Corporation" in each State which will deal with the hire purchase of indigenous machinery, purchase of stores by State Government Departments and running of raw material depots for the benefit of small scale units. The simplification and liberalisation of the hire purchase procedure and increase in the number of items now purchased by some departments of Government exclusively from small scale units and their extension to departments like Railways, Defence, Printing, etc. have also been recommended.

The Japanese experts have made suggestions regarding the promotion of ancillary industries, such as the establishment of a nation-wide industrial standard for common parts, accessories and raw materials, insistence on new public sector units on purchasing their requirements of parts and accessories from small scale units, provision of positive technical guidance to these ancillary units by State Governments and the Small Industries Service Institutes, enlistment of the co-operation of existing large scale units (in public and private sectors) for setting up efficient ancillary units and preferential consideration to ancillary units in allotment of factory accommodation in the Industrial Estates.

INDUSTRIAL STATISTICS

The Delegation has stressed the need for full statistics relating to all industries. It has recommended that in the interests of planning, the statistical set-up should be thoroughly reorganised and the Directorate of Industrial Statistics should be under the Ministry of Commerce and Industry. The Delegation has also suggested that the Indian Statistical Institute should assist in planning and tabulation of statistical surveys and also be in charge of training professional statisticians and enumerators. The need for maintenance of quality standards for small industries products has been emphasised. The Delegation has recommended that the Indian Standards Institution's specifications should be adopted as far as possible. The small entrepreneur should be given guidance by the Small Industries Service Institutes regarding correct raw material, operation control, process control and various other standard formulae in order to achieve the requisite standard.

A DELHI NOTEBOOK

INFLATIONARY TENDENCIES?

NEW DELHI, it appears, is seriously perturbed over the rising trend in prices in the country. Administrative circles point out that inflation is raising its head and effective measures are called for to bring prices down to reasonable levels. This viewpoint is gaining ground as despite record output last year, the wholesale prices index on January 23 last (119.2) stood 5.4 per cent higher than a year ago. A cut in Government spending and curbs on deficit financing have been suggested. Besides, the Planning Commission is reported to be seriously considering checking of consumption through further taxation. Persistent rise in prices, if unchecked, it is felt, will have serious repercussions on the Third Five-Year Plan.

THIRD PLAN

The Prime Minister, addressing the All-Party Parliamentary Committee on Planning last week, is understood to have declared that an increase of 5 to 6 per cent per year in national income was imperative if the nation is to double its income by the end of the Fourth Plan. The Opposition Members, it is learnt, stressed the need to study the implications of such a decision and pointed out that this rate of growth would require the country to be prepared for a further doze of heavy taxation — between Rs. 100 crores and Rs. 140 crores annually — and stepping up the savings drive to yield nearly Rs. 100 crores a year.

Planning Commission experts present at the meeting are reported to have expressed their agreement with the fact that the suggested pace of growth would require the current rate of "incremental savings" to be doubled from 15 per cent to 30 per cent or nearly Rs. 240 crores annually during the Third Plan period. This amount would obviously have to be raised through taxation, loans or small savings.

FARM PRODUCE TARGET FOR THIRD PLAN

Draft proposals formulated by the Union Ministry of Food and Agriculture for the Third Five-Year Plan envisage an increase in agricultural production to the extent of about 28.6 per cent — nearly 5.7 per cent per annum as compared with the annual average rate of 2.8 per cent in the First Plan and 4 per cent (anticipated) during the Second Plan. Production targets proposed for 1965-66 are: Foodgrains 100-110 million tons; Sugarcane 92 lakh tons (in terms of gur); Oilseeds 92 lakh tons; Cotton 78 lakh bales and Jute 65 lakh bales. The draft proposals additionally cover programmes in respect of animal husbandry, dairying, fisheries and forestry. For achieving the targets envisaged, an outlay of Rs. 1,092 crores (including Rs. 92 crores for the "Package Programme") has been suggested.

The proposed reserve of 5 million tons of foodgrains will consist of rice and wheat, the rice stocks possibly amounting to 1.5 million tons and the wheat stocks 3.5 million tons. The estimated requirements of wheat for current consumption during the Third Plan period are being worked out with reference to the plan of agricultural production and the anticipated increase in demand. It is expected that the required supplies to build up wheat stocks will be available from U.S.A. under P.L. 480. As regards rice, India expects to obtain 3.5 lakh tons from Burma in 1960, the last year of the long-term agreement signed in 1956. There is also an agreement for the import of 1.5 lakh tons of rice from U.S.A. under P.L. 480 and it may be possible to obtain further supplies under this arrangement. The Government of India is also exploring the possibilities of obtaining rice from other exporting countries against additional exports of goods from India to them.

STEEL PRICES AND CONTROL

The Union Minister for Steel, Mines and Fuel, Sardar Swaran Singh, declared at the first meeting of the Iron and Steel Advisory Council, held here last week-end, that there was no likelihood of any reduction in steel prices at the present stage of development of the country. The talk of an impending reduction in steel prices, he said, was acting as an "artificial barrier" in the way of execution of many projects. "The sooner we disabuse the minds of certain people in this country about a likelihood of a reduction in the prices of steel, the better will it be for all of us", he added. "When we have an overall view of the requirements, the pattern of production and the necessity of having more resources for development of steel as well as steel products, there is no likelihood of a reduction in prices", he pointed out.

Sardar Swaran Singh, however, envisaged some rethinking in regard to the concept of steel control. "Until now", he said, "allocations to consumers have been the central feature of control. Hereafter, it will have to be ascertained, in advance, what the consumers want, in order that production can be planned accordingly". "The most important function of control in future", he added, "would perhaps be to achieve a proper co-ordination—if I may say so, an integration in production programmes by the various steel works. It would also mean, in varying measures, relaxations in the present system of distribution". In regard to special steel, the Minister said, "we should be dependent on imports until the new plant which the Government have decided to set up goes into production".

PIG IRON

With the commissioning of the first blast furnace at Durgapur and the second blast furnaces at Rourkela and Bhilai last month, the supply position of the foundry grade pig iron is expected to improve considerably during the current year. The total supply of this kind of pig iron for sale in 1960 is roughly put at 11.94 lakh tons (Tatas 24,000 tons, IISCO 220,000 tons, Bhadravati Works 60,000 tons, Bhilai 360,000 tons, Rourkela 180,000 tons and Durgapur 350,000 tons), against an anticipated domestic demand for 8.5 lakh tons. About 3.5 lakh tons, therefore, may be available for export. Export deals covering 285,900 tons, it is understood, have been finalised, out of which 50,000 tons have already been shipped.

HEAVY PLATES AND VESSELS WORKS

The Government of India, as already reported in this column, has decided to set up in the public sector two works for the manufacture of heavy plates and vessels and heavy structurals during the Third Plan period. The proposed units would be suitable for the production of pressure vessels upto class I standards and upto 50 tons in weight of 2" plate thickness in mild steel and stainless steel and other normal alloys used in the chemical and oil industries. The plant and machinery would be employed chiefly in the fabrication of plates upto 1½" thickness, and would be selected on this basis. The machinery would, however, be capable of producing thicker fabrications (3" and over), using narrower widths of plate. The total output is estimated to be around 3,000 tons a year.

WORLDGRAM

India

Cargo Service to Black Sea: The State-owned Western Shipping Corporation will run a regular cargo service between the USSR Black Sea ports and India from next week. The Corporation will put two modern freighters on the Indo-Soviet Shipping Service. One is the Italian-built "Vishva Usha" and the other "Vishva Prabha," now in Far East under charter for the Eastern Shipping Corporation. Under the Indo-Soviet shipping agreement, two Indian shipping lines, under the Scindia Steam Navigation Company and Indian Steamship Company of Calcutta, are already running cargo services between India and the Black Sea ports with two ships each. The Western Shipping Corporation is the third Indian line to run a service on this route.

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Indigenous Manufacture of Insulators for Spark Plugs: The Central Glass and Ceramic Research Institute, Calcutta, has developed a process for the manufacture of porcelain insulators from indigenous materials for spark plugs which form an integral part of the automobile engine. At present the ceramic insulators used in spark plugs are imported from abroad. It is found that the indigenous porcelain insulators compare favourably with that of imported spark plugs. These insulators are particularly suitable for use in compression engines having compression ratios upto 1-7, the normal ratios for almost all motor vehicles produced in India.

*

Agreement with Japanese Firm for Truck Manufacture: An agreement has been signed between the Ministry of Defence and the Japanese firm, Nishan Motor Company, for the manufacture of one-ton trucks. It is a ten-year agreement under which the Nishan Motors will offer technical assistance in return for a royalty of four per cent on each vehicle so produced. The total value of imports from Japan under the agreement is placed between £1 million to £4 million. India will immediately purchase 1,200 vehicles from Japan for about Rs. 93 lakhs. India will also pay for the installation of equipment. Initially most of the components will be imported from Japan and assembled in India. A total of 10,000 vehicles are to be produced in ten years, India guaranteeing royalty for a minimum of 7,500 vechicles

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Storage of Edible Oils: Even though large quantities of oils are usually transported over long distances and stored for considerable periods before use, no serious attempts have been made to investigate the underlying causes leading to the onset of rancidity in oils. Studies in packaging, transportation and storage of edible vegetable oils, carried out at the Central Food Technological Research Institute, Mysore, have revealed that pigments present in the oils have a marked influence on their stability. It has been proved that the rancidity which develops on storage can be effectively checked by suitably controlling the proportions of the red and yellow pigments in the oils.

*

Negotiations with West German Firms Concluded: Negotiations between the Government of India and the three West German chemical firms of BAYER, BASF and HOECHST and the West German engineering firm of UHDE have concluded in New Delhi and a draft agreement, which will come into force on approval by the Government and the West German firms, has been initialled. Under the agreement BAYER, BASF, and HOECHST will provide know-how and technical assistance for the production of a wide range of intermediates in India to be used in dyestuffs, pharmaceutical and related industries. A company will be incorporated having the Government of India and the German firms as partners to commission and operate the unit.

*

India to Participate in US World Trade Fair: The Government of India have decided to participate in the fourth US World Trade Fair, which will be held at New York from May 4 to 14, 1960. The object of the participation is to build demand in that country for Indian export products and also indicate the growing export potential of India. It is proposed to have in the Indian Pavilion main groups relating to basic materials, including minerals; light engineering goods; foodstuffs and allied products; and textiles and handicrafts. Information on India's Five-Year Plans and tourism will also be made available.

*

British Firm as Consultants for Railway Foundry at Chittaranjan: A British firm of steel-founders and engineers, F. H. Lloyd and Company Ltd. of Wednesbury, Staffordshire, has secured a contract to act as consultants to the Indian Railway Board for the design and erection of buildings, installation of plant and equipment, and the training of personnel for a steel foundry to be built at Chittaranjan, West Bengal. It is understood the foundry will produce the steel castings needed for locomotive manufacture at Chittaranjan. Initially, the output of steel castings will be 7,000 tons for the planned construction of 200 locomotives each year.

*

Medium Industrial Units Exempted from Licence: The Government of India have decided that industrial undertakings, employing less than 100 persons and having fixed assets valued less than Rs. 10 lakhs can proceed without applying for a licence under the Industries (Development and Regulation) Act. This has been done in order to encourage the development of small and medium scale industries and to reduce the formalities which they have to comply with. This will apply to new units as well as to the schemes of expansion of existing units. The Government have further decided to place a number of industries on the list of free licensing. The most important industries on this list are industrial machinery and machine tools. The main intention, behind this decision, is to give the maximum possible encouragement to the development of machinery industries in the country.

United Kingdom

Trans-Pacific Cable Project: Work is to begin soon on the projected £26 million trans-Pacific submarine telephone cable between Vancouver and New Zealand and Australia. The trans-Pacific cable will be a joint Commonwealth project between UK, Canada, Australia and New Zealand and it forms a part of the £88 million project for a complete round-the-world telephone cable system. Work is already in progress on the new cable link between the UK and Canada which will be ready by next year. The work on the trans-Pacific sector will be completed by 1964. Beyond 1964, the remainder of the round-the-world link via Singapore, Eastern and Western Pakistan, India and South Africa, will be undertaken over a period of a further five years.

*

Integration of Aircraft Companies: The drastic reorganisation of the British aircraft industry is now carried a stage further by the decision of the Fairey Group to sell its UK aviation activities, including the Rotodyne vertical take-off airliner, to the Westland Aircraft Group. Westland has already acquired Saunders Roe, and is also acquiring the helicopter activities of Bristol Aircraft. Westland will thus become the biggest helicopter manufacturer in Europe and one of the biggest in the world.

U.S.S.R.

Climate by Order: "Phytotron" is the name given to a new, original-type installation to be used in experimenting with agricultural plants in different climatic conditions. Designed at the Plant Protection Institute at Leningrad, the "Phytotron" has a spacious chamber where the climatic features of any geographical zone of the globe can be reproduced and maintained. This limitation of temperature, humidity and lighting changes occuring in the course of the day is effected with the help of a programming device. The fact that the new installation will be able to provide climate as ordered in a short span of time is particularly important for research in the field of agricultural plant physiology.

*

Needle-Microscopes for Surgical Operations: A tiny lens is built into the tip of a needle which contains a special lighting device. The sinking of the needle into the body of a patient during operation helps to determine the state of afflicted tissues and to obtain valuable information both for diagnosing and for continuing the surgical intervention. The Soviet optical industry is preparing to start quantity production of needle-microscopes.

*

Aid to UAR: The Soviet Union will render technical assistance to the United Arab Republic in building an anti-biotics factory and a plant for producing chemical-pharmaceutical preparations. Under the contract concluded between the Soviet Tekhnoexport Foreign Trade Agency and the UAR, the Soviet Union will provide equipment and materials for the plants and technical supervision of the construction work. The deliveries of equipment to the UAR will begin in the latter half of the current year. These plants, to be built in the Abu Zabal district, near Cairo, will produce sulphanomide and salicyl preparations, penicillin, streptomycine, and other drugs.

U.S.A.

Tiny Radiation Detector: A radiation detector, smaller than a pin head, and depending for its action on a piece of silicon has been announced in the US, by Hughes Aircraft. The device holds out the promise of becoming a useful tool for those engaged in nuclear physics, space work, medicine and related fields. Its low cost, high sensitivity and stability are among its major advantages over the existing radiation detectors.

West Germany

Steelworks for Spain: A German-Austrian consortium has signed a contract to construct an LD steelworks near Bilbao, in Spain. Krupp, the Austrian Voest, and the Gutehoffnungshutte, are the three companies belonging to the consortium. It is planned to start production in 1962 with an annual capacity of 350,000 to 400,000 tons of crude steel. But it is so designed that a subsequent expansion to 750,000 tons is possible.

Hollland

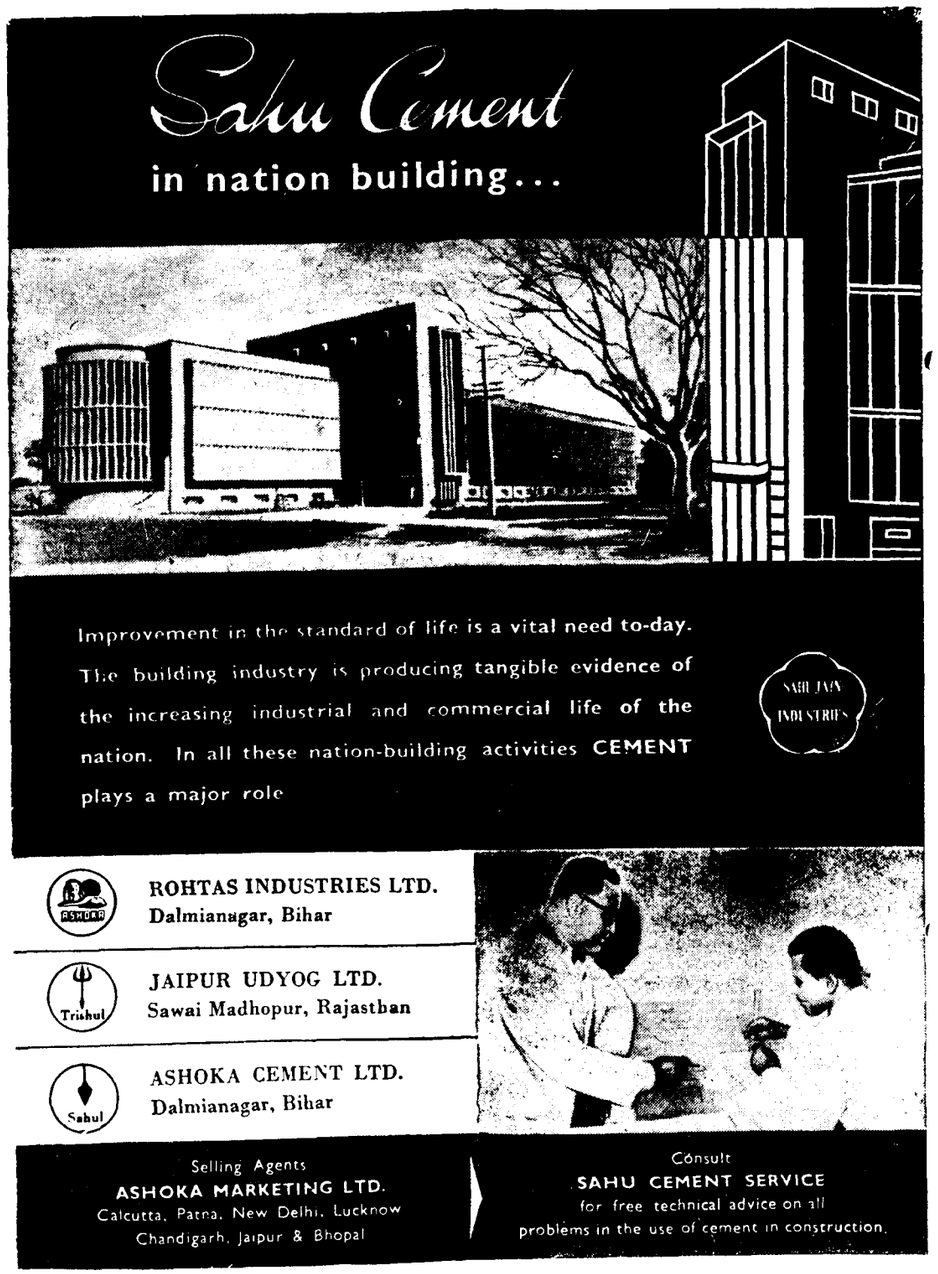
New Penicillin Preparation: After extensive research, a factory at Delft in Holland has developed and put on the market a 'stabilized penicillin' for admixing with feeding stuffs. Until recently the use of procaine-penicillin in feeding stuffs had the draw-back that this substance could not be stored under all conditions. The activity of non-stabilized penicillin preparations declines particularly quickly at high temperatures, as well as at a high degree of humidity. The new preparation, it is claimed, has a high storage stability even under extreme conditions. It mixes readily and this greatly facilitates processing in forage factories. Besides it is of great value for rapid growth of animals.

International Sugar Council

Cut in Export Quotas: A reduction from 87½ to 85 per cent in the 1960 sugar export quotas of member countries in the International Sugar Agreement has been announced by the International Sugar Council at its meeting in London. The Sugar Council has, accordingly, revised its estimates of free market supplies and requirements in 1960. Expected requirements have been revised upwards from 5.7 million to 5.85 million tons of sugar and expected supplies on the basis of the new quotas are placed at 6.05 million tons.

W.H.O.

The Budget: A budget of $18.57 million for the World Health Organization in 1961 has been recommended by the W.H.O. Executive Board, now in session in Geneva. It takes into account the fact that the Fourteenth World Health Assembly is likely to be held in New Delhi in 1961 and provides $24,240 to cover the Organisation's share of the additional expenses of holding the Assembly away from W.H.O.'s headquarters in Geneva.



by their
united effort
Britons and Indians
are building a
vast steelworks
at Durgapur



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BRITISH COMPANIES WORKING FOR INDIA

A familiar sight in the Durgapur of today is this instance of Indo-British collaboration — of Indian and British technicians discussing problems and working together to help build the giant 1 million ton steel plant in the newest steel city of India

The entire construction work of the Durgapur project has been entrusted to ISCON, a consortium of leading British engineering and electrical firms, and from the very start they are working in partnership, hand in hand, with Indian technicians, Indian workers, skilled and unskilled.

ISC 10

UNDER SECRETARY ... PUBLIC RELATIONS

NEWS IN BRIEF

INDIAN

Agreements were signed recently between Messrs. Prommashcaport of Moscow and the Heavy Engineering Corporation for the detailed working drawings for the Heavy Machine Building and the Coal Mining Machinery projects.

*

The National Metallurgical Laboratory, Jamshedpur, has developed a new process for the manufacture of chemically-bonded basic refractories which find extensive uses in the iron and steel industry as a substitute for pre-fired basic refractories.

*

The Government of India have made certain amendments to the Working Journalists (Conditions of Service) and Miscellaneous Provisions Rules 1957, which have been published in a gazette notification.

*

The Government of India have decided to participate in the Fourth U.S. World Trade Fair which will be held in New York from May 4 to 14, 1960.

*

It is reported the suitability of Indian cellulosic raw materials and pulps for rayon manufacture is being evaluated in a viscose rayon pilot plant set up at the Shri Ram Institute for Industrial Research in Delhi.

*

The Government of India have decided that industrial undertakings, which employ less than 100 persons and whose fixed assets will be less than Rs. 10 lakhs in value, can proceed without applying for a licence under the Industries (Development and Regulation) Act.

*

The Government of India have appointed four prominent businessmen as Honorary Export Trade Advisors at the ports of Bombay, Calcutta and Madras. Mr. R. G. Saraiya and Mr. B. P. Sing Roy will be the honorary advisors at the Bombay and Calcutta ports respectively, while Mr. Philip Hadfield and Mr. Noel Todd will be the honorary advisors at the Madras port.

*

The Government of India have sanctioned further allocations amounting to Rs. 82 lakhs for the current financial year to nine State Governments under the Rental Housing Scheme for State Government Employees.

*

The Government of India have accepted the recommendation of the Coal Price Revision Committee in regard to collieries in Assam and Andhra Pradesh and the price structure of soft coke.

*

India produces about two crores of cattle hides per year of which about 85 per cent to 90 per cent are from animals dying of natural causes.

FOREIGN

On January 31, the International Bank (IBRD) announced that the Articles of Agreement of IDA had been completed. This new financing affiliate of the International Bank will commence operations when 65 per cent of the initial $ 1,000 million will have been subscribed. The United States would be the largest shareholder, with a subscription of $ 320.29 million. The United Kingdom would be the next largest with $ 131.14 million.

*

Formation of a new Company, Dow Chimica Italiana S.P.A., and construction of a multi-million dollar manufacturing plant in Italy were announced recently by Mr C. B. Branch, President of Dow Chemical International Limited, S. A.

*

Karlstads Mekaniska Werkstad (K.M.W.) Sweden, have decided to build a special laboratory to promote and intensify further research on the development of their machinery for the paper industry.

*

Work on the new deep-sea harbour to be constructed at Ashdod on Israel's Mediterranean coast is expected to begin at the end of 1960. The first construction stage was expected to cost $ 39 million, including $ 21 million for 3.5 km-long breakwater.

*

It is reported a big opportunity for Britain's civil engineering contractors may be provided by the Argentine Government's decision to carry out a £230 m. road building programme over the next five years. The plan envisages construction of 13,800 miles of new highways and 1,800 miles of reconstructed highways.

*

The Portuguese Information Secretariat has announced the signing of a new Anglo-Portuguese trade agreement for 1960 after talks between British and Portuguese delegations. The announcement said exports from the Portuguese monetary area to the U.K. were almost entirely freed from quantitative restrictions.

*

The Joint British Petroleum and Shell Subsidiary which plans to build a £26.5 million refinery in South Africa has finally picked the site for the project, Reunion Rocks, near Durban airport.

*

The Development Loan Fund mission has signed an agreement with the Eto Bank of Turkey on a $7 m. credit for the extension of the North Western Anatolian Power Grid system. Fifteen cities and towns—including Ankara, Istanbul, and Izmir—will benefit from the extension.

*

Hong Kong's textile industry has substantially increased its productive capacity with 42,500 spindles installed last year, bringing the total to 403,000 spindles, according to Mr H. A. Angus, Director of the Department of Commerce and Industry.

*

A 20-year plan, envisaging the expenditure of $ 64 billion towards the establishment of free and compulsory primary education for Asian countries, has been approved by a conference held in Karachi under the auspices of the U.N. Educational, Scientific and Cultural Organization. The plan proposes the extension of schooling to about 20 per cent of the total population of Asia by the end of 1980.

COMMODITY NEWS AND NOTES

RELEASE OF SUGAR

The Government of India has decided to release 1.75 lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, North Bihar and Punjab except a small quantity which will be released to each factory for sale to its employees. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orissa, Madras, Kerala, Bombay State, Himachal Pradesh, Assam, Manipur and Tripura, from factories in the controlled region, will be made only to the nominees of the State Governments. In case of Punjab and Jammu and Kashmir, allotments will be made direct to the State Governments or to their nominees. Allotments to Delhi will continue to be made on the existing basis. Allotment will be made at prices fixed under Notification No. GSR 1188/Ess. Com/Sugar dated October 25, 1959. The controlled ex-factory price for U.P. and North Bihar factories is Rs. 37.85 per maund and for factories in Punjab Rs. 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed f.o.r. destination prices in respect of allotments made to Kanpur and Calcutta will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

CEMENT PRODUCTION

The Minister of Industry, Mr. Manubhai Shah, told the Lok Sabha that the total installed capacity of cement industry was likely to go up to ten million tons by 1960-61 and the total annual production to about nine million tons. Mr. Shah added that production of cement during 1959 amounted to 6.82 million tons.

MONAZITE SAND IN ORISSA

The Prime Minister stated in the Lok Sabha that monazite sand had been found in the coastal districts of Orissa. It was premature at present to assess the quantity available as investigations were still in progress. Replying to a question by Mr. P. K. Deo, the Prime Minister said that monazite would be utilised for extraction of rare-earths, thorium and uranium.

FRAMING COTTON POLICY

The Cotton Textiles Consultative Board reviewed the several measures taken in the last few months in consultation with the industry to meet the situation caused by the serious shortfall in the cotton crop, by way of import of unprecedented quantities of foreign cotton and keeping steady prices of Indian cotton. The meeting also considered the situation created by speculative elements by putting up prices of cloth and yarn. The representatives of the industry recorded their appreciation of the import policy followed and the quick measures taken to secure releases of adequate quantities of foreign cotton to ensure the maintenance of production at the required levels. This also had helped to bring about the necessary steadying effect on prices of Indian cotton. With the arrivals of foreign cotton in the next few months, it was generally hoped that prices of Indian cotton would recede further. Representatives of the Indian Cotton Mills' Federation and the Southern India Millowners' Association detailed the steps taken by them to arrest the rise in textile prices. The next meeting of the Board is scheduled to be held at Bombay next month.

A deputation consisting of Messrs. Madanmohan Ruia, Manilal Patel, Fatehchand Jhunjhunwala, Hansraj Jivandas and Nicholson, representing the East India Cotton Association and the Bombay Merchants and Mukadams Association, met the Minister for Commerce, Mr. Nityanand Kanungo. The deputationists pleaded that in framing cotton policies for the next cotton season 1960-61, the experience of the current year should be borne in mind and they offered to put up some constructive proposals in this regard before Government for its consideration. As for the current year, the steps already taken to deal with the situation were reviewed and it was agreed that imports which are now being arranged would help to ease the situation.

The deputationists pledged their utmost co-operation in ensuring orderly marketing of cotton within the framework of the controls currently in force. An agreement under P.L. 480 for the import three lakh bales of cotton has been signed with the United States of America. This quantity will be in addition to 120,000 bales covered by the agreement signed in November last and which has already been released for import.

Out of the three lakh bales of cotton covered by the new agreement, 180,000 bales will be of staple length below 1-1/16 inches. This quantity of 180,000 bales is being released for licensing with immediate effect. This is the first time when cotton below 1-1/16 inches length is being imported into India. Government is already committed to import ten lakh bales of cotton as against six lakh bales last year and twelve lakh bales demanded by the Cotton Textile Industry this year. One view is that cotton production is on a decline and yield per acre has been falling.



May we help you to export your goods?

Today, the word "Export" is very much in the air. But you need full details of your market before you can take any risk. Perhaps, our branches in Bangkok, Colombo, Hong Kong, Ipoh, Klang, Kuala Lumpur, Malacca, Rangoon and Singapore may be in a position to assist you. Why not look us up?

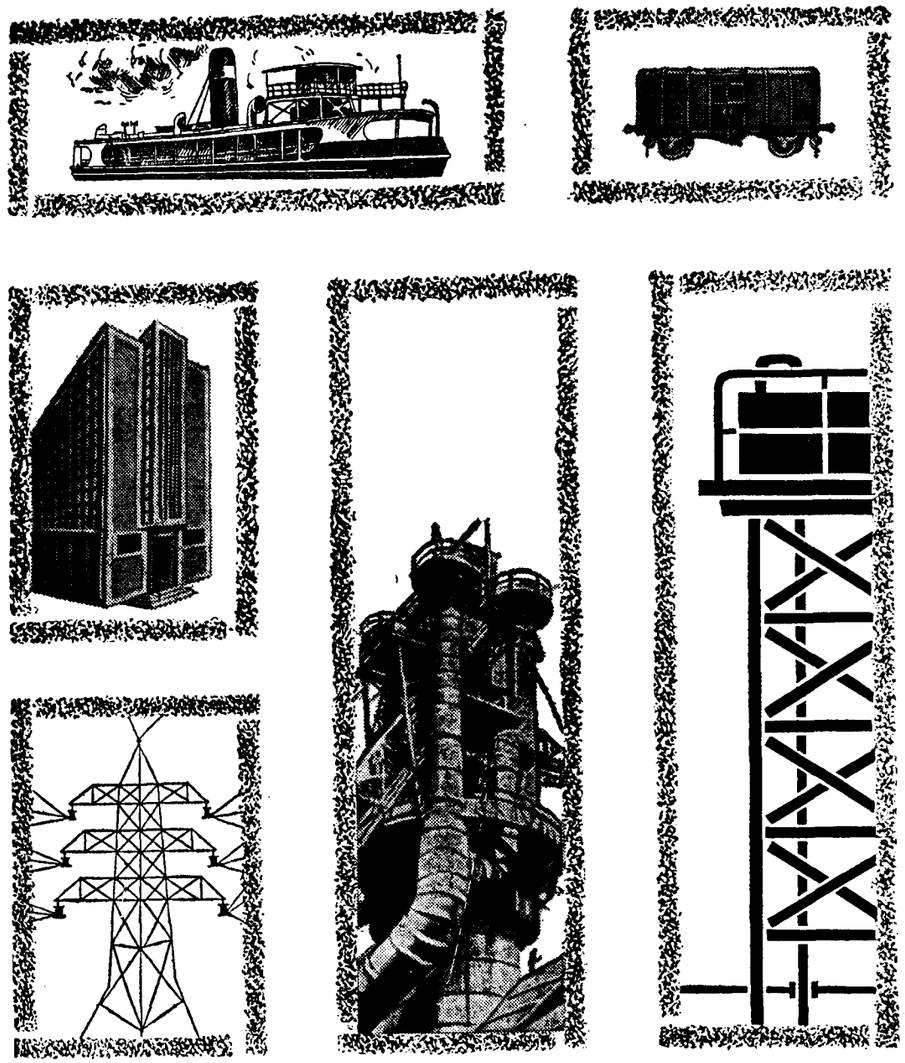
THE INDIAN OVERSEAS BANK LIMITED

Central Office, Madras

M. Ct. Muthiah, Chairman — C. P. Doraikanna, General Manager

108/74b

AIDING INDIA'S PROGRESS



IN COMMERCE AND INDUSTRY

IRON · STEEL · ENGINEERING · SHIPBUILDING
ELECTRICITY · RAILWAY WAGONS · BUILDING · MERCHANTING

MARTIN BURN LIMITED

MARTIN BURN HOUSE

Head Office: 12 MISSION ROW, CALCUTTA

Branches at NEW DELHI BOMBAY KANPUR

MBGC-10

COMPANY AFFAIRS

INDIAN OXYGEN COMPANY LTD.

The company completed the 25th year of its existence and celebrated its Silver Jubilee on January 24, 1960. In these years the company has become India's leading supplier of industrial gases and electrodes — in fact of all welding equipment and consumables. During the year ending September 30, 1959, alone the company's sales amounted to Rs 5.54 crores recording an increase of about 14 per cent over the sales of the previous year. The increase in sales reflects a further improvement in the demand for the products of the company. The profit before tax comes to Rs. 87.7 lakhs. A sum of Rs 34.63 lakhs has been separated towards provision for taxation, Rs 9.80 lakhs for Development Rebate Reserve and Rs. 9.50 lakhs for General Reserve. The Directors have recommended the payment of a dividend on 20,00,000 ordinary shares of Rs 10 each at the rate of 15 per cent, subject to deduction of income-tax and super-tax, absorbing Rs 30 lakhs. A sum of Rs 9.73 lakhs is proposed to be carried forward.

The company concluded negotiations with the Industrial Credit & Investment Corporation of India Ltd. and the Commonwealth Development Finance Company Ltd., London, for foreign exchange loans of amounts in pounds sterling equivalent to U.S. $950,000 from the former and £225,000 from the latter, which were required to finance the import of capital goods to meet the expansion and development programme in hand. The sum of £225,000 received from the Commonwealth Development Finance Company and an amount in pound sterling equivalent to U.S. $297,928 withdrawn from the Industrial Credit and Investment Corporation of India Ltd. were covered by the issue of Debenture Stock. The receipt of the amount of £225,000 from the Commonwealth Development Finance Company enabled the company to repay the whole of the Special Loan from the British Oxygen Company Ltd. outstanding at the end of the previous year, which had been incurred to finance import of capital goods pending completion of negotiations with the above-mentioned institutions.

The replacement and expansion programme which was taken in hand in 1957, is expected to be completed on schedule in 1960. The directors consider that this expansion programme was timely and well justified in view of the increased demand for the company's products. In connection with the formulation of the Third Five-Year Plan an assessment is being made by the company of the likely demand for its products in the next Plan period and consideration is being given to the necessary arrangements for further expansion and its financing.

THE SCINDIA STEAM NAVIGATION CO. LTD.

The company carried 24,53,738 tons of cargo during the year ended June 30, 1959, against 20,72,792 tons carried last year. Total freight earned was Rs 16.59 crores and Rs 13.64 crores, respectively. The increase in freight earned and the cargo carried as compared to previous year is mainly due to additional ships employed during the year. The freight market continued to be depressed. Unremunerative freight rates coupled with the continued increase in the operating costs reduced the profit margin to a very narrow limit. Of late there is a slight rise in the freight rates, but the directors of the company report that no prospects appear of an early improvement. The profits for the year, after providing for Depreciation, Sinking Fund, Remuneration to Committee of Directors and Taxation comes to Rs. 51.12 lakhs. A sum of Rs. 20 lakhs has been transferred from Dividend Equalisation Reserve. The directors have proposed the payment of dividend at the rate of Rs 1.30 per share absorbing Rs 73.22 lakhs. Rs 95,994 have been transferred to Capital Reserve and Rs 3,59,994 have been carried forward.

Out of the two ships on order with the Lubeck Yard, one ship which has been name "Jaladuta" has since been delivered. The other ship is expected to be delivered in July 1960. The order for a ship placed with Messrs. Mitsubishi Heavy Industries Reorganised Ltd., Kobe, has been confirmed consequent upon the Government of India having finalised the Yen Loan Agreement. The keel of this vessel has been laid and she is expected to be delivered in June 1960. A preliminary contract with this Kobe Shipyard has been signed for building another vessel under the Yen Loan Scheme subject to approval from both the Government of India and the Government of Japan.

The average age of the Fleet of the compay is lower at 8 years now (1959) against 11 years in 1955 and 14 years in 1951. The company has a broad based ownership of shares in the sense that 37,501 individuals own shares worth Rs 7.64 crores, 22 banks own shares worth Rs 1.41 crores and 177 insurance, industrial and investment companies own shares worth Rs 2.21 crores.

(In lakhs of rupees)

	For the year ended 30th June	
	1959	1958
Freight and passage money ...	16,86.76	13,95.56
Other income	80.16	51.72
Expenses	14,21.79	10,51.89
Gross profit	3,45.13	3,95.39
Provision for—		
Depreciation	2,44.00	2,34.18
Taxation	40.00	24.00
Net profit	61.12	1,37.21
Transfer from reserves and excess provisions	20.00	...
To reserves	0.95	56.00
„ debenture sinking fund ..	10.00	10.00
Dividend	73.22 (6½%)†	70.40 (6¼%)
Carry forward	3.60	6.05

† Subject to deduction of tax; the previous years' dividends were free of tax.

CHAMPARUN SUGAR CO. LTD.

The quantity of cane crushed during the year ended June 30, 1959, at the company's two factories was the maximum available. At Barrah 24,20,567 maunds of cane was crushed with a recovery of 9.81 per cent. while at Chanpatia the crush reached 33,68,876 maunds, which is the highest ever reached at this factory during the last 20 years. The extraction at this factory was 9.86 per cent. as against 9.98 per cent. in the previous year, due mainly to the prolonged duration of the season and drier weather during April and May 1959. Barrah factory commenced crushing on 22nd December 1958 and ended on 27th April 1959, while at Chanpatia factory crushing started on 21st November 1958 and ended on 15th May 1959.

The results for the year ended 30th June 1959, after making the usual provisions for taxation, depreciation and adjustments, show a surplus of Rs. 6,80,174. From this amount has been transferred to rehabilitation reserve (including Rs 1,944 for development rebate reserve) Rs 4,00,000, leaving a balance of Rs 2,80,174. To this has been added the carry forward from the previous year of Rs 6,822 leaving at the credit of profit and loss account Rs 2,86,996. The directors have recommended a dividend of Rs. 1.50 per share, subject to deduction of income-tax for the year ended 30th June 1959, absorbing Rs 2,70,000 leaving to be carried forward to next account Rs 16,996.

THIS IS ONLY AN ANNOUNCEMENT FOR INFORMATION AND NOT A PROSPECTUS

A formal Prospectus, dated 21st January, 1960 has been delivered to the Registrar of Companies, Bombay, for registration and copies thereof, along with application forms, are obtainable from the Banks and Brokers mentioned hereunder.

The consent of the Government of India has been obtained to this issue of Capital by an Order No. R. 145-CCI/59-828 dated 9th June, 1959 issued by the Ministry of Finance, a complete copy of which is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

Licences have been obtained from the Government of India for effecting substantial expansions to the Company's existing industrial undertaking at Bhandup, Bombay-78, as described in the Prospectus. Copies of these licences are open to public inspection at the Registered 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 this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

An application is being made to the Bombay Stock Exchange for permission to deal in and for an official quotation of the Equity Shares of the Company.

AUTOMOBILE PRODUCTS OF INDIA LIMITED

(Incorporated under the Indian Companies Act, 1913)

SHARE CAPITAL

AUTHORISED		Issued, Subscribed and Paid Up	
Rs. 50,00,000	Equity Shares of Rs. 10/- each	Rs. 17,00,000	
Rs. 28,00,000	5% Redeemable Cumulative Preference Shares of Rs. 100/- each	Rs. 28,00,000	
Rs. 22,00,000	6% Tax-free Redeemable Cumulative Second Preference Shares of Rs. 100/- each.	Rs. 5,00,000	
Rs. 1,00,00,000		Rs. 50,00,000	

LOAN CAPITAL

The Company has no debentures. It has a mortgage loan for Rs. 50 lakhs from the Industrial Finance Corporation of India under two mortgage deeds, one for Rs. 30 lakhs and the second for Rs. 20 lakhs. The full amount of Rs. 30 lakhs under the former has been drawn and a sum of Rs. 6 lakhs still remains to be drawn against the second mortgage deed. The Company has repaid the first instalment of Rs. 2 lakhs against the first mortgage deed. Thus, the amount outstanding as on date to the Industrial Finance Corporation of India is Rs. 42 lakhs. Messrs. Innocenti S. G. Milan, Italy, and Messrs. Cimat S.P.A., Torino, Italy have agreed to supply machinery for manufacture of Lambretta Scooters on deferred payment basis to a value of Rs. 17½ lakhs and Rs. 4 lakhs respectively. The repayment of these deferred payments, both principal and interest, will be guaranteed to the extent of Rs. 28 lakhs by the Industrial Finance Corporation of India and in consideration thereof the Company has created a further charge by way of an equitable mortgage by deposit of title deeds.

ISSUE OF

2,50,000 Equity Shares of Rs. 10|- each at par payable Rs. 2.50 nP. on application and Rs. 2.50 nP. on allotment and the balance of Rs. 5|- as and when called.

However, no call shall exceed Rs. 2.50 nP. per share or be made payable within 3 months after the last preceding call was payable.

Of the Shares now being issued, His Highness The Maharajah Fatehsingh Gaekwad of Baroda, has agreed to take up 50,000 Equity Shares of Rs. 10|- each for cash and 25,000 Equity Shares of Rs. 10|- each will be issued at par to Messrs. Innocenti S. G., of Italy, against supply of machinery.

REMAINING 1,75,000 EQUITY SHARES OF RS. 10|- EACH ARE OFFERED AT PAR FOR PUBLIC SUBSCRIPTION.

Applications for Shares from the public must be for a minimum of 50 Shares or for multiples of 50 Shares.

The Shares now being issued will not confer any right to any dividend that may be declared on the Equity Shares in respect of the Company's Financial Year ending on 31st July, 1960.

The Shares now being issued will rank pari passu in all other respects with the existing Equity Shares of the Company.

DIRECTORS

MR. MUTHIAH ANNAMALAI CHIDAMBARAM,
Adyar House, Madras-25. Industrialist and Chairman of the Company. **Director:** State Bank of India, Madras. South India Insurance Co. Ltd. Indian Aluminium Co. Ltd. Machinery Manufacturers Corporation Ltd., Mandya National Paper Mills Ltd. etc. etc.

H. H. THE MAHARAJAH PRATAP SINGH OF NABHA
Hira Mahal, Nabha, Indian Prince.

H.H. THE MAHARAJAH SIR PRATAP SINHA GAEKWAR,
Laxmi Vilas Palace, Baroda, Indian Prince.

H. H. THE MAHARAJAH SIR JIWAJIRAO MADHAVRAO SCINDIA,
Jai Vilas Palace, Gwalior. Ex-Ruler of former Gwalior State. **Director:** Central Bank of India, Bombay. National Newsprint & Paper Mills Ltd. Gwalior Rayon Silk Manufacturing (Wvg.) Co. Ltd. Gwalior Sugar Limited, The British Burmah Petroleum Co. Ltd. Air-India International, etc.

PRINCE KHANDERAO RAJE GAEKWAR,
Kamal Mahal, Carmichael Road, Bombay-26. Company Director. **Director:** Auto Accessories (India) Private Ltd. The Motor Manufacturers & Importers Association Ltd.

DR. JAYANAND MORESHWAR RANE,
Shree Pant Bhuwan, Sandhurst Bridge, Bombay-7. Company Director. **Director:** The Motor Manufactur-

ers & Importers Association Ltd., Recondo Private Limited. Dadajee Dhackjee & Co. Private Ltd. Tyresoles Concessionnaires Private Ltd. Hickson & Dadajee Private Ltd. etc.

MR. POULOSE MATTHEN,

Ex Officio Director—Director and General Manager of Managing Agents), Devonshire House, 3, Westfield Estate, Bhulabhai Desai Road, Bombay-26. Company Director.

MANAGING AGENTS:

Technical Services (Private) Limited, Bombay Agra Road, Bhandup, Bombay-78.

BANKERS:

State Bank of India, Bombay.
The Chartered Bank, Bombay.
The Union Bank of India Limited, Bombay.
The Indian Bank Limited, Bombay.
The Indian Bank Limited, Delhi.

UNDERWRITERS:

Messrs. P. R. Subramanyam: 70A, Stock Exchange Building, Bombay-1.

Messrs. A. B. Pandit & Co., 32, Apollo Street, Bombay-1.

MANAGING BROKERS:

Messrs. Place, Siddons & Gough (Private) Ltd. 6, Lyons Range, Calcutta-1.

Messrs. Paterson & Co., 22, Errabalu Chetty Street, Madras-1.

Messrs. P. R. Subramanyam, 70A, Stock Exchange Building, Bombay-1.

Messrs. A. B. Pandit & Co., 32, Apollo Street, Bombay-1.

AUDITORS:

Messrs. A. F. Ferguson & Co. Allahabad Bank Building, Apollo Street, Bombay-1.

SOLICITORS:

Messrs. Crawford Bayley & Co., State Bank Building, Bank Street, Bombay-1.

REGISTERED OFFICE:

Bombay/Agra Road, Bhandup, Bombay-78.

HISTORY, BUSINESS AND PROSPECTS:

The Company was incorporated in September, 1949 by Rootes Limited for the phased manufacture of Hillman Cars and Commer Trucks. After the report of the first Tariff Commission Enquiry on Automobiles, Rootes had to submit a revised programme of manufacture before the time stipulated by Central Government, viz. September, 1953. For various reasons, they could not do so and the manufacturing licence was withdrawn. Rootes Motors sold out their interest in May 1954 and thereafter the Company secured manufacturing licences under the Industries (Development and Regulation) Act, 1951 for the following products:-

1. Lambretta Motor Scooters and Three-wheelers.
2. Henry Meadows Automotive Diesel Engines.
3. Borg and Beck Clutch Assemblies.
4. Lockheed Brake System.
5. Firestone Brake Linings.

The Company has also a concessionnaire licence from Rooters Motor Limited for the manufacture of Hillman cars and Commer commercial vehicles and for distribution of Rootes Group vehicles and spare parts in this country.

Under the First and Second Five-Year Plans, the Government of India has given considerable attention to the development of road transport. The accent on road transport will be further heightened in the Third Five-Year Plan period both from its employment potential and the necessity to open out the interior of the country. This Company which has been granted licences for the manufacture of Automotive Diesel Engines to be fitted on motor trucks and other essential ancillary parts and accessories has a very important place in the automotive industry. In addition, with its Lambretta Two-wheelers and Three-wheelers the Company caters to the needs of the personal transport of the common man and the small trader. It is intended to carry out substantial expansion of its business.

Lambretta Scooters and Three-wheelers: There is a great demand for these vehicles. The Company has a sanctioned and installed capacity of 12,000 units per annum. The demand for these vehicles has been estimated to reach 20,000 units a year by the end of the Second Five-Year Plan and treble itself to 60,000 units per annum in the Third Five-Year Plan. The Company, if considered advisable, will apply for expansion of capacity in due course.

Meadows Diesel Engines: This Company is one of the two units licensed to manufacture Automotive Diesel Engines for fitment to commercial vehicles and for industrial purposes. The demand for commercial vehicles is expected to reach 40,000 units by the end of the Second Five-Year Plan period of which a large majority will be fitted with diesel engines. The requirements of the two vehicle manufacturers who have no diesel engines of their own thus will be over 12,000 units per annum. This demand is confidently expected to go up further during the Third Five-Year Plan period. The Company expects to increase the installed and sanctioned capacity of 3,000 engines in a couple of years to 6,000 units per annum and will be taking necessary steps in this connection in due course if considered advisable.

Borg & Beck Clutch Assemblies: Borg & Beck Clutch Assemblies being standard equipment for very many of cars and trucks running in this country, the demand for these is expected to rise to about 1,00,000 units per annum during the Third Five-Year Plan period. If considered advisable steps will be taken in due course to raise the present installed and sanctioned capacity of 15,000 units per annum.

Lockheed Brake System: Lockheed Brakes are also standard equipment on very many of the vehicles running in this country, and demand for these is also likely to expand to about 1,00,000 units per annum before long against the installed and sanctioned capacity of 15,000 units. Steps in this connection also will be taken in due course to raise the present installed and sanctioned capacity if considered advisable.

Firestone Brake Linings: With the increase in the number of vehicles running in this country, the demand for Brake Linings is also expected to expand. Here again, the Company will have to increase its present installed and sanctioned capacity of 3,12,000 running feet per month.

Spare Parts: In addition, the Company's sale of Spare Parts in the above lines is likely to go up with the increase in the number of vehicles running in the country.

Thus, each of the above five projects on which the Company is engaged shows excellent potentialities for the future as there is a growing demand for the articles manufactured.

TECHNICAL FACILITIES:

The standard of production required in the automotive industry is of a high degree of precision and skill. The Company is fortunate in having secured the technical collaboration of the following leading firms in the industry in foreign countries:-

(i) World Bestos Division of the Firestone Tire and Rubber Co. of Akron, U.S.A.

(ii) Henry Meadows Limited. Wolverhampton. England.

(iii) Innocenti S.G., Milano, Italy.

(iv) Borg & Beck Co. Ltd., Leamington Spa, England.

(v) Borg-Warner International Corporation, Chicago, U.S.A.

(iv) Fichtel & Sachs, A.G., Schweinfurt Am Main, West Germany.

(vii) Automotive Products Co. Ltd., Leamington Spa, England.

(viii) Alfred Teves, Frankfurt Main, West Germany.

(ix) Fiat S.P.A., Torino, Italy.

These firms have also been sending to the Company technicians from time to time to set up the plant and train its personnel.

LAND, PREMISES, PLANT AND MACHINERY:

The factory is situated on 30 acres of land within the city limits of Greater Bombay on the main Bombay/Agra Road with a second road frontage on its southern boundary connecting Bhandup Railway Station to the Bombay/Agra Road. The Company has also an assisted Railway Siding.

The administrative office and the Plant are located in these premises. The factory has over 2,00,000 sq. ft. of first-class covered accommodation. The Company proposes of extend buildings by further 20,000 sq. ft. in the next two years to accommodate the plant and machinery expected to be imported under its present expansion schemes.

Heavy machinery, presses, etc., to a value of about Rs. 60 lakhs have been added in the course of the last three years and the Company hopes to add further plant and machinery to an extent of about Rs. 40 to Rs. 50 lakhs in the course of the next two years.

The cost of the fixed assets of the Company as at 31st July, 1959 was about Rs. 125 lakhs and the written down value about Rs. 98 lakhs.

MANAGEMENT AND STAFF:

The Company has in its staff an Engineer with considerable experience in the Automotive Industry in the U.K. Representatives from Henry Meadows Ltd., Innocenti S.G., and Borg & Beck Co. Ltd., Automotive Products Co. Ltd., are working with the Company. The Company has developed a well-trained management Engineering and Sales staff with extensive experience in all aspects of automotive industry.

The total number of employees including management staff and operatives employed by the Company is 1100 approximately. The efficiency and the continuity of management at all levels are maintained by the Company's practice of promotion wherever possible and within the organization. Labour relations have, in general, been satisfactory.

OBJECT OF THE ISSUE:

The object of this issue is to enable the Compar to purchase machinery to expand the various prograi mes mentioned above.

FINANCING AND FINANCIAL INFORMATION:

The amount required for the expansion prograr me undertaken by the Company amounts to about R 52½ lakhs which will be financed as under:

Balance of Mortgage Loan to be drawn from Industrial Finance Corporation of India	Rs. 6,00,0(
Deferred Payment from Innocenti & Cimat	Rs. 21,50,0(
Fresh Capital (including Rs. 2,50,000 to be issued to Innocenti S.G., in lieu of supply of machinery)	Rs. 25,00,0(
	Rs. 52,50,0(

The Directors are satisfied that adequate workin capital will be available by means of normal borrow ings from Banks.

The following is a condensation of the Auditor Report by the Company's Auditors, Messrs. A. F. Fergu son & Co., as published in the Prospectus.

	Sales of Vehicles and Parts Rs.	Net profits/ losses before depreciation and taxation Rs.	Net profits losses afte depreciatio and taxation Rs.
Year ended 31st July, 1955	77,54,433	6,95,969	2,80,557
Year ended 31st July 1956	1,33,92,472	8,65,029	2,85,805
Year ended 31st July 1957	1,74,03,915	3,55,493	(1,08,443)
Year ended 31st July, 1958	1,68,07,181	(70,512)	(6,31,975)
Year ended 31st July, 1959	1,99,02,874	(2,48,469)	(10,07,994)

Note: The figures in brackets denote losses.

Assets and Liabilities as at 31st July, 1959:

Fixed Assets — at original cost less depreciation	Rs. 98,63,372.4(
Current Assets	Rs. 1,03,44,989.3:
Total Assets	Rs. 2,02,08,361.7:
Less: Liabilities and other provisions	Rs. 1,66,23,804.4'
Net Assets as at 31st July, 1959	Rs. 35,84,557.2(

DIVIDENDS ON PAID-UP CAPITAL:

	Year ended 31st July				
	1955 Rs.	1956 Rs.	1957 Rs.	1958 Rs.	195 Rs
Ordinary Shares	nil	nil	nil	nil	ni
28,000 5% Redeemable Cumulative Preference Shares of Rs. 100/- each	*1,40,000	*1,40,000	nil	nil	ni
6% (Free of Tax) Redeemable Cumulative Second Preference Shares			nil	nil	ni

* 5% p.a. (without deduction of tax due to the Company having no tax liability) sanctioned at the Annua General Meeting held on 17th April 1957.

The period covered by the Auditors Report includes the five years ending 31st July, 1959.

FUTURE PROSPECTS AND DIVIDENDS :

The Company was originally started for assembly of the well-known Rootes products, viz., Hillman cars and Commer commercial vehicles. The business so carried on was more or less in the nature of trade and since then the various manufacturing programmes have been taken up and the Company has converted its activities from trade into that of industrial manufacture. It had to develop the Lambretta which was a vehicle practically unknown in the country by establishing a series of service and dealer points throughout the country. It had to introduce and popularise a new diesel engine in the three years. Consequently, the Company had to spend a lot of its revenue towards developmental and sales promotion purposes. Net Block which was about Rs. 40 lakhs on 31st July, 1955 has increased to about Rs. 98 lakhs on 31st July, 1959. Sales have gradually progressed from about Rs. 72 lakhs in 1954 to nearly Rs. 2 crores on 31st July, 1959. The Company expects to increase its turnover in the current year to about Rs. 3 to 3½ crores. Based on the previous operating costs, the Company expects to make a profit in the current year of say about Rs. 15 lakhs on a turnover Rs. 3 to 3½ crores assuming present conditions of trade and industry (including foreign exchange allocations) continue. This would wipe out the carried forward losses. With the profits for the year ending on 31st July, 1961 on the same assumption the Company hopes to resume payment of dividends on its Equity Shares.

PROSPECTUS AND APPLICATION FORMS:

Copies of Prospectus, on the terms of which alone applications will be considered, and Application Forms may be obtained from the Registered Office of the Company or from the offices of any of the Company's Brokers or Bankers and Underwriters named in the Prospectus.

SUBSCRIPTION LIST :

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON THE 15TH FEBRUARY, 1960, AND WILL REMAIN OPEN UNTIL THE CLOSE OF BANKING HOURS ON THE 18TH FEBRUARY, 1960.

CHEMICALS
THAT HELP INDUSTRY TO BRING
A BETTER FUTURE CLOSER

Monsanto works constantly both to develop new, better chemicals—and to improve those chemicals already used in every major industry.

PHARMACEUTICALS—acetylsalicylic acid, phenacetin, benzoic acid, phenol, phenolphthalein, germicides are but a few of the many Monsanto products in this field.

RUBBER—Monsanto's accelerators help speed vulcanisation, add quality. Anti-oxidants improve resistance, prevent early cracking, give increased flexibility.

TEXTILES—Monsanto Syton is widely used in spinning cottons and woollens, increases yarn strength, allows for reduction in twist.

PRESERVATIVES—Monsanto's pentachlorophenol chemicals help to preserve a wide range of products. Monsanto sodium benzoate helps prevent corrosion.

PAINT—Monsanto's chemicals are used extensively in the manufacture of high-quality paints, varnishes and lacquers.

CHEMICALS FOR EVERY INDUSTRY

Monsanto Regd.

MONSANTO CHEMICALS OF INDIA PRIVATE LTD.
Wakefield House, Sprott Road, Ballard Estate, Bombay 1.
Also at: Calcutta, Delhi and Madras.

Monsanto Chemicals Limited, London • Monsanto Chemical Company, St. Louis, U.S.A. Dependable service from Monsanto companies in London, Melbourne, Montreal, Paris, Bombay, Tokyo, Mexico, D.F., Buenos Aires and from sales representatives in all principal cities of the world.

U. 43

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
October 1958 ..	121.2	93.0	115.4	116.9	110.3	108.5	108.7	116.1
November ,, ..	118.0	96.0	114.5*	113.2	110.0	108.6	108.8	114.0
December ,, ..	113.3	96.4	115.1*	112.5*	110.3	108.0	108.3	111.4
October 1959 ..	124.0	101.4	116.3	122.6	114.4	110.5	111.1	119.3
November ,, ..	121.4	104.6	116.6	122.5	116.0	110 9	111.6	118.2
December ,, ..	118.2	103.7	116.8	127.2	117.8	112.4	113.1	117.8
26-12-1959 ..	116.7	102.5	116.8	129.2	118.6	113.5	114.2	117.6
2-1-1960 ..	116.6	102 5	116.9	129.4	119.5	114.2	114.9	117 8*
9-1-1960 ..	116.7	102.5	116.6	129.9	121.3	114 2	115.2	118 0
16-1-1960 ..	118.4	101.0	117.0	131.0	122.2	115.6	116.6	119.4
23-1-1960 ..	118.1	100.5	117.1	131.4	121.3	115.2	116.0	119.2

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 = 100	Bombay: Ahmedabad July 1927 = 100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936 = 100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—		105	104		106	—		—
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
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	—	—	498	—	—	—	—	—
1959 February	380	399	300	167	364	492	485	166	411	174	165	163
March	382	401	290	164	364	474	488	159	411	174	167	161
April	381	400	296	156	364	454	489	157	414	169	167	161
May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	162	179*	173*
October	408	427	324	158	406	470	510	166*	441	162	179*	174*
November	405	424	322	158	399	475	511	—	449	—	—	174*
December	401	420	311	157	—	—	511*	—	—	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 29-1-1960 High	Low	Average	22-1-1960 High	Low	Average	15-1-1960 High	Low	Average	8-1-1960 High	Low	Average
Gold [per fine tola] —	133 50	132 47	132.97	134.62	130.00	132.41	129.53	128 22	128.81	128.25	126.12	127.41
Silver (per 100 fine tolas)	214 50	213.12	213.81	215.44	212.31	213.59	214.56	212.44	212.93	213.37	210.75	212.11

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)							
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
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
1958–59 ..	735,93	860,33	1,596,26	40,30	83,29	7.74	766,56	133,27†	56.37	565,14
Average of Fridays										
July 1959 ..	741,04	1060,28	1,801,32	42,97	75,54	6.58	848,98	125,85†	54.12	675,81
August ,, ..	739,09	1084,55	1,823,64	42,07	79,65	6.67	822,34	124,59†	51.93	721,57
September ,, ..	741,75	1106,74	1,848,48	42,21	73,60	6.26	799,58	128,41†	50.21	762,18
October ,, ..	738,50	1118,84	1,857,34	41,69	75,12	6.29	795,39	137,83†	50.25	788,34
November ,, ..	737,36	1137,78	1,875,14	44,18	76,78	6.45	781,59	146,31†	49.49	800,78
December ,, ..	731,80	1142,04	1,873,84	43,39	70,03	6.05	800,59	150,29†	50.75	798,02
Week Ending										
18–12–1959 ..	732,59	1139,49	1,872,08	43,03	69,96	6.04	808,06	151,13†	51.24	789,35
25–12–1959 ..	739,57	1136,52	1,876,09	44,64	69,47	6.08	812.18	152,33†	51.41	787,82
1–1–1960 ..	754,51	1132,08	1,886,59	51,66	101,64	8.13	822,91	153,75†	51.77	763,79
8–1–1960 ..	747,11	1128,66	1 875 77	45,33	68,46	6.07	836,88	160,31†	53.16	775,83
15–1–1960 ..	750,28	1128,25	1,878,53	45,26	76,73	6.49	842,05	161,02†	53.40	763,75
22–1–1960 ..	789 79	1133,93	1,893,72	44.84	74.34	6.29	846,09	159,74†	53.16	778,87

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(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 ..	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955–56 ..	2,184,32	1,595,09	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 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958–59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
July 1958 ..	2,350,29	1,564,79	785,50	770,65	14,85	—29,26
August ,, ..	2,309,03	1,542,72	766,31	751,61	14,70	—41,26
September ,, ..	2,314,52	1,535,02	779,50	765,10	14,40	+5,49
October ,, ..	2,290,08	1,552,70	737,37	721,23	16,14	—24,44
November ,, ..	2,319,38	1,574,14	745,25	727,68	17,57	+29,30
July 1959 ..	2,460,88	1,692,07	768,81	747,83	20,97	—69,93
August ,, ..	2,451,38	1,671,49	779,89	758,35	21,54	—9,50
September ,, ..	2,431,08	1,663,52	767,56	748,04	19,52	—20,30
October ,, ..	2,470,25*	1,715,36*	754,89*	737,21*	17,68	+39,17
November ,, ..	2,472,84*	1,702,80*	770,04*	752,60*	17,44	+2,59*

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

Source: Monthly Bulletin of Reserve Bank.

ESTIMATED WORLD TEA PRODUCTION

(Thousand lbs.)

Country	Average 1935-39	Average 1950-54	1956	1957	1958 (Preliminary)	1959 (estimated)
ASIA						
India	427,565	623,552	667,000	678,838	708,302	715,000
Ceylon	231,525	331,821	375,572	397,775	413,200	420,000
Japan	114,220	112,405	155,970	159,573	164,438	165,000
Indonesia*	170,182	130,340	138,407	156,132	153,740	153,200§
Pakistan	*	53,431**	54,621	48,000	54,100	52,000
Formosa	25.200	24,972	28,660	34,592	35,657	36,000
Turkey	—	968	3,263	5,291	6,200	6,600
Malaya	1,022	3,985	5,023	5,247	4,878	5,300
Iran	1,429	11,906	14,169	14,550	15,000	15,000
Total Asia	971,143	1,293,380	1,442,631	1,499,998	1,556,015	1,568,100
AFRICA						
Kenya	9,488	15,094	21,300	22,014	25,179	26,500
Uganda	413	4,672	6,790	8,046	8,267	8,600§
Tanganyika	359	2,508	5,376	6,171	7,688	8,000
S. Rhodesia	153	899	1,400	1,353	1,400	1,500
Nyasaland	9,238	15,036	20,654	18,088	23,293	24,000
Mozambique ..	925	7,595	14,535	12,939	15,430	16,000
Belgian Congo ..	—	1,023	3,287	4,541	5,500	6,000
Mauritius	110	908	1,538	1,894	2,200	2,400
Total Africa	20,686	47,735	74,880	75,046	88,957	93,000
SOUTH AMERICA						
Argentina	—	690	3,748	4,600	5,400§	6,000
Brazil	—	1,596	1,612	1,625	1,600	1,600
Peru	—	1,231	1,874	2,094	2,315	2,700
Total South America	—	3,517	7,234	8,319	9,315	10,300
World Total	991,829	1,344,632	1,524,745	1,583,363	1,654,287	1,671,400

§Includes tea production for domestic consumption.
*Included with India prior to 1947.
**Average relates to the year 1947-50.
†Beginning 1951, includes total production of small holders not previously reported.

Employment Exchange Statistics

EMPLOYMENT TRENDS, 1947 - 1959

	period	No. of exchanges at the end of the period	No. of registrations during the Period	No. of applicants placed in employment during the period	No. of applicants on the live registers at the end of the period	Monthly number of employers using the exchanges	No. of vacancies notified during the period	No. of vacancies being dealt with at the end of the period
15th Aug. to 31st Dec.	1947 ..	75	207,838	61,729	236,734	2,879	97,892	68,756
	1948 ..	77	870,904	260,088	239,033	3,420	380,885	55,131
	1949 ..	109	1,066,351	456,809	274,335	4,483	362,011	29,292
	1950 ..	123	1,210,358	331,193	330,743	5,566	419,307	28,189
	1951 ..	126	1,375,351	416,858	328,719	6,364	486,534	21,776
	1952 ..	131	1,476,699	357,828	437,571	6,023	429,551	22,873
	1953 ..	126	1,408,800	185,443	522,360	4,320	256,703	20,914
	1954 ..	128	1,465,497	162,451	609,780	4,526	239,875	29,295
	1955 ..	136	1,584,024	169,735	691,958	4,881	280,523	42,248
	1956 ..	143	1,669,895	186,855	758,503	5,431	287,618	42,805
	1957 ..	181	1,774,668	192,831	922,099	5,632	297,188	45,156
	1958 ..	212	2,203,888	233,320	1,183,299	6,485	364,884	64,680
May	1959 ..	229	194,396	25,537	1,252,214	7,888	44,122	88,503
June	,, ..	231	229,802	26,531	1,287,783	7,795	41,379	92,379
July	,, ..	232	265,326	25,827	1,347,314	8,220	36,541	90,328
August	,, ..	234*	218,309	24,070	1,377,096	7,673	34,759	89,403
September	,, ..	234*	228,417	23,982	1,408,903	7,743	33,493	85,027

* In addition, four University Employment Bureaus at Delhi, Trivandrum, Aligarh and Varanasi were functioning at the end of September 1959.

INDIA: EXTERNAL ASSISTANCE

Authorisation & Utilisation

(Lakhs of Rupees)

Source	Authorisation upto 31-3-1956		Estimated Utilization to end of 31-3-1956		Balance of Unutilized Aid as at the end of 31-3-56		Aid Authorized from 1-4-1956 to 31-3-1959		Total Available Utilisation during Second Plan	
	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
I. U.S.A.										
(a) Wheat Loan	9031	—	9031	—	—	—	—	—	—	—
(b) TCA Programme	3928	9075	229	4200	3699	4875	2263	3594	5962	8469
(c) P.L. 480	—	—	—	—	—	—	18540	4357	18540	4357
(d) Development Loan Fund	—	—	—	—	—	—	8333	—	8333	—
(e) President's Asian Economic Development Fund	—	—	—	—	—	—	952	—	952	—
(f) US Bank Credit for A-II	—	—	—	—	—	—	533	—	533	—
(g) Ex-im. Bank	—	—	—	—	—	—	7143	—	7143	—
TOTAL	12959	9075	9260	4200	3699	4875	37764	7951	41463	12826
II. U.S.S.R.										
(a) Bhilai Steel Plant	6307	—	—	—	6307	—	—	—	6307	—
(b) Industrial Projects	—	—	—	—	—	—	5950	—	5950	—
(c) Drugs Projects	—	—	—	—	—	—	—	—	—	—
(d) Oil Refinery Barauni	—	—	—	—	—	—	—	—	—	—
(e) Grants for Machinery	—	—	—	—	—	—	—	122	—	122
(f) Credits for Third Plan	—	—	—	—	—	—	—	—	—	—
TOTAL	6307	—	—	—	6307	—	5950	122	12257	122
III. United Kingdom										
(a) Under Colombo Plan	—	39	—	3	—	36	—	8	—	44
(b) ECGD Credit for Durgapur Steel	—	—	—	—	—	—	2000	—	2000	—
(c) Lazard Credit for Durgapur Steel	—	—	—	—	—	—	1533	—	1533	—
(d) II-ECGD Credit for Capital Goods	—	—	—	—	—	—	3800	—	3800	—
(e) III-ECGD Credit Oil Pipeline	—	—	—	—	—	—	—	—	—	—
(f) IV-ECGD Credit Nov.1959	—	—	—	—	—	—	—	—	—	—
TOTAL	—	39	—	3	—	36	7333	8	7333	44
IV. Canada	—	3234	—	1970	—	1264	1571	3572	1571	4836
V. Australia	—	1108	—	520	—	588	—	34	—	622
VI. New Zealand	—	172	—	33	—	139	—	151	—	290
VII. West Germany										
(a) Rourkela	—	—	—	—	—	—	7483	—	7483	—
(b) Other Credits	—	—	—	—	—	—	1904	—	1904	—
(c) Okhla & IIT Madras	—	—	—	—	—	—	—	209	—	209
TOTAL	—	—	—	—	—	—	9387	209	9387	209
VIII. Japan	—	—	—	—	—	—	2761	—	2761	—
IX. Norway	—	66	—	66	—	—	—	100	—	100
X. Rumania	—	—	—	—	—	—	530	—	530	—
XI. Czechoslovakia	—	—	—	—	—	—	—	—	—	—
XII. IBRD: Public	3200	—	2900	—	300	—	11838	—	12138	—
Private	2570	—	480	—	2090	—	6538	—	8628	—
TOTAL	5770	—	3380	—	2390	—	18376	—	20766	—
XIII. Ford Foundation	—	561	—	226	—	335	—	406	—	741
TOTAL	25036	14255	12640	7018	12396	7237	83672	12553	96068	19790

Note:—This statement excludes:

(i) Assistance received in form of suppliers' credits e.g. from Japan, France and Rumania.
(ii) Rockefeller Foundation.
(iii) Gift shipments from private voluntary agencies in U.S.A.
(iv) Assistance under title II and III of P. L. 480.

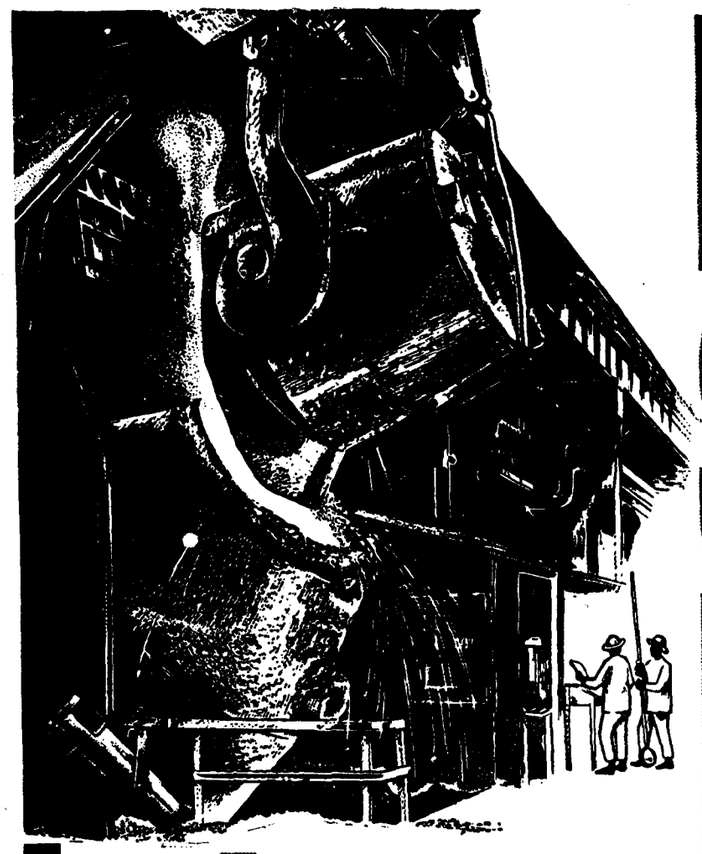
INDIA: EXTERNAL ASSISTANCE—(Contd.)

Authorisation & Utilisation

(Lakhs of Rupees)

Source	Estimated Utilisation between 1-4-56 to 31-3-59		Balance Available as at the end of 31-3-59		Authorisations after 1-4-59		Total Authorisations from inception to 30-11-59	
	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	1(19)
I. U.S.A.								
(a) Wheat Loan	—	—	—	—	—	—	9031	—
(b) TCA Programme	4063	5848	1899	2621	—	93	6191	12762*
(c) P.L. 480	500	—	18040	4357	4900	4900	23440	9257**
(d) Development Loan Fund	687	—	7646	—	952	—	9285	—
(e) President's Asian Economic Development Fund	—	—	952	—	—	—	952	—
(f) U.S. Bank Credit for A.II	—	—	533	—	—	—	533	—
(g) Ex-im. Bank	115	—	7028	—	—	—	7143	—
Total	5365	5848	36098	6978	5852	4993	56575	22019
II. U.S.S.R.								
(a) Bhilai Steel Plant	5202	—	1105	—	—	—	6307	—
(b) Industrial Projects	11	—	5939	—	—	—	5950	—
(c) Drugs Projects	—	—	—	—	949	—	949	—
(d) Oil Refinery Barauni	—	—	—	—	1190	—	1190	—
(e) Grants for Machinery	—	76	—	46	—	—	—	122
(f) Credits for Third Plan	—	—	—	—	17858	—	17858	—
Total	5213	76	7044	46	19997	—	32254	122
III. United Kingdom								
(a) Under Colombo Plan	—	31	—	13	—	—	—	47
(b) ECGD Credit for Durgapur Steel	2000	—	—	—	—	—	2000	—
(c) Lazard Credit for Durgapur Steel	933	—	600	—	—	—	1533	—
(d) II-ECGD Credit for Capital Goods	507	—	3293	—	—	—	3800	—
(e) III-ECGD Credit Oil Pipeline	—	—	—	—	400	—	400	—
(f) IV-ECGD Credit November 1959	—	—	—	—	2533	—	2533	—
Total	3440	31	3893	13	2933	—	10266	47
IV. Canada	1571	2561	—	2275	—	333	1571	7139
V. Australia	—	615	—	7	—	—	—	1142
VI. New Zealand	—	239	—	51	—	—	—	323
VII. West Germany								
(a) Rourkela	4214	—	3269	—	—	—	7483	—
(b) Other Credits	449	—	1455	—	—	—	1904	—
(c) Okhla & I.I.T. Madras	—	—	—	209	—	—	—	209
Total	4663	—	4724	209	—	—	9387	209
VIII. Japan	25	—	2736	—	—	—	2761	—
IX. Norway	—	100	—	—	—	—	—	166
X. Rumania	—	—	530	—	—	—	530	—
XI. Czechoslovakia	—	—	—	—	2310	—	2310	—
XII. I.B.R.D.: Public	9268	—	2870	—	3570	—	18608	—
Private	6978	—	1650	—	476	—	9584	—
Total	16246	—	4520	—	4046	—	28192	—
XIII. Ford Foundation	—	272	—	469	—	30	—	997
TOTAL	36523	9742	59545	10048	35138	5356	143846	32164

* This includes the amount of Rs. 32.33 crores, being the rupee equivalent of the dollar value of agricultural commodities imported under P.L. 665.
**This excludes Cooley funds and amounts retained by the U.S. Government for their own purposes.



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KRUPP GERMANY VÖEST AUSTRIA

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CONTENTS

Leading Articles:

THE PRICE FOR UNITY 449
INDIA'S INTERNATIONAL TRADE: THE NEW CHALLENGE 450
CO-OPERATIVE FARMING 451
A DELHI DIARY 452
THE WEEK'S NOTES 453
Planning; Oil; Atom Test; Company Taxation, Community Development.
A WINDOW ON THE WORLD: Odysseus on "The Retreat to the Inner Citadel" 455
THE EUROPEAN SCENE: Second Thoughts on Atomic Energy .. 459
ECONOMIC REPORT FROM THE U.S.: Manpower Resources 463

Special Article:

RAILWAY FINANCES AND THE SECOND PLAN 465

The Business World:

MANAGEMENT: CHANGING NEEDS .. 467
BUSINESS NOTES 468
Foreign Assistance; Productivity; Food; Employment; Industry.
CURRENT TOPICS: Soviet Aid for Third Plan 471
A DELHI NOTEBOOK 472
WORLDGRAM AND NEWS IN BRIEF .. 473
BOOK REVIEWS 478
COMPANY AFFAIRS 481
COMMODITY NEWS AND NOTES 482
CURRENT STATISTICS 483

The Price for Unity

DID the Prime Minister of India take a calculated risk in deciding, apparently all of a sudden, to invite Mr. Chou En-lai for discussions in Delhi at the end of March? If so, his calculations must have been very inadequate, because the immediate results of the move could not have been worse. In the first place, the outcry in Parliament from all Opposition parties except the Communists has placed the Prime Minister in the dubious position of following a line acceptable only to the Communists; it is even known that, in his own party, there are serious misgivings on the timing of this invitation. Yet, when one looks calmly at the alternatives, the meeting cannot possibly be deemed to be the major humiliation or error which it was described in powerful Opposition speeches. Indeed, it can be argued that, at some stage, a meeting was necessary. An open door for negotiations, where uncertainty exists, is not merely wisdom, but plain commonsense. What then has gone wrong in the present case?

Surely, the massive failure has been one simply of public relations. What is wrong is that the Ministry of External Affairs is living in the past, and has learnt almost nothing from the violent display of public opinion on the China issue and the agitated debates in Parliament in the last six months. In essence, the Prime Minister still believes that he can make a major decision on foreign policy in isolation, after consultation, in haste, with a select band of Ministers and officials often out of tune with Parliamentary, and public, opinion. The fact that the Prime Minister of India, eminent as he is as a national leader, is no longer permitted *carte blanche* to frame India's foreign policy is a new hard fact which the Prime Minister himself and the whole External Affairs Ministry must learn without delay. It is wholly unreasonable that a decision of this magnitude should have been taken by the Prime Minister without taking leaders of the Opposition, notably Archarya J. B. Kripalani and Mr. Asoka Mehta, into confidence. There are quite good reasons why a meeting of the Prime Ministers is necessary. Why should good reasons not have been placed in time before the Opposition leaders? Had this been done, they would not have sought to raise public opinion against a move of the Executive which could be justified if the climate of opinion were both moderate and receptive.

On the move itself, it should be obvious to anyone with the slightest imagination that the precise attitude of the Chinese on the whole dispute is still in doubt. Most people are inclined to believe that in the long-term it is Chinese policy to recover "lost" territory. The People's Republic is reverting to type in that China united has always attempted to recover, in the first instance, every "lost" inch of territory, believing in a great image of a broken fatherland which it is a duty to restore. But there are other views. There are those who believe that her action is no more than a reprisal for our action on Tibet. There are others again who believe that it is a moderate demand connected with the strategic arrangements in Tibet and carries no further irretrievable connotations. The differences which thus exist must indicate doubt as to what the Chinese intend. It is sound wisdom, when doubt exists, to explore a probe further. Our Ambassador in Peking, able as he is, is in no position to extract from the Chinese their true intentions. It is obvious this can only be done, if at all, by the Prime Ministers face to face. Therefore, a meeting of the Prime Ministers is definitely reasonable. The question is that of time and, even more important, of the preparations therefor. The time at the end of March is probably right, because when the snows melt in April, there might be worse to come. The preparations, however, have been badly neglected; for this the Prime Minister must surely blame himself.

This important point, that the Prime Minister often loses touch with Indian public opinion and the democratic opposition in Parliament, must now be driven home with a brutal frankness. The idea that he has unlimited authority from the country to develop and maintain any line of policy without the approval or consent of Parliament must be dispelled once and for all. In all democratic countries of the world a "bi-partisan" foreign policy has been deemed not merely desirable but essential, since the consequences of division are too serious for risks to be run. In India until 1959 there were in fact no significant divisions, but the Prime Minister's determination to run foreign policy as he likes and to let Mr. Krishna Menon say exactly what he does (particularly in his outrageous utterance at Chandigarh last week), has brought feeling to a head.

Thus while the Prime Minister has done the right thing, he has made every possible mistake in the method of the invitation to the Chinese Prime Minister. If he intended to make this invitation, he should not have led public opinion to draw exactly the opposite inference from previous utterances. Again, nothing could have been worse than to allow Mr. Krishna Menon, before a meeting of this kind, to make the statement which he made at Chandigarh. The furore in the Lok Sabha this week reflects a deep malaise in the country and raises the question again whether the Prime Minister can attain unity in the country so long as the Defence Minister continues to anger and divide public opinion in this manner. This is a serious mishap and calls for corrective action. Will the Prime Minister recognise that he, above all, must show that he is willing to pay a price for national unity?

India's International Trade: The New Challenge

THE meetings of the Import and Export Advisory Councils on Saturday and Sunday last have produced many interesting sidelights, and on the whole should give cause for satisfaction rather than for the usual dismay, which has, in the last two years, rested much over failures to balance our foreign payments. On this occasion, the Minister for Commerce and Industry, Mr. Lal Bahadur Shastri, could point to our peak performance of exports at Rs. 626 crores in 1959 and to a reduced adverse balance of trade largely on this account at Rs. 243 crores against Rs. 296 crores in the previous year. There is also the unquestionable fact that industrial production is moving up at a more rapid rate than in 1958, and that the raw material supply position looks healthier in 1960 than in 1959. The point that administrative procedure is being modified and red tape is being cut out is new; so is the acceptance of the idea that many licences might be for an annual period and that "repeat" licences would be normal. All these are points for congratulation and, indeed, for optimism. But the major problems set by the Third Five-Year Plan are by no means on their way to solution. These meetings should be more than ever now an opportunity for new thoughts rather than a review of the past deeds, even if they are a little out of the ordinary. Here, there is no room for complacency; too often at these meetings the general picture is still clouded by a special plea. In the Third Five-Year Plan the general picture is full of uncertainties. When are they to be removed?

Not, indeed, that there are no signs of new life. Recent indications of our trade with some Communist countries show that the rupee account has acquired a welcome capacity to increase our exports which was not initially anticipated. Undoubtedly, this is due to the wisdom of making new bilateral agreements with the Eastern European countries payable in non-convertible rupees, a mark of imagination which it seems dates back to November 1958. This has made it necessary for the Soviet Union and the Eastern European countries to explore the Indian scene for their requirements, thereby accomplishing for us an export drive which Indian business men and Indian administrators might have been quite unable to perform for themselves. This lesson, that a currency element might be the means, not so much to export promotion on our own part but to import promotion on the part of our trading partners, suggests that some extension of this machinery might be fruitful with other countries. But the extension of this machinery in dealing with countries in the Western World, which have many other opportunities of trading, must proceed cautiously.

One of the great difficulties which will remain in diversifying trade in terms not only of commodities but in terms of countries is the lack of knowledge of facts and personalities of countries which continues to hamper and delay both purchases and sales at the most appropriate price. India's Trade Commissioners abroad are severely handicapped by shortage of staff which is imposed on them not merely by the shortage of trained personnel which is desperate, but by the absurd insistence of the Home Ministry that no new posts should be filled. A total lack of imagination seems to pervade the Ministry of Home Affairs in this matter. It is one thing to put a ceiling on personnel in spending departments which have no earning or countervailing benefit to present to the National Exchequer. It is absurd to limit India's capacity for earning foreign exchange or using existing foreign exchange most fruitfully by a restriction on the number of men available to the Development and Trade Wings of the Ministry of Commerce and Industry. It is difficult to conceive of any more penny wise and pound foolish regulation of policy than a directive of this rigid character.

This illustration shows so wooden and unimaginative understanding of the future pressures of the Third Five-Year Plan that it makes one believe that the country is still far from equal to the problems of practical administration, which are now only a short way ahead. About half a dozen persons in New Delhi are thinking in forward and dynamic terms about new trading methods and negotiations which will give us the ballast we need in order to finance our import bill which the Minister for Commerce said might be over Rs. 1,000 crores per annum and more in the years of the Third Plan. The normal expansion of trade might take our exports to between Rs. 25 to Rs. 30 crores more each year, but we will need to make a very special effort, with some substantial new machinery, to accomplish the rise of Rs. 100 crores in our exports. This is even after the Eastern European countries and the rupee account, as at present constituted, have done all their useful work.

The first step, it would seem, is for the Ministry of Commerce and Industry to constitute an internal working group which would strike at the bottleneck that the Cabinet and the Home Ministry are imposing upon personnel both at home and abroad. Secondly, there would be need to make the Planning Commission understand the implications of a new trade policy and, finally, the country will have to recognise that the price of additional exports may well be the rise of prices of items deemed non-essential in the cost of living of the great mass of the Indian people. It is unthinkable that a major effort of this kind should be entirely painless for the mass of the people. It is necessary that the country should be prepared for the supreme effort that must be made to overcome an obstacle which has been created by the very size of our Plan. It may well be because of the foreign exchange component, that a beginning should be made on the foreign trade front before the Plan can be seen as a whole.

Co-operative Farming

THE Nijalingappa Working Group on Co-operative Farming has shown commendable prudence and farsight in suggesting a cautious and flexible approach to the problem of fostering joint cultivation in India. Its deliberations have obviously been influenced to a great extent by the difference of opinion in the Congress Party on the issue. Though it is convinced that "joint co-operative farming is an effective method and agency for improving the economic and social conditions, particularly of small and medium cultivators", the Group has scrupulously avoided recommending any dogmatic pursuit of the idea. Even the target suggested for setting up the pilot projects has been kept low. Three hundred and twenty such projects—one in every district—have been recommended to be carried out during the next four years and that too in Community Development Blocks where co-operation has made good progress. Only 40 projects are to be set up during the current year.

The formation of the joint farming societies, the Group has rightly urged, should be spontaneous and no compulsion should be resorted to. The Government will do well to take notice of this important recommendation instead of being carried away by the successful working of the co-operative at Subhash, near Poona, which probably inspired the Nagpur Resolution of the Congress. The exemplary success of the experiment at Subhash, as the UN Evaluation Mission pointed out, has been due to exceptionally favourable conditions which may not be obtaining elsewhere and always. Co-operative farming when fostered under compulsion and by means of undue inducements in many cases all the world over has resulted in failure and the Group has appropriately recommended that no fabulous promises of financial aid or concessions should be made by the Government. Though ground may be prepared through education of the agriculturists of the benefits that would accrue to them from co-operative farming, the development of the joint farming ventures, the Group points out, should be purely on voluntary basis. No unduly rosy picture of these benefits should be painted lest their non-accrual in the short-term should lead to frustration.

Co-operative farming under the scheme recommended by the Nijalingappa team, of course, can be only slow. But it is worthwhile to go slow in this matter. India can hardly afford to suffer setbacks in agricultural production at the present stage of its economy and there is no guarantee that co-operative farming will prove an unqualified success. The success of joint farming depends on the availability of proper managerial and entrepreneurial skill which is so much wanting in this country.

The Group has made a large number of useful recommendations for the setting up, management, operation and financing of co-operative farms as also of the training of co-operators. Most of these proposals, of course, will be accepted by the Government. But there is an important point made by Dr. Ram Subhag Singh in his note which deserves serious attention. "Co-operation, of course," he says, "is an ideal thing. Its chief essence that is voluntariness and the spirit of independence from bureaucratic and partisan control, is not very much in evidence at present. It, therefore, needs adequate strengthening. For this purpose, it requires a high sense of duty and devotion amongst its members which will have to be cultivated". But duty, dedication and devotion —the three D's—are not enough. Who will provide the managerial experience in the mass that is required? And who can assume continuous soundness of financial administration which goes beyond personal integrity? There are too few people who recognise that the major bottleneck is men of quality.

A DELHI DIARY

THE KERALA TRIANGLE

DELHI has been exciting this week—so exciting that much of my evidence must be only hearsay, as it has been physically impossible to cover all the numerous exciting things that are taking place all the time. Parliament from Monday onward was more exciting than ever, with both Acharya Kripalani and Mr. Krishna Menon in the news—of course on opposite sides! I am not here referring to Parliament because there I know I shall not be able to speculate. Reports are reports and facts are facts. But on the political confabulations (is that the correct word?) on Kerala perhaps I might say a bolder piece. The whole of Wednesday and the whole of Thursday hope went back and forth on whether or not there was to be an agreement between the members of the Democratic Alliance on the constitution of a new Kerala Ministry. After one major hurdle was jumped—the willingness of the Congress Party to accept Mr. Pattom Thanu Pillai as the Chief Minister—there loomed another and a much larger one. This was the insistence of the P.S.P. that the Muslim League, being an equal partner in the alliance, should have a place in the Ministry. Nothing to my mind looks more reasonable, but for reasons which, to put it no lower, are as ideological as the inevitable expansion of the public sector, the Congress High Command seems to find it impossible to swallow reason in this case. It is apparently perfectly proper to exploit the Muslim League in an alliance to win an election. It is perfectly proper, having won such an election, to pay one's debt by making a member of the Muslim League the Speaker of the Assembly. But, in the view of the Congress High Command, supping with the devil (who has the proverbial long spoon) should not go to the length of associating him in day-to-day administration. For reasons which, to my mind, look extraordinarily like splitting hairs, it is ideologically bad to associate the Muslim League with an Alliance Ministry. It is, however, ideologically proper to use Muslim League votes to oust Communists or to reward Muslim League votes by assigning to these votes a symbolic reward in the form of the Speakership of the Kerala Assembly. I do not know how these nice lines of division are drawn But this I know, that the Congress Party by these extraordinary political dialectics is beginning to wreck the alliance before it has had an opportunity of going to work. I hope I shall be proved wrong by events tomorrow. But sufficient for the day is the evil thereof!

THE CONFERENCE HOUSE

One of the signs of activity—I dare not call it business activity—has been the extraordinary number of conferences being held at Vigyan Bhawan. This is now the Conference House in Delhi; as many as six conferences are sometimes in session at the same time. The Conference rooms—which are modestly called Committee Rooms A, B, C, D, E, upto H, I believe—can house as many as 150 persons as in the Prime Minister's press conferences. And thus quite momentous meetings (and I hope decisions) can really take place eight at a time under one roof. Of special interest this week were the meetings of the Import and Export Advisory Councils to which the Press was admitted; for two whole days it suffered education on international trade. The occasion was made interesting by the presence of Mr. Lal Bahadur Shastri, who not only made two excellent speeches, but was the host at a dinner on Saturday night. It was stated that the Minister does not take as much rest as he should. Far from finding fault with him I mark up this kind of dedication as one of the few examples of the Gandhian spirit in our time. I think Mr. Lal Bahadur Shastri is one of those least concerned with the exercise of power. That I think makes him different in many respects from many others that I know, who shall not be named!

POLAND IN THE NEWS

Speaking of international trade I arrive by a natural, though restricted, channel to the Polish Embassy in Delhi. It has been very active in the whole of the last year balancing Poland's trade with India and extending and supplementing it with ideas as well as with credits. On Wednesday evening, the dynamic Ambassador of Poland, Dr. Juliusz Katz-Suchy, explained to us, how in addition to raising the level of trade (it has multiplied three-fold in 1959) the Polish Government has now planned to give a credit of Rs. 15 crores for projects to be included in our Third Five-Year Plan. This credit is outside the "balanced trade", which presumably will go on increasing at a significant rate. There has been both imagination and understanding of India's limitations of foreign exchange, and the rupee account provides an active solution of the dilemma. I believe the Ambassador was correct in suggesting that in per capita terms Poland's trade effort in India in proportion to population and resources is one of the largest that has been accomplished in the last few years.

Thus, the Third Five-Year Plan goes together, piece by piece. Rumour is that, at long last, after eighteen months, a draft memorandum containing what has been described as all the relevant facts, will be presented to the National Development Council on the 4th and 5th March. Whether the National Development Council will do anything more than to approve of the general lines I cannot say. But the question has naturally arisen as to whether it can do anything different. Any larger plan raises the question of resources; any smaller plan raises the question of political peril. It is not for me to suggest that one is the devil and the other the deep sea; but I can, I think, assert with perfect confidence that the National Development Council is somewhere in between.

What is of great interest is the manner in which, while the pundits have been shaking their hoary heads at the difficult problem of finding foreign exchange, other countries—for example, Austria, Yugoslavia and Poland by no means big in financial resources—have extended their hand of understanding and friendship and are already solving problems which have not yet entirely presented for their scrutiny. This, I think, is to be the significant development of the 60's that perhaps 30 countries will contribute in a massive attempt to combine imagination and financial resources in order to get India's Third Five-Year Plan off the ground. I believe, "The Eastern Economist's" Annual Number "India and Europe", was a little contribution to explaining a movement which is now gathering force. But far be it from me to argue that description of a coming situation is a contribution to its solution. Otherwise, the Planning Commission would have solved all our problems a long time ago!

ARGUS.

THE WEEK'S NOTES

Planning

FOREIGN AID AND MR. K.

ELSEWHERE IN this issue are published details of Soviet aid given to this country. The subject has acquired considerable topicality not only because of the recent Indo-Soviet economic agreement, but because of Mr. Khrushchev's visit to this country. This is as it should be. But the speech delivered by the Soviet Premier while on a visit to the Bhilai steel project is bound to provoke a controversy. In a comparison of the aid given by Soviet Russia to this country with that of the West, Mr. Khrushchev said while the aid given by the former was "disinterested", such a thing would be "incredible" on the part of a 'capitalist' country. He went on to say that even if the "capitalist" West gave aid to under-developed countries like India, Burma and Indonesia, it was with a view to holding these countries in the grip of what they called the 'free world' and what "we call slavery".

The implication of this statement is not clear. But it is obvious that so long as India follows a policy of non-alignment, she is bound to receive aid from the Western as well as the Communist blocs. There is, therefore, no question of 'strings' whether the aid comes from this or that bloc and so long as this position is accepted, India will be grateful to whoever be the donor. Moreover, placed as the country is in respect of her developmental needs, she cannot afford to lean on any one side. Up to the end of last year, the total foreign aid authorised amounted to Rs. 1,760 crores including both loans and grants. Of this, the share of Soviet Russia was Rs. 324 crores. Taking only the Second Plan, Soviet aid was Rs. 144 crores or just over a tenth of the total aid received. The agreement recently signed for the utilisation of aid of Rs. 180 crores relates to the Third Plan. The aid received from the United States so far, on the other hand, amounts to Rs. 786 crores and this covers the First and Second Plan periods only. Apart from this, it is also noteworthy that while practically the entire Soviet aid has been in the form of loan, in the case of the United States, nearly a third of the aid received consists of grants. Also it has to be remembered that so far as the Second Plan is concerned, there is no possibility of further assistance from the Soviet Union. But there is still a deficit of Rs. 140 crores to be met which has to come necessarily from the Western countries.

Finally, it is often mentioned that while Soviet aid goes to strengthen the public sector, Western aid takes the form of strengthening the private sector. But the fact is, a substantial portion of the United States aid has gone to fulfil the targets in the public sector also and even a good share of the P.L. 480 counterpart funds is devoted to the building of irrigation and power projects. Soviet assistance has always been in the form of tied credits in the sense that they are meant for specific projects for which plant and equipment have to come from the Soviet Union. But until recently United States credits have been untied which made it possible for the country to buy goods wherever the prices were competitive. India has deliberately chosen a mixed economy as a tool for her development and she has to see that both the public and private sectors flourish. To give a political colouration to this question of foreign aid is just going wide of the mark.

Oil

"LIVE AND LET LIVE"

IN HIS address to the newly constituted Advisory Committee on Petroleum Products, Mr. K. D. Malaviya, Union Minister for Mines and Oil, stated that oil was such "a potentially expanding field in India that the entry of the public sector has not and need not squeeze out the private sector. There is room for both and more". This admission by the Union Minister is evidence of the new realism that has come over Government policy in respect of oil. Only last November, the Minister announced that the co-operation of foreign oil companies would be actively sought, on mutually acceptable terms, with a view to expanding and intensifying the search for oil. The Petroleum Rules were also suitably amended to make them more liberal.

All these are, of course, due to the recognition that the resources and capacity of the public sector will be totally inadequate in meeting the rising demand for oil. Currently oil consumption is of the order of six million tons and it is estimated that by 1966, it will rise to 14 million tons. This is expected to involve an outlay of Rs. 900 crores. In addition to these huge financial resources, the country will also need top technical men to conduct exploration. It is obvious, therefore, that since its resources are limited, the public sector alone will not be in a position to deliver the goods in this risky venture. A provision of Rs. 300 crores seems to have been made for oil exploration and production in the Third Plan and the balance has to be taken by foreign oil companies. But apart from intensifying the search for oil in areas which already hold promise, energetic steps must be taken to train enough personnel for exploration work in the next few years. One of the terms of reference of the new Committee relates to the determination, from time to time, of the extent of likely deficit regarding particular products for the country as a whole and in particular areas after taking into account the likely effect of plans in other spheres of the economy and the effectiveness of measures to curb or discourage consumption of such deficit products. Recently, there has been a spectacular growth of high speed diesel consumption and a significant growth in kerosene consumption which is causing an imbalance in the pattern of oil consumption. The remedy to this imbalance will pose a difficult problem. Curbs on the consumption of diesel oil and kerosene by denying the tax advantage they enjoy at present may go to some extent in meeting it. But any attempt to restrict consumption of kerosene is bound to have its political repercussions which have to be faced. Very much may, of course, depend on the pattern of refining and the volume of middle distillates that will be available from the proposed public sector refineries.

Atom Test

FRANCE'S BLOW

ON FEBRUARY 13, France exploded her first atomic bomb from the top of a 300-foot steel tower in the heart of the Sahara and thus, in the felicitous phrase of a columnist "banged on the door of the atomic club", whose present members are the United States, the Soviet Union and Britain. The French "achievement" thus has taken place 15 years after the Americans, 10 years after the Russians and seven years after the British had exploded their first bomb. A nuclear test truce has, however, been observed during the last 15 months which has now been broken by the mushroom cloud that rose over Reggan. The French Premier has stated that the Sahara test "is only a first step" and that "France is even ahead of its programme".

After the announcement of the explosion, the French Atomic Energy High Commissioner declared that this "will produce infinitely small dangers for the world and negligible ones for the African people". But world-wide reactions belie this smug self-complacency and a wave of indignation has swept over Africa and Asia.

Morocco has already withdrawn her Ambassador in Paris and has cancelled her diplomatic agreement with France and Premier Nkrumah of Ghana reacted within a few hours by announcing the freezing of the assets of all French firms in Ghana. It may be recalled that many West African nations had protested to France against the tests and the United Nations General Assembly had called on France last November to halt its plans to explode its atomic device in the Sahara. By her recent action, France has, however, "defied the conscience of mankind". It is especially regrettable that when efforts are being made at Geneva for an East-West treaty to ban nuclear weapon tests, France should have carried out this dangerous experiment. It is obvious that the risks of nuclear war will be enormously increased if more and more nations are armed with these suicidal weapons. General de Gaulle is apparently convinced that nuclear weapons are essential to his "policy of grandeur" and France, irrespective of financial considerations, must have its own nuclear striking force. But there can be no denying that he has struck a blow at the frail structure of peace in which the French people have also a stake.

Company Taxation

RELIEF CALLED FOR

THE ASSOCIATION OF INDIAN INDUSTRIES is to be congratulated on departing from the customary practice of commercial bodies getting their meetings inaugurated only by Ministers or high Government officials. For its first quarterly meeting this year, the Association invited Sir A. Ramaswamy Mudaliar to be its chief guest. The Association could not have made a better choice, for there are few persons who have distinguished themselves in so many walks of life as Sir Ramaswamy. With his background of politics, administration and, for some years now, also of business, he is perhaps the most competent to advise the business community.

Encouraged by his presence doubtless, both the President and the Vice-President of the Association chose to dwell at great length on practically every subject under the sun. The temptation to do so requires to be resisted if the main points at issue that require to be highlighted at a given time are to receive the immediate and careful attention of the powers-that-be. It is significant that, in his reply to the welcome address, Sir Ramaswamy confined himself to only a few aspects of the two speeches, viz., of Mr. B. D. Samani, President and Mr. G. V. Puranik, Vice-President.

It was to be expected that the proceedings would highlight the food and the price problems, as they, in fact, did. While Mr. Somani drew attention to the first, Mr. Puranik dilated on the problems of rising prices. It was in this connection that Sir Ramaswamy called upon the industrialists to set their own house in order before blaming the Government and others for the rising trend in commodity prices. And, in doing so, if he asked the industrialists to bear in mind that, along with monetary gains, service to society also should be an important consideration for running an industry or business, he also told the Government to do away with controls. He rightly pointed out that controls were necessary only in days of shortages.

Mr. Puranik referred to the report of the Pay Commission and said that some of the findings of the Commission were of great importance to the private sector. Indeed, they are so. But, apart from his well-reasoned remarks about the Pay Commission's views on minimum wages, it is rather ironical that, while the Vice-President of the Association of Indian Industries has criticised the Pay Commission for its recommendation that dearness allowance should not aim at complete neutralisation of the rise in price levels, and for providing, in respect of Government servants, only partial relief on a slab system basis, the Textile Wage Board should have unanimously held that the dearness allowance should completely neutralise the rise in the cost of living, to the embarrassment of even the Government! Sir Ramaswamy was not content to meet this situation by demanding a slab system of calculation on dearness allowance for industrial workers, as the A.O.I.I Vice-President urged, but suggested that any rise in wages ought to be related to an increase in output. He strongly deprecated the growing tendency of labour to fight for monetary benefits without adding appreciably to production.

On the eve of the budget, it was natural that the President of the A.O.I.I. should have urged certain measures for consideration by the Union Finance Minister. Although he prefaced his remarks about this plea with reference to the need for improving the internal resources of companies—ploughing back of profits—the measures he suggested have actually a bearing on fresh capital formation. Indeed, it is this branch of capital formation (as the latest Reserve Bank Study of 775 companies has shown) that requires to be stimulated more than capital formation inside the industry. It is to be hoped, therefore, that the plea of Mr. Somani for removal of tax on bonus issues, for lowering the tax on industrial and company investments and on capital gains, and for treating dividends as earned income will receive due attention at the hands of Mr. Morarji Desai when he presents his budget for 1960-61.

Community Development

NEED FOR REALISTIC APPROACH

IN DECIDING to stick to the decision of the National Development Council to bring the entire country under Community Development Programme by 1963, in utter disregard of the advice tendered to it by the United Nations Technical Assistance Administration Mission, the Government of India has shown little sense of realism. After a careful study and objective and sober analysis, the UN Mission had contended that the time had come when the Government should decide whether expansion of the programme should proceed at the stipulated rate or efforts should be concentrated on consolidating the progress made in the existing community development and extension service blocks. In view of the need for paying greater attention to agricultural production, the Mission was of the opinion that consolidation of the existing blocks should be preferred to establishment of 300 new blocks every year. The Government of India has injudiciously rejected this sound advice on the flimsy ground that there would not be any dearth of trained personnel to execute the expansion programme.

It is no use ignoring the fact that the Community Development Programme in most cases has not yielded the results expected from it; much remains to be done even in the development blocks that are said to have made good progress. Only a month ago the Congress Party admitted at its Bangalore session that there was considerable truth in the criticism levelled against the programme. Of what use is this admission if the Government is to persist with its own plans to expand the programme? Much useful results can be achieved by diverting efforts to consolidate the progress already made. The Union Food Ministry has decided on an ambitious target of 110 million tons foodgrains output by 1965-66, to achieve which herculean efforts are required. The additional production is to be raised through intensive cultivation of which the "package programme" is to form the core. The Government will do well to utilise the services of this trained staff for the execution of the "package programme" of Mr. S. K. Patil rather than waste them in the extensive and diffused field of community development.

A Window on the World

THE RETREAT TO THE INNER CITADEL

By

ODYSSEUS

THIS WEEK we enter the second round of one of our periodical enquiries into some leading controversy of the times. Our subject is "What is liberty?". For the benefit of any who missed last week's introductory article, I may recall that we there pointed out that this is not an academic question of interest only to professors, but is at the root of the great issue of our epoch: the conflict between the democratic and communist ideologies. We noted that there are two concepts of liberty confused in every talk: (1) "What is the area within which a person can be left to do as he likes it?" This is negative "freedom from interference". (2) What, or who, is the source of interference that can decide that a person must do something that, left to himself, he would not do?" This is positive "freedom to be my own master."

In his admirable booklet, "Two Concepts of Liberty" (Oxford University Press. 57 pages. Price 5/-), the leading British philosopher, Sir Isaiah Berlin of Oxford, suggests that the freedom (b), which consists in being one's own master, seems at first sight almost indistinguishable from freedom (a), freedom from being prevented from doing as one likes. Yet starting from these simple propositions, the positive and negative notions of freedom developed so divergently that, to use an Irishism, they have come into direct conflict.

One way of seeing how this has happened is to reflect over the implications of the idea of self-mastery. "I am slave to no man". True, but may I not be a slave to nature, to my own passions? This leads to the idea of setting myself free from my lower self by ensuring the domination of my higher or "true" self — myself "at its best." The next development is to think of these two selves as something wider that the individual: the higher, true self is thought of as a tribe, caste, race, trade union, church, or state. This higher entity is then identified as the true self "at its best" which, by imposing its collective will on its recalcitrant members, achieves its own and therefore their, higher, "real" freedom.

What helps to make this idea plausible is that it is at times admittedly justifiable to coerce men for the sake of some rival goal — say, justice or public health — which they would, if they were more enlightened, pursue, but do not because they are uneducated, blind, or corrupt. This makes it perilously easy for a dishonest or selfish ruler (or ruling group in an institution) to think of himself as coercing others in their own interests when, in reality, he is coercing them in his interests — a very different matter. The tribe, caste, race, trade union, church, or state, which does this claims that it knows what its members need better than they know themselves. This is soon extended to the further claim that the members are actually aiming at what in their benighted state they consciously resist because there exists within them their latent rational will, and this, although belied by all that they openly say or do is their "real" self, which is the only true self that ought to be consulted. Once the ruling group achieves this distortion of positive liberty, it can ignore the actual wishes of, and can bully, oppress, or torture them on behalf of their true selves, secure in the self-induced belief that whatever is the true goal of man (happiness, fulfilment of duty, a just society, etc. etc.) must be identical with their "freedom", i.e., with the free choice of their true, although submerged, self.

In short, it is one thing to say that I may be coerced for my own good that I am too blind to see, but quite another to add that if that is my good, I am not being coerced, because that is what I really want, whether I know it or not, and I am free even while my poor earthly body and foolish mind struggle bitterly, desperately, against those who seek to impose it.

SELF-ABNEGATION OR SELF-REALISATION

The consequences of distinguishing between my lower, passionate self and my true, higher, enlightened self become clearer if one considers the two chief forms which the desire to be directed by one's true self has historically taken: that of (1) self-abnegation in order to attain self-mastery and freedom, and (2) of self-realisation, or complete identification with a specific ideal, in order to attain the same goal.

The first form is the retreat to the inner citadel. I have reason and will. I have aims. But if I am prevented from attaining them by the laws of nature, by accidents, by other men, or by human institutions, I do not feel free. If these forces are too strong for me, I seek to free myself from desires that I know that I cannot realise. In an apt metaphor Isaiah Berlin says: I wish to be master of my kingdom, but my frontiers are long and vulnerable, therefore I contract them in order to reduce the vulnerable area. I decide not to desire what seems unattainable. The tyrant threatens me with confiscation of my property, prison, the death of those I love. But if I divest myself of my desire for property, if I no longer care whether or not I am in prison, if I have killed within myself my natural affections, what is left of me is free from empirical desires. It is as if I had a wound in my leg. I can free myself from pain either by healing the wound, or, if I decide that the cure is too difficult, I can get rid of the wound by cutting off my leg and training myself to want nothing for which a leg is essential.

This, the traditional self-emancipation of ascetics, quietists, stoics, Buddhists, and men who have, in whole or in part, deserted the world, is an attitude well known in India. It is, therefore, worth pausing to reflect over some of its implications. All political isolationism, economic autarchy, every form of autonomy, has in it some element of this attitude. I eliminate the obstacles in my path by abandoning the

path. I retreat into my own sect, my own planned economy, my own deliberately neutralised territory, where no counsels from outside need be listened to, and no external forces can have effect. This is a form of the search for security, but it has also been called the search for personal, or national, freedom or independence. The newly formed European Economic Community is an example of the rejection of this attitude. Germany and France, and the rest of the Six, have decided that the search for security in isolation, through autarchy, political and economic, has in the past slowed the pace of their economic growth and has led them into the defeats and disasters of major wars. They have decided that they cannot survive separately, in isolation. So they have formed a new community.

SUBLIME SOUR GRAPES

Isaiah Berlin suggests that the doctrine that what I cannot have I must teach myself not to desire, and that a desire eliminated is as good as a desire satisfied, is a sublime, but unmistakable form of sour grapes. Ascetic self-denial may be a source of integrity and spiritual strength, but it is not an enlargement of liberty. If I save myself from my enemy by locking myself indoors, and barring the windows, I may remain freer than if I had been captured, but am I freer than if I had stood up to my enemy, defeated, and captured him? The truth is that as long as I live in the natural world, I can never be wholly secure. And this seems to me another one in the eye for those who put their faith in some immense, world-transforming doctrine, like the final triumph of reason or of the proletarian revolution.

We live in a world with obstacles to our will. Those who uphold negative "liberty from interference" believe that self-abnegation is not the only, or even the best, way to cope with these obstacles. They can be removed by physical action, as when I sweat and strain to level a site on which to build a house; or by persuasion, as when I induce you to lend me Rs. 5 for an indefinite period; or by force, as when one nation defeats in battle another which threatens its interests. Such acts may be just or unjust, may or may not involve violence, cruelty, or the oppression of others, but what cannot be denied is that through them I am increasing my own freedom — which is what we are talking about. It is an irony of history that this truth is repudiated by some of those who practise it most forcibly. These may be business executives, bureaucrats, trade union leaders, a caste council, the leaders of a racial majority in one country or of a minority in another, the caucus of a political party or a politbureau, a ruling group, or a dictator (whether military or "of the proletariat"), but, whoever they may be, they are all those men who, even while they conquer power and enlarge the spheres of their freedom of action, reject the negative concepts of "liberty from interference" for the individual or group, and, upholding the positive concept of "liberty to", interpret it as the control of other people "for their own good." Their view rules half the globe.

Next week we will consider self-realisation or identification with a specific ideal.

[This is the second of a short series of articles discussing the open war that is being fought between two systems of ideas which give different and conflicting answers to the central questions of politics: "Why should I, or anyone, obey anyone else? If I disobey, should I be coerced? By whom, to what extent, in the name of what, for the sake of what?"—ED.]

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The European Scene

SECOND THOUGHTS ON ATOMIC ENERGY

From Our Special West European Correspondent

PARIS, February 13.

WESTERN countries that a few years ago were highly optimistic about drawing supplies of power from atomic sources in the near future are thinking again. The United States and West Germany had always adopted a cautious attitude in this matter, because these countries have no "energy deficit", no shortage of the classic means of power generation. But even they had joined in the atomic energy programme that was framed by the enthusiasts — Britain, France and Italy — in the optimistic period between 1955 and 1958. The USA did this, for example, in the pact with Euratom by which she agreed to finance and support the ambitious European atomic energy programme, thus ensuring that American firms would gain the experience they would need at that still uncertain date when the USA too must draw on the atom for power. The plans laid at that period were very grandiose; it is these ambitions that are now being scaled down as a mood of pessimism about the future of atomic energy sweeps Europe. Naturally, no one questions the truism that classic sources of energy — coal, oil and gas — are one day going to give out, and so the future must lie ultimately with atomic energy. But in terms of concrete economic policy, the date at which atomic power can economically take over from classic power-sources has lately receded well into the future.

The period of optimism began in February 1955 when the British Government's white paper on its nuclear energy programme (5 to 6 million kW by 1965 from nuclear stations) fell like a bomb in all capitals less advanced in atomic science than the members of the atomic club; it even caused a flurry in the USA. Since the British are known not to gamble on wild guesses, most countries, including India, concluded that atomic power had suddenly burst into the short-term picture. This seemed to be confirmed at the world conference on the peaceful uses of atomic energy in Geneva at the end of 1955, when the Big Three revealed many of their secrets and showed that important advances in this field had indeed been made. There then appeared on the scene that gentleman without reference to whom the world's power policies in the 20th century cannot be understood: Colonel Nasser. By putting his hand to Europe's throat he demonstrated that if there were to be any talk of wild gambling in power plans it applied not to investments in atomic energy but to reliance on the major classic source of energy, oil (there was a coal shortage in West Europe at that time). Atomic power henceforth seemed not only a possibility but a necessity.

Britain's nuclear programme was then taken as the merest common sense, and her Continental neighbours hastened to write a similar one and to have it underwritten, with guarantees of assistance, by both Britain and the USA. If Britain were to have 5 to 6 million kW by 1965, the Common Market Six should have 15 million by 1967; this was the objective set by Euratom. To anticipate the rest of the story, the prospects for atomic energy have grown so much paler since 1956-57 that this target of 15 million kW was brought down to a "firm objective" of only 4 million kW in March last year; and at the present moment it seems that the maximum that will be obtained by 1967 is only 2 to 2.5 million kW. The British target has been maintained, but the date for its achievement has already been pushed back from 1965 to 1967.

The reasons for this reduction of targets are multiple but we may take first those that concern not atomic energy itself but the cost and availability of the power-sources it has to compete with. Colonel Nasser's enterprise stimulated not only the above-mentioned expansion of atomic energy programmes, but an urgent quest for extra supplies of classic fuels required to fill the gap before atomic energy matured. This quest was so extraordinarily successful, and was aided by so much good luck, that extra supplies of classic fuels suddenly became available in such immense quantities as completely to change the whole power picture — and incidentally to increase the competitiveness of classic fuels with atomic energy. The coal situation, for example, was transformed so radically that it created extremely serious problems. American coal-mine productivity increased, Atlantic freight rates slumped as part of the world shipping crisis, so that large shipments of coal ordered by West Europe in a moment of post-Nasser panic came pouring into Europe just when Europe's own frantic efforts to boost coal raisings were succeeding beyond expectations. Meanwhile, a mild economic recession had hit the West, reducing demand for fuel and postponing the date at which the atomic shot-in-the-arm would be needed. You know the rest of this part of the story: record coal-stocks, closed marginal mines, considerable unemployment in the Ruhr and Belgium, etc.

But at the same time the West's supply of oil not subject to Colonel Nasser's pleasure was multiplied many times: by the rapid exploitation of the French Saharan deposits, by the American discoveries of what may prove to be even more important (and surely more convenient) deposits in Libya, by the increased supplies from Central and South America. And anyhow, the Suez Canal was soon cleared, the tanker fleet proved to be too big, and Colonel Nasser — temporarily on good behaviour — was doing nothing to stop the Middle East supplies; even the Baghdad revolution did not cost the West a drop of oil. Meanwhile, natural gas supplies in reality or in prospect vastly increased: the pipeline from Lacq in the Pyrenees reached Paris and the Swiss border, and plans for the transport of gas across the Mediterranean were completed. Italian, Swiss, French and German enterprise covered West Europe with a new network of oil and gas pipelines, thus rationalising the distribution of hydrocarbons; Russia carried her own pipelines into the heart of Europe, and began pressing the Western countries to buy her oil. After a coal surplus, an oil surplus is in sight and it could last a decade; this is the cause of much political bargaining at this moment, for France wants to get her Saharan oil into Europe on privileged terms while the USA wants to prevent her cartels being shut out and Russia wants to sell as much of her oil as she can. Colonel Nasser, evidently, will have to stay on good behaviour for the rest of his life. But,

more to our present point, the cue for the atom's entry into the power scene is pushed back 20 years.

So much for the increased competitive power of the atom's classic rivals. The Indian energy authorities might reply that all that concerns only the world west of Suez and does not detract from the utility of investments in atomic energy plans in India. But throughout the same period a lot has been learnt about the cost, both initial and recurring, of nuclear energy stations; and much of it is disappointing, at least for the near-term prospect. In the phase of optimism about atomic power, Sir Christopher Hinton produced the following forecasts for the cost of producing one kWh by classic and atomic means: (in pennies)

	Classic Stations	Nuclear Stations
1960 ..	0.60	0.66
1970 ..	0.67	0.47
1980 ..	0.73	0.38
1990 ..	0.84	0.32

These calculations were supported by the rather more cautious reckoning of Euratom, which came to the same conclusion: atomic power in 1960 would be slightly dearer than classic, but the relations would be reversed around 1965 or 1967.

But experience with nuclear stations — at Chapelcross in the U.K. where capital costs were 50 per cent higher than foreseen, and at Shippingport in the USA — showed that such calculations were faulty. The following are now held to be safer estimates of the future cost, in pennies, of one kWh produced by classic an atomic stations:

	Classic Stations	Nuclear Stations
1960 ..	0.56	0.66
1970 ..	0.54	0.58
1980 ..	0.51	0.54
1990 ..	0.50	0.50

In other words the equality-date is pushed back fron 1965-67 to 1990; and whereas Sir Christopher Hinto thought that by 1990 nuclear power would be 40 pe cent cheaper than classic power, it is now believed tha they will then just be about equal.

Now neither of these sets of calculations, the opti mistic or the pessimistic, can be taken as certain. A official of the American Atomic Energy Commission Mr. Roddis, has shown in an amusing but perfectly sound article that, depending on whether you take a consistently optimistic or a consistently pessimistic view of future interest rates, depreciation charges, atomic fuel costs, irradiation costs, running costs, etc., you can get results for the price of atomic energy that differ as 1 to 16. So, much in such forecasts in guesswork — but only as far as concerns the atomic energy costs, not the classic power-supply costs which are known with great precision. In sum, the economic future of atomic energy is still highly uncertain. It is sure that it is not yet competitive with classic power-sources and all predictions that it will become so within the next one or two decades have been based on excessive optimism and, more important, on an underestimation of the element of technological hazard inseparable from a radically new process. In the very long term — a generation or so — there is no possible doubt about atomic energy's future. But meantime the world has on its hands a glut of classic power-sources.

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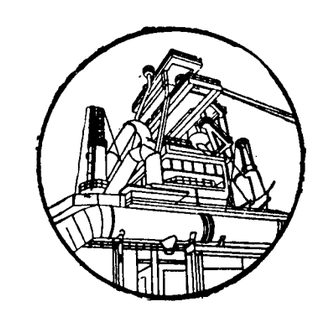
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Economic Report from the U.S.

MANPOWER RESOURCES

By GUY SIMS FITCH

WASHINGTON, February 9.

STARTLING changes in the American labour force are in prospect for the decade just getting under way — changes that pose some interesting challenges. The most startling development, perhaps, will be a massive increase in the number of young and relatively inexperienced workers at a time when the economy will begin to feel a shortage of men and women in their working prime — the group from which must come the skilled workers and the executive and management personnel. This is one of the problems foreseen in a comprehensive review ("Manpower as Challonge of the 1960's) published last week by the Department of Labour. But the study expresses confidence that proper utilization of manpower resources will enable the United States to raise its living standards another 25 per cent between now and 1970. It also indicates that the American economy can grow rapidly enough to absorb a net labour force increase of 13.5 million in the next 10 years — by far the largest increase of any decade.

Probably the nub of the study is an analysis showing that while the total U.S. population in the current decade will be climbing from 180 million to 208 million — a gain of 15 per cent — the number of available workers will be jumping from 73.6 million to 87.1 million — a gain of 18 per cent. A key point is the so-called "Baby Boom" — the increased birth rate — of the post-war period. It is in the middle 1960's that this post-war baby crop will come of working age. In the single year of 1965, for instance, an estimated 3.8 million youngsters (compared with 2.6 million this year) will be reaching age 18 and will be ready for work or college. Over the entire decade, 26 million new workers and some 3 million women are expected to be entering the labour force for the first time. This gain of 29 million is about 40 per cent more than the increase during the 1950's. At the same time, only 15.5 million older workers are expected to leave the labour force— because of death, retirement or other reasons, — which makes for net increase of 13.5 million.

By contrast, there will be a decline of about 200,000 in the number of working men and women in the "prime" ages of 33-44. This deficit, the result of the relatively low birth rates during the 1930's will inevitably place a heavy burden on the management of American business enterprise. At the very least, it can force changes in traditional practices of recruitment and training. In addition, it will mean that job discriminations because of sex, age, race, religion or other extraneous factors will make even less sense than today. One of the complications expected stems from the fact that the fastest growing occupations will be precisely those requiring skills, training and educational background — for example, in the professional and technical fields with their great demand for scientists, engineers and technicians. Employment also will continue to grow faster in service industries, such as finance, insurance and real estate, than in production industries. In summary, workers under 25 years of age will account for nearly half the labour force growth of the 1960's even though persons in this age group will tend to stay in school longer to meet the economy's need for greater competence. There also will be substantially more workers 45 years of age or older despite earlier retirements. On the other hand, there will be a comparatively small increase among workers between 25 and 34 years of age, and an actual decline among those between the ages of 35 and 44. The labour department calculations indicate that if American business management can cope with all these impending shifts, and with the need for better trained, educated employees, the nation's manpower resources can support a 50 per cent gain in production in the next 10 years. This would mean a total output of goods and services — a gross national product — of $750,000 million in 1970, compared with 1959's estimated $480,000 million.

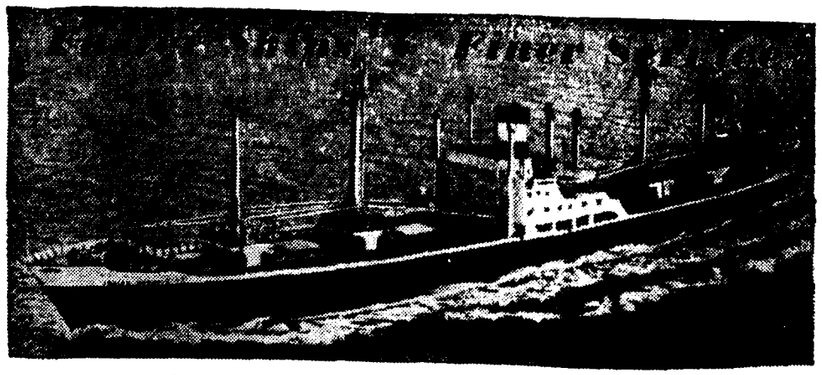
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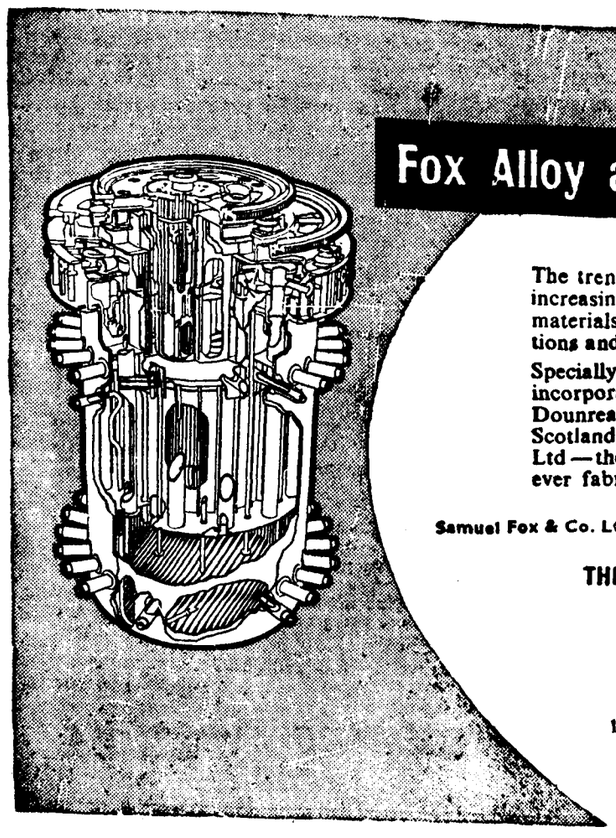


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Special Article

RAILWAY FINANCES AND THE SECOND PLAN

THE outstanding feature of Mr. Jagjivan Ram's Railway Budget for the final year of the Second Five-Year Plan is its positive contribution to inflation. This contribution comes ill at a time when the recalcitrant behaviour of prices must be causing concern to the Finance Minister. The Railway Minister has been anxious to explain that the surcharge of 5 naye paise per rupee will fetch him additional revenue of Rs. 14 crores only, as against the provisionally estimated increase in the wage-bill of the order of Rs. 20 crores for the budget year. This explanation is plausible but it is misleading. The annual increase, consequent on the recommendations of the Pay Commission, would be around Rs. 13 crores, while the balance of Rs. 7 crores would go to meet the liability on account of the current year. The real pertinent aspect of the incrase in revenue from the surcharge is that it will go on rising above the point of Rs. 14 crores as traffic picks up and expands in the years to come. It would be naive to expect that the "surcharge" will be reduced next year or withdrawn 'in toto' after a time. In all likelihood, it will disappear only to be merged in the regular tariffs.

The Railway Minister could not have been unaware of the injury which the surcharge would cause to industry and trade by subjecting them to a new inflationary impost. While Wage Boards are threatening to exert their pressure for inflated wage scales, production costs are receiving a fresh boost from rail transport. Additions to transport cost are beyond the control of industry and the only choice left to it is to transfer the incidence of higher freight payment to the consumer. Ores for export have been exempted from the surcharge. But over the bulk of the export trade, the Railway Board has made a curious contribution to export promotion!

The Chairman of the Railway Board, has made confusion worse confounded, while explaining the Board's attitude to freight rates vis-a-vis the recommendations of the Railway Freight Structure Enquiry Committee. He pleaded while addressing his customary Press Conference, held immediately after the Budget was presented in Parliament, that judgment should be deferred on the impact of the increase of 4 per cent in freight rates introduced in October 1958. The reason he assigned was that the full effects of the revised rates could not be judged by the trends in freight earnings during the recessionary phase which followed their introduction. With the return of normalcy and expansion in traffic, higher rates cannot fail to bring higher revenue. This is all the more a cogent reason why the Railway Board should not have rushed to enhance the rates. The plain fact seems to be that expediency has influenced the decision to levy the surcharge. It was a more handy remedy than a resort to the drive for higher productivity, which is still in the embryonic stage on the railways, and what is more important, strict discipline in financial management.

The Budget estimates for 1960-61 provide the first opportunity for reviewing the progress of railway finances in relation to the Second Plan. The total outlay on the Railway Plan has been fixed at Rs. 1,125 crores for which resources were to be found to the extent of Rs. 750 crores by the general revenues, Rs. 225 crores by the Railway Depreciation Reserve Fund and Rs. 150 crores from the revenues of the railways, notably from the Development Fund. The foreign exchange component of the Railway Plan was estimated at Rs. 425 crores. The revised estimates for the current year disclose that an outlay of Rs. 875 crores will be incurred on the Plan in the first four years. This leaves a balance of Rs. 250 crores which will be absorbed by the expansion programmes awaiting execution in the budget year. Thus in financial terms the Plan will have been fulfilled according to schedule.

In physical terms, too, the railways will have the near-satisfaction of having accomplished the Plan. But present indications seem to be that electrification, new line construction and workshop facilities may lag behind. This assumption can be made on the basis of the shortfalls of sizeable orders which have taken place under these three heads in the current year. The biggest shortfall, however, has occurred in rolling stock, mostly attributable to freight wagons, of the value of Rs. 20 crores out of a total shortfall of Rs. 40 crores. The wagon shortfall is attributed to the non-availability of matching steel which could not be imported. The Railway Minister has stated that the railways will have achieved near-self-sufficiency in the manufacture of steam locomotives. He has extended the same forecast to the case of freight wagons also.

But it accords ill with a very strange plea which he has made to industry and trade asking them to stagger their programmes of traffic movements, so as to even out the fluctuations between the busy and the slack seasons and obviate the necessity for the railways to maintain an extra fleet of wagons to meet the pressure of demand during the busy season. He has appealed that in so far as non-perishable goods are concerned—and among them he has made a specific mention of coal and other minerals—industry and trade should "build up stocks at the source during the busy season, so that they could be shifted to the consuming centres during the slack season". If this appeal was responded to, the plight of marginal collieries and also of those above them can be easily imagined. Likewise, the immobilization of working capital in stock build-up and interest charges thereon would create a far more acute problem for industry and trade than the relief which they are imagined to provide to the railways.

It is only fair that praise should go to the Railway Ministry for the successful efforts which it made in pursuing the drive for self-sufficiency in rolling stock. In particular, this drive has shown concrete results in the sphere of freight wagons which at one time threatened to create serious bottlenecks. Self-sufficiency is progressing rapidly and in this progress the public sector as well as the private sector merit their full share of credit. The Railway Ministry has been able to effect a saving of Rs. 90 crores out of the total foreign exchange estimated outlay of Rs. 425 crores. A saving of the order of 21.2 per cent in the foreign exchange expenditure of this biggest part of the Second Plan is no small achievement.

The fluctuations in the Railways' Funds, however, do not tell an equally happy tale. To take the Revenue Reserve Fund first. Its progress at the end of the First Five-Year Plan and over the period of the Second Plan is tabulated below:

REVENUE RESERVE FUND

(Rs. Crores)

Year	Appropriations	Net Accretion	Closing Balance
1955-56	8.51	8.53	46.89
1956-57	1.52	1.52	48.07
1957-58	1.61	1.61	49.68
1958-59	1.09	1.09	49.37
1959-60 (RE)	1.90	1.90	51.60
1960-61 (BE)	1.84	1.84	53.44

It will thus be seen that, if accruals of interest are excluded, the Revenue Reserve Fund was left high and dry in the distribution of the net surplus of the railways.

The Development Fund, unlike the Revenue Reserve Fund, was intended expressly to finance from current revenue a part of the development outlay. How far it performed this function is to be gathered from the following trends in its position.

DEVELOPMENT FUND

(Rs. Crores)

Year	Appropriations	Withdrawals	Closing Balance
1955-66	7.57	12.14	12.97
1956-57	20.65	19.84	13.75
1957-58	13.63	25.53	1.85
1958-59 .. .	19.11(a)	28.06	—1.69
1959-60 (R.E.) ..	29.60(b)	28.90	Nil
1960-61 (B.E.) ..	26.06(c)	26.06	Nil

(a) Includes a loan from the General Revenues of Rs. 10.98 crores.

(b) Includes a loan from the General Revenues of Rs. 14.85 crores.

(c) Includes a loan from the General Revenues of Rs. 7.63 crores.

This table shows that, from the third year onwards of the Second Plan, the Development Fund was inadequate to perform its function as a modest source of finance for development. Appropriations from the railway surplus were utterly insufficient for its function and in the last three years recourse had to be taken to borrowings from the General Revenues. In other words, real finance did not come from current revenues exclusively, but from the General Revenues under a different name.

How depreciation allocations present a perplexing problem to post-war industry is demonstrated in a telling manner in the case of the Depreciation Reserve Fund of the Railways. The trends in this Fund are traced in the following table:

RAILWAY DEPRECIATION RESERVE FUND

(Rs. Crores)

Year	Appropriations	Withdrawals	Closing Balance
1955-56	48.67	45.89	103.47
1956-57	48.90	43.68	103.14
1957-58	49.38	63.62	88.89
1958-59	48.40	80.72	56.70
1959-60 (R.E.) ..	47.01	68.83	33.97
1960-61 (B.E.) ..	46.78	63.20	17.75

Each year Rs. 45 crores were credited to the Depreciation Reserve Fund from the current railway revenues in pursuance of the existing Financial Convention, whose lease has been extended till the end of the Second Plan. The balance of appropriations in the above table represent credits on account of interest earned. While total appropriations during the Second Plan period rose to Rs. 240.47 crores, withdrawals rose steeply to Rs. 391.85 crores.

The final position of the Depreciation Fund will be that over the period of the Second Plan its size will shrink from the opening balance of Rs. 103.47 crores to a token balance of Rs. 17.75 crores. This state of the fund is easily explained by the fact that renewals and replacements for which withdrawals were made from it took a heavy toll under the pressure of accelerated expansion. But the closing balance at the end of the Second Plan reduces the Fund to nothing more than a travesty, when it is considered in relation to the capital-at-charge of the railways which would rise to Rs. 1,563.29 crores at the end of March 1961. The abnormal rate at which the depreciation fund was depleted (and it may be recalled that there was a time when this fund was raided for payment of interest charges) has gone to fulfil a vital function. That function is to hold down, in some degree, the overcapitalization of railway assets.

And this brings us to the final indicator of the railway finances which is the remarkable expansion of the capital-at-charge. It is tabulated below:

EXPANSION OF RAILWAY CAPITAL - AT - CHARGE

(Rs. Crores)

Year	Capital-at-Charge
1955-56	968.98
1956-57	1,071.71
1957-58	1,222.44
1958-59	1,356.59
1959-60 (R.E.)	1,442.47
1960-61 (B.E.)	1,563.29

Between the start of the Second Plan and its termination, the capital-at-charge of the Indian railways will have taken a big jump of Rs. 594 crores to Rs. 1,563 crores. This expansion in the capital of the order of Rs. 594 crores shows a substantial increase of 63.04 per cent; this has been financed appropriately and with very little debate. The railways have shown that they have large financial and organisational capacity. This is a really big business and the verdict on its total operation should not be grudging. It is a national asset in good hands.

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Reserve Fund	..	Rs. 1,75,00,000
Working Funds (31.12.58) over	..	Rs. 114,00,00,000

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THE BUSINESS WORLD

Management: Changing Needs

By CROESUS

THE sixth Management Conference, sponsored by the Ahmedabad Textile Industry Research Association (ATIRA) last week, provided a unique occasion for two of India's top-ranking business men to tell the participants what the rapidly changing conditions in the industrial world today demand. Mr. Kasturbhai Lalbhai, Chairman of the Council of Administration of ATIRA, stressed the need for simultaneous progress in the understanding of the relationship between ideas and their implementation on the one hand and research results and their acceptance on the other. He also emphasised that "the foresight with which the industrialists seek to train their personnel holds the answer to both the health of the existing industry and the rapid growth, expansion and diversification of it". Mr. Kasturbhai felt convinced that, while one essential component, namely, technological training, was being catered for sufficiently, another essential component, namely, "the skill for handling men and of understanding them and knowing what to look for in a total situation" had not received as much thought as it ought to. Hence his insistence on efforts towards strengthening the procedures in the selection, training and promotion practices in the industry. "The greater our conscious efforts to build up our professional management", he observed, "the greater will be the benefit that will accrue to us".

Building up a cadre of professional management men is no easy task and, as in other fields, it is a matter of evolution through the hard school of experience. Mr. G. D. Birla, therefore, called upon the business men to cultivate vision and foresee what India ten years hence was going to be when there would be an enormous demand for technicians and business management personnel. He visualised that, as in other countries, high taxation and death duties would bring about big changes in India also and there would be a great demand on the managerial class which would be called upon to provide chief executives to serve as an essential connecting link in the chain of industrial set-up. He, therefore, wanted the technicians to be prepared for this and to take on a new role. If so far they had not done so, it was because they had fallen into a rut and they should now get out of it; otherwise, they could not reach the top management levels as in other countries. In this connection, he cited the example of engineers and chemists who had become business executives in the USA because they had got out of the rut and learnt to think in terms of balance sheets, dividends and large profits. In other words, he did not consider it enough for the technician to be content with doing just his job, but he should develop a wider outlook and interest so as to take on more responsibilities. This would make for a better understanding between the technician and the business man and a harmonious functioning of such technicians and business men would undoubtedly augur well for the future of the country.

Turning to the industrialists, Mr. Birla advised that they should learn to delegate powers. "The boss", he said, "must do the job of a boss and must rise above details and organise talents". This theme apparently set the pace for the day's discussion, and it was interesting to observe the Vice-President of the Ahmedabad Management Association taking the cue. He remarked that the delegation of powers would also need training which must start early. The Director of ATIRA, Dr. Subramaniam, observed that training would not only make better managers but also better citizens of those who took it. As important as delegation of powers is the need to share the knowledge acquired—not only with a few but with the entire body of interested industrialists, a dream that has come true with the establishment of institutions such as ATIRA and BOTIRA. This need has today become all the greater, thanks to the growing complexity of industrial organisations.

Ahmedabad being one of the strongholds of managements, presumably, Mr. Birla felt like referring to the managing agency system. When he was discussing the need to delegate powers, it must have occurred to him that it would be appropriate to sound a note of caution against transferring managing agencies to wrong hands. Asserting that the managing agency system had made a great contribution and ensured continuity, he said that "it could also be a curse if it fell into wrong hands". But, then, Mr. Birla was not for perpetuating family business. For, as he himself pointed out, no business in India could remain a family business after 10 or 15 years, thanks to high taxation, death duties, etc. What he wanted to convey perhaps was that, inasmuch as business was becoming a national trust and no longer an individual affair, the managing agents should see to it that the trust passed on to good hands.

Mr. Birla also pointed out how in Europe and America personal business empires had given way to impersonal corporations. India too, he said, had to move towards that goal. Today, there was hardly even one personal business empire in those countries. There was control without proprietorship and big business houses had become national business. On the other hand, India was the only country where there was the largest number of self-employed. In other countries, self-employment had given way to large corporations. He visualised that in the next 10 years, the country may have one million corporations with one crore shareholders. If only businessmen and technicians worked together, they need not worry about the private and public sectors, but could rest assured that the future of India was bright. However this would need the creation of the right type of managerial personnel to cope with the mammoth industrial expansion. In a nutshell, what he pleaded for was impersonal management as well as impersonal (joint stock) ownership in big business. It is based on these considerations that one should view India's management needs in the coming years.

Business Notes

Foreign Assistance

POLAND'S CREDIT OFFER

POLAND IS the new entrant into the fraternity of friendly nations that have come forward to provide economic assistance for India's Third Five-Year Plan. A long term credit offer to the extent of Rs. 15 crores has been announced this week at a Press Conference. This offer from Poland, the Fourth Communist country to make such an offer after Russia, Rumania and Czechoslovakia, is of special significance in view of the fact that India is the first country to receive such long term credit from Poland. Even China, it may be mentioned, makes payments in cash or in kind on delivery against the capital goods supplied by Poland.

The terms on which and the projects for which the credit will be available have still to be finalised and will be set out in an Indo-Polish economic agreement to be signed within the next two months. From the preliminary discussions that have taken place it appears that, as in the case of Czech credits, the period of repayment will be eight years and the repayment will be in agreed Indian commodities. The industrial projects that have been under discussion include an aluminium plant, a machine tools factory, a coal washing plant, an ammonia compressing factory and a plant for processing zinc ore. The deliveries will include plants, technical know-how and technical and scientific assistance. It is learnt that a part of this assistance will also be available to be utilised for projects in the private sector, although the credit will be at the government level from both the countries. It is gathered that the quantum of Polish assistance may be substantially enlarged which will presumably be covered in supplementary agreements relating to specific projects. The significance of this offer lies in the fact that it comes from a country which needs its own resources for the development of its economy. This assistance to India is inspired by a spirit of cooperation.

Productivity

SIGNIFICANCE OF WORK STUDY

WHILE AN industrial economy is being evolved in India through various diverse forces, it is of the utmost importance that sufficient stress is laid on the qualitative aspect of this growth. Industrial productivity, therefore, is a subject which has attained a lot of significance during the last few years. The National Productivity Council has been sending study teams abroad with a view to observing the efficient utilization of men, machines, materials, land and capital. The recently established Calcutta Productivity Council held a conference to debate the recommendations and some of the findings of the first Productivity Team of the National Productivity Council against the background of a review of modern work study methods. The deliberations were assisted to a large extent by the presence of Mr R. M. Currie, a distinguished international figure in the field of productivity studies, who reviewed the work study methods, which in simple terms are defined as "the systematic and objective examination and improvement of the factors which directly govern the productivity, or operational efficiency, of any specified activity:" The British Productivity Council's manifesto brings out very well what work study attempts to achieve. It observes: "....experience has shown that a marked advance in productivity can often be made with existing equipment by improvements in methods of control and/or minor changes in layout, etc. This demands a fearless and critical examination of present methods of working and of organisation. It requires a willingness on the part of both management and workers to make, and accept, changes which will serve the common purpose".

As pointed out by Mr. H. K. S. Lindsay in his presidential address, it is very essential that the broader aspects of productivity which are within the control of management should initially be left to management associations to pursue. The purpose of management associations, the Administrative Staff College at Hyderabad, and other management courses, is to make individual managers aware of the tools and techniques available to them and to make them conscious of the need for an objective outlook so that they can bring about improvements in their spheres. Apart from this, workers' organisations should also be made to realise the need of such improvements, which will ultimately be in their interest. Because in the final analysis improved productivity is the real basis of a stable and durable increase in wages. It is not difficult, therefore, to find common basis for legitimate improvements.

Food

AN UNTENABLE DECISION

WHATEVER MAY have been the covert justification of the M.P. Government for rejecting the advice of the Union Government to form a food zone with Bombay, it does not appear that the overt justifications given out by Dr. Katju, the M.P. Chief Minister, do not seem to carry conviction. At a press conference in Bombay last week, Mr. Hasham Premji, President, Federation of All-India Foodgrain Dealers Associations, pointed out how neither the charge that, by the formation of the proposed zone, the trade would have made a profit of Rs. 4 to 6 a maund, nor the claim that the decision was in the interests of the people of M.P. could be substantiated. On the contrary, according to Mr. Premji, with M.P. joined, the Bombay-M.P. Zone would have been a surplus zone to some extent and prices would, therefore, have fallen to a parity level 'vis-a-vis' the price of M.P. foodgrains when imported into Bombay. Also, he maintained that the decision had been made not in the interests of 85 per cent of the population of the M.P. who depend upon agriculture but ostensibly in the interests of less than 15 per cent of "the poor industrial and urban consumers" in M.P. Pleading, therefore, for the acceptance of the Centre's advice, Mr. Premji said that such would not only be in the interest of the producer in the M.P. but also of the large industrial population of Bombay. It is the latter, as he added, who have been suffering in the past and will continue to do so by the decision of the M.P. Government. Surely there is no sense in the M.P. Government persisting with its policy of a single zone for Madhya Pradesh only and insisting on its zonal barriers and monopoly purchases for export to deficit States, when other surplus or self-sufficient States have made common cause with contiguous deficit States. Thanks to certain necessary safeguards assumed by the Centre, such as permission to build reserve stocks, restriction on outward movement of foodgrains and sales at subsidised rates to the people of the State in case of an emergency, as in the case of the Orissa-West Bengal Zone, the M.P. need not labour under any imaginary apprehensions. The fear of a rise in prices following the zonal arrangement is certainly not borne out by the experience of the Southern Zone. But the greatest advantage or merit of the acceptance by M.P. of the Centre's advice is that it will pave the way for a bigger zone consisting of M.P., Bombay, Orissa, and West Bengal, thereby restoring, to some extent, as Mr. Premji put it, "a rationality to the price-structure within the country and enable the Government to concentrate its energies on higher production to meet the rising demand of our fast-growing population with increased

standard of living during the Third Five-Year Plan period."

Mr. Premji also welcomed the decision of the Government of India to plan for a production of 110 million tons of foodgrains at the end of the Third Plan period, but he did not feel that the amount set apart for the purpose, viz. Rs. 1,092 crores, would be sufficient for the purpose. According to him, an expenditure of at least Rs. 1,500 crores would be necessary to achieve the proposed target.

Employment

A "TEMPORARY HELP" AGENCY FOR INDIA?

WHEN THE best brains in the country, both in the Planning Commission and outside, have been at pains to find some solution for India's problem number one, namely unemployment and underemployment, the presence of a person like Mr. Aaron Scheinfeld, Chairman of Manpower Inc. Milwanke, US, should be of interest. For Manpower Inc. seems to have stumbled across a sort of an answer to the question of providing work to those who are unemployed or underemployed and who do not want to or cannot work full time. Although it remains to be seen how far the American remedy would meet the Indian situation, there is nothing wrong in discussing the subject with Mr. Scheinfeld and finding out the prospects of its application to our country with suitable modifications, if need be.

This is how the idea occurred to the Americans. It all began way back in 1948, when the present partners of Manpower Inc. were frantically after a stenographer to type a deadline brief late in the afternoon. Having failed to get any response from former employees or employment agencies, and with hardly any time to advertise for a hand, they had to make their own secretaries work late into the night. This is believed to have given birth to the idea of a service bureau that could be called upon to handle such emergencies. Beginning in a modest way to meet the limited needs of midwest Chicago, the organisation has since grown into what is claimed to be "the largest complete business service in the world," with 200 offices.

Besides this temporary help field, it is stated, Mr. Scheinfeld's visit has been undertaken principally to help foreign manufacturers enter the North American market. His company proposes to "test a long-range marketing programme that would make it easier for manufacturers anywhere to survey and see the rich and growing economies of the U.S., Canada and other nations." For this purpose, he has been meeting and conferring with business men, government officials and others. At a meeting arranged in Bombay by Mr. Kali H. Mody, President, Public Relations Society of India, Mr. Schienfeld talked to Press men about his mission and impressed those present with his sincerity of purpose and desire to help the needy, wherever found.

Industry

LEATHER'S BY-PRODUCTS

ONE IMPORTANT element in the planning of any industry is the proper utilisation of certain wastes as by-products. If an industry does not utilise its wastes, it fails to exploit a ready source which goes to lower production costs. For, apart from helping the industry to increase its yield, such utilisation ultimately reduces the cost of production of the final products. One reason why the highly industrialized countries are able to sell their products at competitive rates is that they make full utilisation of industrial by-products.

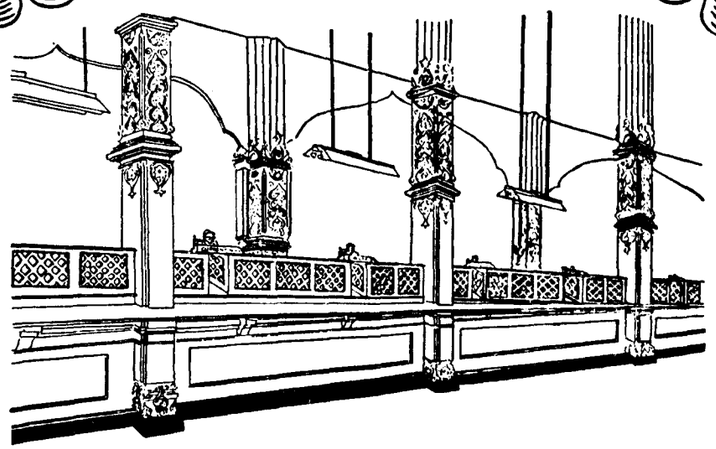
The Central Leather Research Institute recently organised a symposium to highlight some of the aspects of the utilisation of the tannery by-products. It was remarked that waste from the leather industry alone was estimated at around Rs. 35 crores annually, which was as much as the leather industry was worth. It is a strange contradiction indeed that there is more waste in the poorer countries than there is in the advanced countries. It is quite proper, therefore, for the Research Institute to propagate for the exploitation of these wastes. The Director General, Council of Scientific and Industrial Research, while inaugurating the symposium, rightly pleaded that this was a problem where the scientists could contribute a lot. "Here is something that you can retrieve: here is something which gives a challenge to the technologists and the research workers", he added.

It is a fact of common knowledge that by-products like gelatine, glue and essential amino acid from hide fleshings, sausage castings and guts from cattle and sheep intestines, bates from pancreas and manures from bone and blood can be manufactured. It is only a matter of properly organising the utilisation of these items which can be a fruitful source for additional employment. It would be worthwhile for a wide range of industries to investigate whether they have any untapped resources in the form of wastes for turning out by-products.

REFRACTORIES PLANT IN ORISSA

WITH THE expansion of the steel industry in the country, an increase in refractory manufacture is rightly envisaged. The Refractories Panel have proposed a production target of nearly one million tons by 1965, an increase of about 50 per cent over the production likely to be achieved by the end of the Second Plan. The opening of the refractories plant in Orissa will make an important contribution to the industry. Tata Steel and its West German associates, Didier-Werke, have invested Rs. 368 lakhs in this plant of which approximately half represents the expenditure in foreign exchange. The plant starts with a capacity of 67,000 tons of bricks and 10,000 tons of mortar. The planning of this project and its initial equipment has been specifically designed for a doubling of the capacity, which it is hoped will be accomplished at a substantially lower cost, involving a smaller outlay of foreign exchange.

The output of the industry can, of course, be stepped up quickly if adequate encouragement is given. This was highlighted by Sir Jehangir Ghandy, Chairman, Belapahar Refractories Ltd. in his address at the formal inauguration of the plant which was performed by Dr. Hare Krushna Mahtab. Sir Jehangir Ghandy pleaded for giving manufacturers some preference in the grant of mining leases to prevent important raw materials from being cornered by speculators and middlemen, which resulted in supplies of inconsistent quality at high prices. Although there exist in the country adequate raw materials for the industry, Sir Jehangir stressed that efforts were necessary to open new deposits in addition to those already being worked. The need for it becomes greater when it is realised that the scope for increasing production from existing quarries was limited. The raw material (magnesite) is reported to exist in the Kumaon Hills of Uttar Pradesh. There is a strong case for undertaking systematic prospecting at the earliest practicable opportunity to establish the commercial potentialities of the deposits. While all this is essential, the need for extensive research for the full development of the Indian refractories industry cannot be ignored. To fill this gap it will first be necessary to build trained personnel. There are no adequate facilities for graduate studies in ceramic engineering especially in the branch of refractories engineering. Priority needs to be given for making early provision for this training.



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Current Topics

SOVIET AID FOR THIRD PLAN

An agreement between India and Soviet Russia covering the new credit of 1,500 million roubles, which was recently offered by the U.S.S.R. and accepted by the Government of India, was signed last week. The agreement sets out the list of projects and the details of the technical collaboration covering these projects.

UNDER the agreement, the two Governments have stated that the new credit shall be utilised for the following enterprises:

(1) Expansion of the Bhilai Steel Works and its ancillary facilities, so as to increase its capacity, to 2.5 million tons of steel per year.

(2) Expansion of the Heavy Machinery Plant at Ranchi (Bihar) to its design capacity of 80,000 tons per year.

(3) Mining machinery plant; expansion and diversification.

(4) Completion of the oil refinery at Barauni (Bihar).

(5) Manufacture of heavy electrical equipment.

(6) Manufacture of precision instruments.

(7) Exploration, development and production of oil and gas by the Oil and Natural Gas Commission in Cambay and in other areas.

(8) Expansion of the capacity of the Neyveli Power Plant (Madras) from 250,000 K.W. to 400,000 K.W.

(9) Expansion of the Korba Thermal Power (Madhya Pradesh) by the addition of 200,000 K.W. installed capacity.

(10) A new thermal power station at Singrauli (Uttar Pradesh) with a capacity of 250,000 K.W.

The terms and conditions for the fulfilment of obligations by the Soviet organisations under the Agreement in respect of each enterprise are to be separately defined in relevant contracts to be entered or by an exchange of letters between the Soviet and Indian authorities. It is understood that the contracts for the deliveries of equipment for each of the enterprises shall have to be concluded within four months from the date of the submission of corresponding quotations by the Soviet authorities. If the total outlay on the completion of the detailed project reports were to exceed the credit offered by the Soviet Government, the excess amount shall have to be repaid by the Indian party through export of Indian goods to the U.S.S.R. in accordance with the programme to be mutually agreed upon and in conformity with the Indo-Soviet Trade Agreement in force. If, on the other hand, the total outlay were less than the credit offered, the two Governments shall further consider the question of co-operation in establishing some new enterprises other than those listed above.

The Soviet Government has guaranteed the performance of the plants, machinery and equipment in accordance with their stated capacities and efficiencies. If the guarantees are not fulfilled, the Soviet organisations undertake at their own cost to rectify defects pointed out to them or to replace such plant and machinery as are found unsatisfactory or alternatively to reimburse the Indian authorities the cost of such rectification or replacement.

PAST AGREEMENTS

The scope and volume of technical assistance rendered by the Government of the U.S.S.R. have been as follows:

In February 1955, an agreement was concluded for the establishment of an integrated iron and steel works at Bhilai (Madhya Pradesh); the first phase of this project has recently been completed and the plant is now in production. In 1955-56, a team of Soviet experts drew up a scheme for oil exploration in India; with equipment and technical personnel obtained from the U.S.S.R. as well as from Rumania, the O.N.G.C. has been exploring for oil during the Second Plan with the help of that scheme. In November 1957, another agreement was concluded between the two Governments by which a credit of 500 million roubles (equivalent to Rs. 60 crores in foreign exchange) became available; the projects taken up against that credit include a Heavy Machinery Building Plant (at Ranchi), a Coal Mining Machinery Plant (at Durgapur), a Thermal Power Station (at Neyveli) based on lignite, and development of the Korba Coalfields.

To discuss the possibilities of further collaboration in connection with the Third Five-Year Plan, an Indian delegation led by Sardar Swaran Singh, Minister for Steel, Mines and Fuel, and including Mr. Manubhai Shah, Minister for Industry, visited the Soviet Union in May 1959. The same month, a new agreement was concluded for the manufacture of drugs in India, and, in September, another agreement for the establishment of a major oil refinery at Barauni; also in September, an agreement was concluded, at Moscow, by which the Government of the U.S.S.R. made available a further credit of 1,500 million roubles (Rs. 180 crores) for schemes to be taken up in the Third Five-Year Plan. The agreement now signed relates to this credit and the list of projects for which it is to be utilised.

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A DELHI NOTEBOOK

EXPORTERS' ASSOCIATION

THE Government of India is contemplating the formation of a strong Exporters' Association to deal effectively with shipping companies on a bipartite basis. The emergence of such an organisation, it is said, would lessen the need for direct Governmental action and enable shipping and trade interests to understand their mutual difficulties. It is felt that Governmental initiative may be necessary to organise exporters into a well-knit body "capable of negotiating with the powerful shipping interests".

The scheme was placed before the members of the Export Promotion Advisory Council last Sunday. It envisages the setting up of an all-India body, with headquarters at New Delhi and branches at all the important ports, for registration of exporters. The organization would work in close collaboration with the various Chambers of Commerce, Export Promotion Councils, etc. It will be stipulated that only those registered with it would get facilities connected with exports.

The organization would evolve a plan for regulating the export traffic, at various ports in India, by stipulating that all export cargoes should be registered with it and would be offered for shipment only in accordance with its directions. The organisation would make use of the services of agencies like the Export Promotion Councils to actually do the registration. Having thus got control of all cargoes, the organization would negotiate freight charges with the Conference Lines or charter other vessels at the cheapest possible rates.

The plan which would be evolved by the Association will thus ensure (i) regularity in the off-take of cargo, (ii) availability of shipping space for low freight cargo, (iii) maximum use of national shipping, (iv) reduction of Conference freight rates to the level of tramp rates, and (v) removal of the rebate system.

To give it a representative character, the Association's executive body will consist of representatives of the Federation of Indian Chambers of Commerce and Industry, Associated Chamber of Commerce, all Export Promotion Councils, all Commodity Boards (other than the Rubber Board), other important chambers of trade organisation, Export Promotion Directorate (Ministry of Commerce and Industry), the Railway Board, besides the Jute Commissioner, the Textile Commissioner, the Chairman of the Tea Board and the Senior Industrial Adviser to the Development Wing.

The registration scheme will be introduced gradually port by port. It may be introduced on an experimental basis at Bombay and Calcutta in the first instance. Then, it will be extended to the other major ports, namely, Madras, Cochin, Kandla and Visakhapatnam. Minor ports like Kakinada, Nagapatnam, Tuticorin, Calicut, Mangalore, Malpe, Karwar, Okha and Porbunder will be covered last of all. Extension of the scheme to minor ports may not be necessary at all if it is possible to negotiate reduction in freight rates and other concessions otherwise.

MAJUMDAR'S AWARD

Mr. J. N. Majumdar, the arbitrator appointed by the Government of India to fix the price payable by the Railway Board for the locomotives supplied to it by Telco during the 2-year period from April 1, 1958, to March 31, 1960, has given his award. He has fixed the price at Rs. 3.81 lakhs, against Rs. 3.93 lakhs demanded to Telco and Rs. 3.75 lakhs offered by the Railway Board. The break-up of the price is as follows:

(In Rupees)

	Telco's Quotation	Railway Board's Offer	Arbitrator's Award
Direct Materials	2,01,430	2,00,955	2,01,430
Direct Labour	22,435	21,439	21,439
Overheads	1,03,197	96,743	1,00,171
Jigs and Fixtures	2,200	2,200	2,200
Normal Depreciation	16,873	16,347	16,873
Managing Agency Commission	3,996	3,730	3,880
Annual bonus (1½ months basic wages)	6,750	—	—
Profit	35,980	33,580	34,924
TOTAL	3,92,861	3,74,994	3,80,917

The arbitrator has turned down Telco's plea for the inclusion of 1½ months bonus to the workers in the cost of production.

Telco supplies 100 metre-gauge steam locomotives to the Railway Board per year in terms of the 16-year agreement, which came into effect on June 1, 1945. The price to be paid for the locomotives to be supplied during the last year of the agreement remains to be negotiated.

EXPANSION OF STEEL PLANTS

An 8-member Committee has been set up to coordinate the work of the various organisations engaged in the task of detailed planning of the expansion of steel plants in the public sector. The members of the Committee are: Resident Director, Rourkela Steel Works; General Manager, Bhilai Steel Works; General Manager, Durgapur Steel Works; General Manager (Construction Division) Hindustan Steel Limited; a representative of the Ministry of Steel, Mines and Fuel in the Department of Mines and Fuel; the Iron and Steel Controller; a representative of the Planning Commission; and a representative of the Ministry of Steel, Mines and Fuel in the Department of Iron and Steel (he will be the convener of the Committee).

The amount so far paid to Messrs. M. N. Dastur and Company for the preparation of the detailed project report for the proposed Alloy and Tool Steel Plant is Rs. 1,80,000, it was disclosed in Parliament last week.

BRIEFS

The Government of India has not yet finalised the new standard lease form for coal as comments from some State Governments on the proposed Mineral Concession Rules are still awaited. The model lease form for other minerals also is yet to be finally drawn up.

*

A barter deal, it is understood, is being negotiated with the Andre and Company of Laussane, Switzerland, for the supply of chemicals, capital goods and watches in exchange for Indian tea, wool, cotton textiles, jute, cocoa, mica, shellac, tobacco and handicrafts. The ground for this deal was prepared by the Lall Mission during its recent visit to the Continent.

*

A quantity of 136,900 tons of pig iron produced by the Hindustan Steel Ltd. has been arranged for export to various countries.

WORLDGRAM

India

Industrial Progress in First Half of 1959: Thirty-five new projects in public and private sectors went into production during the first half of 1959, according to details available on industrial progress. The important public sector projects, which began production, were the Rourkela and Bhilai steel projects. In the Private Sector, new projects, which went into production during this period, related to the manufacture of aluminium ingots, dye-stuffs, cement, tea machinery and bicycle chains. Thirty-one units completed their expansion programme during this period. The more important among these related to those producing cement, polythylene and paper and paper board. New lines of manufacturing activity were undertaken by 17 existing units. Some of the new articles produced for the first time in the country were rock drills, alkyd resins and phenolic resins.

In all, 447 licences were issued under the Industries Development and Regulation Act during January-June 1959, as against 365 licences issued during the preceding half year (July-December 1958) and 273 licences issued during the corresponding period of the previous year (January-June 1958). Of the 447 licenses issued during the first half of 1959, 88 related to establishment of new units, 121 for expansion of existing units and 86 for manufacture of new articles. An industrywise break-up of the licences issued shows that mechanical and general engineering industries accounted for 68 licences, iron and steel manufactures for 54, electrical industries for 44, chemicals and fertilisers for 41, artificial silk for 37, industrial machinery for 34, drugs and pharmaceuticals for 27, textiles for 27, automobiles for 19, vegetable oils for 10 and miscellaneous industries 86.

*

Bonus Issue From 1957 to 1959: The total amounts of consents given to the issue of bonus share and of the shares issued in terms of those consents were Rs. 388 lakhs and Rs. 35.84 lakhs respectively in 1959. For the previous two years, the figures were Rs. 1,025.62 lakhs (consents) and Rs. 881.71 lakhs (shares issued) in 1958, and Rs.1,551.98 lakhs (consents) and Rs. 1,011.05 lakhs (shares issued) in 1957.

*

Assistance For Mechanical Engineering Institute: It was revealed in the Lok Sabha by the Union Minister for Scientific Research and Cultural Affairs that a sum of $691,400 from the United Nations Special Fund would be made available during the period of four years from 1960 onwards for Mechanical Engineering Institute. The sum included the cost of scientific apparatus and equipment, machinery and tools, fellowships and services of experts. The Minister said that the assistance was being given on the understanding that the major portion of the cost of the project would be borne by the Union Government in the form of construction of buildings, personnel equipment, and other local expenses.

*

Training of Indian Technicians: The Deputy Minister of Finance, Mr. B. R. Bhagat, informed the Lok Sabha recently that the question of training of Indian technicians in the Soviet Union was one of the subjects discussed with the Soviet Economic Delegation which visited India in December 1959. In reply to a question whether the Soviet Delegation had indicated that the Soviet Union might expand the programme of assistance for training Indian technicians in the Soviet Union, Mr. Bhagat said that these discussions had been resumed recently and details of the projects to be financed under the 1,500 million roubles credit including the programme of assistance for training Indian technicians were expected to be finalized soon.

*

Production at Bhilai Steel Works: The Bhilai steel works produced 21,000 tons of steel ingots during January 1960, compared to 15,366 tons in December, 1959. The steel production since first open hearth furnace went into commission on October 12, 1959, now totals more than 50,000 tons. About 5,500 tons of rolled steel in the form of slabs and billets had been despatched from Bhilai to consumers in India up to the end of January. The pig iron production in Bhilai during January 1960 totalled 58,388 tons compared to 34,975 tons, in December 1959. The total pig iron production since first blast furnace went into production on February 4, 1959, amounts to about 3,80,000 tons. Despatches of pig iron up to the end of January 1960 totalled nearly 3 lakh tons.

*

Sugar Content in Blood of Diabetic Patients: It is generally known that protein rich food produces sugar content of blood in diabetic patients. In the experiments conducted at Central Food Technological Research Institute, Mysore, it has been observed that fresh field beans give promising results. The other materials under investigation in this connection were casein and blackgram.

U.S.S.R.

Master Plan of Neiveli Thermal Power Station: Soviet Specialists have started work on the working plans of the Neiveli thermal power station, the biggest in India. This 2,50,000 kilowatt station will be built in the South of India, 230 kilometres from Madras and 30 kilometres from the shore of the Bay of Bengal, in an area rich in lignites. The Station's Master Plan, drawn up by Soviet Designing Organizations incorporates many novelties. For instance, all service premises will be airconditioned. The Station will have the most up-to-date automation greatly easing the labour of workers. A group of Indian assembly and power workers who are to assemble the station and work on it are under-going practical training in Moscow at present.

*

World's Biggest Steel Turbine: An 800,000 kilowatt steam turbine, the biggest of its kind in the world, has been designed at the Kirov Works at Kharkov (Ukraine). The two-shaft unit will have seven cylinders. The turbine has been designed for 3,000 revolutions per minute. The total weight of the turbine will be almost 1,500 tons. This original turbine will be unprecedented not only for capacity but also for technical and economic indices. This turbine will generate 5 billion kilowatt hours of electricity annually, over 3 billion more than all electric power stations generated in Tzarist Russia in 1913. The first generator of unparalleled capacity is to be launched in 1963-64.

*

Aid to Afro-Asian Countries: The Soviet Union renders economic and technical assistance to the countries of Asia and Africa in the construction of over 250 industrial and agricultural projects. The principal of them are iron and steel works, engineering plants, mines, coal pits, and coal beneficiation factories, undertakings of the chemical, oil, medical, textile and sugar industries, electric stations and irrigation systems, ports and railways, hospitals, educational institutions and also geological prospecting schemes.

Aid For Indian Plants: It is reported India will build a synthetic rubber manufacturing plant under an Rs. 85 million Indo-Soviet Agreement. Mr. E. R. Valashek, Director of the Moscow Institute of Pharmaceuticals and a member of the five-man Soviet delegation of Pharmaceutical experts touring India, said that Hyderabad had been selected as the site for the synthetic plant. The delegation is in India to select sites for various plants to be set up under the agreement. Mr. Valeshek said an anti-biotics plant would be located at Rishikesh, Uttar Pradesh and another pharmaceutical plant in Bombay. The Soviet Union would supply equipment for the plants by the end of 1963.

Germany

Indo-German Agreement: The Indian Government has initialled an agreement with the German chemical companies Bayer, Basf, and Hoechst, and the engineering firm UHDE, under which the Companies will provide know-how and technical assistance for the production of a wide range of intermediate chemicals for dyestuffs, pharmaceutical and related industries. Under the agreement a new company will be incorporated with the Indian Government and the German companies as partners, the latter providing equity capital through equipment and technical know-how.

*

Hamburg to Expand Overseas Trade: Further growth in overseas trade, in the social product, and its labour force marked industrial developments in Hamburg, West Germany's biggest city, in 1959. Economic experts agree there is initiative and room for further expansion. The sea port, Hamburg's industrial backbone, served 20,001 incoming ships aggregating 29.5 million tons dead-weight, compared to 18,000 vessels in the preceding year. It increased cargo handling by 5.6 per cent to a total of 29.1 million tons. Piecegoods, the most profitable cargo species had the lion's share of cargo turnover: 35.7 per cent. or 10.2 million tons (1958: 9.2 million tons).

United Kingdom

Steel Output at Record Level: Britain's steel production in January reached the record weekly average rate of 4,71,400 tons according to an announcement by the Iron and Steel Board, in Loudon. This compares with the previous highest rate of 458,600 tons in November 1959, and with 356,900 tons in January 1959. Production in January was, accordingly about one-third higher than a year ago The Iron and Steel Board estimates that, after allowing for normal seasonal factors affecting January figures, production in the month was running at an annual rate of 23,600,000 million tons or about 17 per cent above the 1959 output. Taking 1960 as a whole, the Board also estimates that production will be about 24,000,000 or about 20 per cent higher than in 1959. These figures illustrate vividly the extent of the recovery made by the British iron and steel industry.

Australia

Growing Asian Share in Australian Trade: Asian countries have figured prominently in Australia's overseas trade in recent years—so much so that in 1958-59, they supplied 16.2 per cent of the imports and purchased 22.6 per cent of exports. From India, Australia's main class of imports in 1958-59 was that of "bags and sacks." The other principal classes were cotton and linen piecegoods (£4,145,000), hessian (£2,718,000), petroleum spirit (£1,141,000), and tea (£1,117,000).

Wool Futures Market: Plans have been announced for a group of private companies to establish a greesy wool futures market in Australia, to be known as the Sydney Greasy Wool Futures Exchange. At present there are wool futures market in London, New York, Antwerp and Roubaix (France), but the New York Market is the only one trading in greasy wool futures. The private interests concerned have announced that the organization of the Sydney Greasy Wool Futures Exchange will follow the pattern of overseas futures markets, and that market operations will be conducted by floor members on behalf of home and overseas associate members.

Yugoslavia

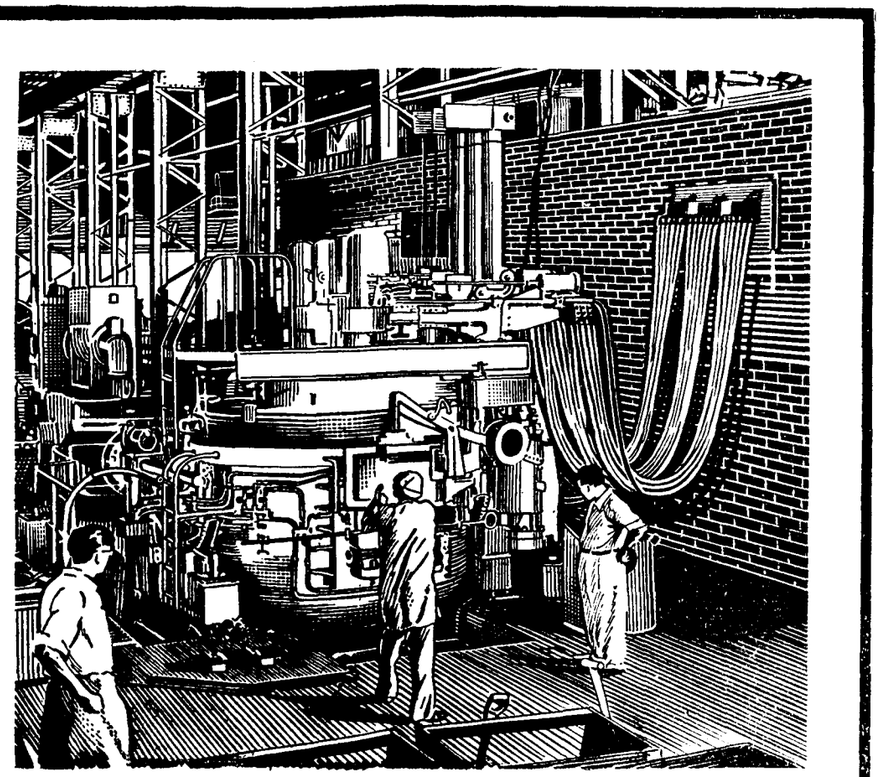
Yugoslavia to Build Port in Syria: The Syrian Ministry of Public Works has commissioned the Yugoslav firm 'Pomgrad' from Split to build the Sea port of Tartos. According to the contract, Yugoslav firm will have to build the Tartos port with its machinery and experts in six years. The work is valued at about $9 million. This construction firm has also built the Latakia port, which was opened to shipping towards the end of August 1958. The Yugoslav firm is now completing a merchant port in Ethiopia. This firm is also building 5 warehouses, an electric power plant with three generator units and some other industrial projects.

Egypt

Two Largest Banks Nationalised: The two largest Egyptian banks, the National Bank and the Misr Bank, were nationalised by a Presidential Decree. The announcement released in this connection states that the functions of a central bank were incompatible with private ownership of its shares and that owing to this the Government had decided to nationalise the Egyptian National Bank. The other nationalised bank, the Misr Bank, was headed by the biggest private financial, commercial and industrial trust of the United Arab Republic. The Government's explanation states that the Misr Bank possessed an enormous share of stock of a number of enterprises, which was not in conformity with the law of 1957 which limits the share of stock of a commercial bank in an enterprise. By nationalising these two banks the state has gained control over the financial, industrial and commercial sectors. It is stated that the measures of nationalisation coincided with the publication of the first general five-year plan of development of the Egyptian province of the United Arab Republic, in whose financing, the state is to play the most important role.

Czechoslovakia

Air Agreement with India: Negotiations between a Czechoslovakian delegation and an Indian delegation for the conclusion of an Air Services Agreement between the two countries, which began in New Delhi on February 8, 1960, were concluded recently when the leaders of the two delegations initialled the document which was finalised after the negotiations. The agreement will be formally signed by the accredited representatives in due course. The Air-India International has been operating air services through Czechoslovakia since 1956 and the Czechoslovakian Air Line began operating a service to India since August, 1959. The air services which are being operated under temporary authorisations will -now be placed on a formal basis with the conclusion of the Agreement.



STEEL CASTINGS

Steel Castings up to 3 tons are produced to B.S.S., I.R.S., or customer's specification in the most modern and mechanised steel foundry at the Kulti Works of the Company.

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MANAGING AGENTS: MARTIN BURN LTD.

MARTIN BURN HOUSE. 12, MISSION ROW, CALCUTTA 1 BRANCHES: NEW DELHI BOMBAY KANPUR

VC-74



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SAN. 58.8

NEWS IN BRIEF

INDIAN

The Union Government is understood to be working out a scheme for registration of exporters in consultation with the Federation of Indian Chambers of Commerce and Industry and the Associated Chamber of Commerce.

*

Mr. S. N. Shukla, Minister for Forests and Natural Resources, said in the Madhya Pradesh Vidhan Sabha that a rich seam of coal had been discovered in the State in Singrauli tehsil.

*

It was officially announced in New Delhi that enumeration for the 1961 census has started in certain parts of North-East Frontier Agency and the Naga Hills-Tuensang area. The early enumeration has been necessitated by the difficult terrain and inaccessibility of these areas. It will be completed by April.

*

The Foreign Affairs Committee of Norway's Parliament has approved the granting of a further 2.5 million kroner to the Norwegian India Fund. The fund operates a fisheries scheme in Kerala.

*

The U.P. Government has decided to release 60,000 tons of rice to the Centre for distribution to the deficit States.

*

Comprehensive Central legislation providing for maternity benefits to industrial workers is likely to be introduced during the budget session of Parliament. The object of the Bill is to bring about uniformity in the application of maternity benefit rules.

*

It is reported that arrangements might soon be completed to manufacture in India raw films with French help.

*

It is reported the Jha Committee has recommended a number of measures to manufacture practically all the components of a car in the country in the next two years. At present, more than 70 per cent of the components of certain types of cars are manufactured in India.

*

The Federation of Indian Chambers of Commerce and Industry has set up another Council for the promotion of trade between India and South-East Asia and the Far East.

*

One of the largest grants made by the Rockefeller Foundation during the final quarter of 1959 went to the Indian International Centre now being planned in New Delhi.

*

The Indian railways carried 136 million tons of goods during 1958-59 as compared to 134 million tons during the previous year, making an increase of 1.8 per cent.

FOREIGN

Canada's imports topped exports by $475.1 million last year, the Bureau of Statistics reported. This was an 80 per cent increase on the 1958 trade deficit of $264.1 million but was below the record $842.3 million in 1956

*

It is reported the Japanese Company, Sumitomo Electric Industries of Osaka, is to become a shareholder in the Dunlop Rubber Company's subsidiary in Japan, with a holding of almost 29 per cent. Dunlop Japan until now has been wholly owned by the parent company. A major expansion programme is planned.

*

The Industrial Promotion Corporation of Rhodesia and Nyasaland has started operations with the object of encouraging the establishment of new industries and the expansion of existing enterprises. The Corporation is sponsored by business interests in the Federation, South Africa and the U.K. and has wide borrowing powers.

*

Australian wool growers have been recommended by the Australian Wool Bureau to accept a proposed amendment to the Wool Tax Act for a joint levy for wool promotion and research.

*

Motor vehicle production in the U.S. last month at 811,438 units, rose to the highest monthly level in more than four years and set a new January record, the Automobile Manufacturers' Association reports.

*

The Soviet Union under its 20-year national electrification plan has designed 1.4 million-volt direct current power transmission lines to link European Russian industrial regions with Siberia.

*

A semi-official report published recently throws some light on the highly inscrutable labour situation in Spain. Estimates of the country's unemployed labour force vary from 300,000 to 90,000 the official figure.

*

The Siemens concern is in process of regaining control of its Norwegian subsidiary, lost as a result of the war. Final approval is expected within two or three months of a deal which would give Siemens control of A/S Proton, the name given to the affiliate after its expropriation.

*

A Bill permitting foreign and Puerto Rican banks to open branches in New York with full deposit privileges has been introduced in the State Legislature. At present foreign banks are only permitted to maintain agencies in New York.

*

Hong Kong's total trade went up 8.3 per cent in the first ten months of this year — HK $6,620 million against $6,111 million in the same period of 1958.

BOOK REVIEWS

FOR THE SWATANTRA PARTY

Essays on Individuality: Edited by Felix Morley: University of Pennsylvania Press; 1958; Price $5.00: Pp. 270.

If the Swatantra Party were seeking a many-sided ideological support for its philosophy, it would, perhaps, find no pillar better than individuality. It might find in this timely publication some provision — and perhaps some skeletons — for its own cupboard. These essays were originally prepared for a symposium sponsored by the Foundation for American Studies, to examine the "problem of man's freedom in the face of modern society's seemingly irresistible urge to socialise and regiment the thought and action of the individual." The authors are drawn from vastly different fields of thought, and the result is, perhaps naturally, a set of individual essays which do not form an integrated whole. There is throughout a current of opposition to totalitarianism, but perhaps this is largely axiomatic in view of the American background.

Some of the essays, as is not unexpected, revel in ancient philosophical disputes. Felix Morley, who edits the collection of essays, devotes most of his "Individuality and the General Will" to a criticism of Rousseau's foundamental concept. He does not go as far as Burke does in dismissing 'The Social Contract' "as chaff and rags", but he does maintain that the General Will is largely a myth, and is no more than the will of those who dominate. Mr. Morley is prepared to concede that man must give up a part of his freedom in order to have social contract, and concludes that Man can be happy under a government with defined and limited powers.

Friedrich Hayek holds that knowledge is the offspring of freedom. Whether it be in the fields of science, or in the discontented philosophies of Koestler and Djilas, one must recognise the existence of a knowledge that is the offspring of Communism. Either Mr. Hayek's hypothesis is wrong, or one is left to draw the conclusion that individuality can never be so completely suppressed as to deny the growth of human knowledge — which surely makes his essay academic indeed.

There is much to interest Indians in Milton Friedman's case for the "mixed economy" wherein he maintains that absolute freedom is impossible, its very nature being such that it is subject to restraint. Incidentally, the fact that he once advised India on inflation makes him in part an old India hand. And the words about the mixed economy have now an almost oriental ring.

Helmut Schoeck in his "Individuality versus Equality" claims that a sociologist cannot be expected to write on individuality — yet he proceeds to write with authority and almost excessive assurance. He does not dwell on individuality as such, but prepares to attack the concept of equality, and points out how theoretical and academic it really is. To teach all labourers to love Beethoven would ultimately lead either to a shortage of labourers, or to a decline in the values of aesthetics. All men are not born equal, says Mr. Schoeck very effectively, and to insist that they are will only encourage one to deprecate another's abilities.

The two scientific essays, those of Conway Zirkle and Roger J. Williams, must appeal even to the layman. Mr. Zirkle comes to the enlightening conclusion that co-education may be a good method of breeding a better race, while Mr. Williams speaks of the relationship between individuality and human physiology. The beautiful language of John Dos Passos is pleasant reading, but is unfortunately lost in his decidedly trite conclusion that the study of individuality first requires an examination of society.

Taken all in all, this book is full of provocation even if it exists in somewhat rarified fields. And to begin at the beginning, here is some thinking for the Swatantra pool.

COMMERCE

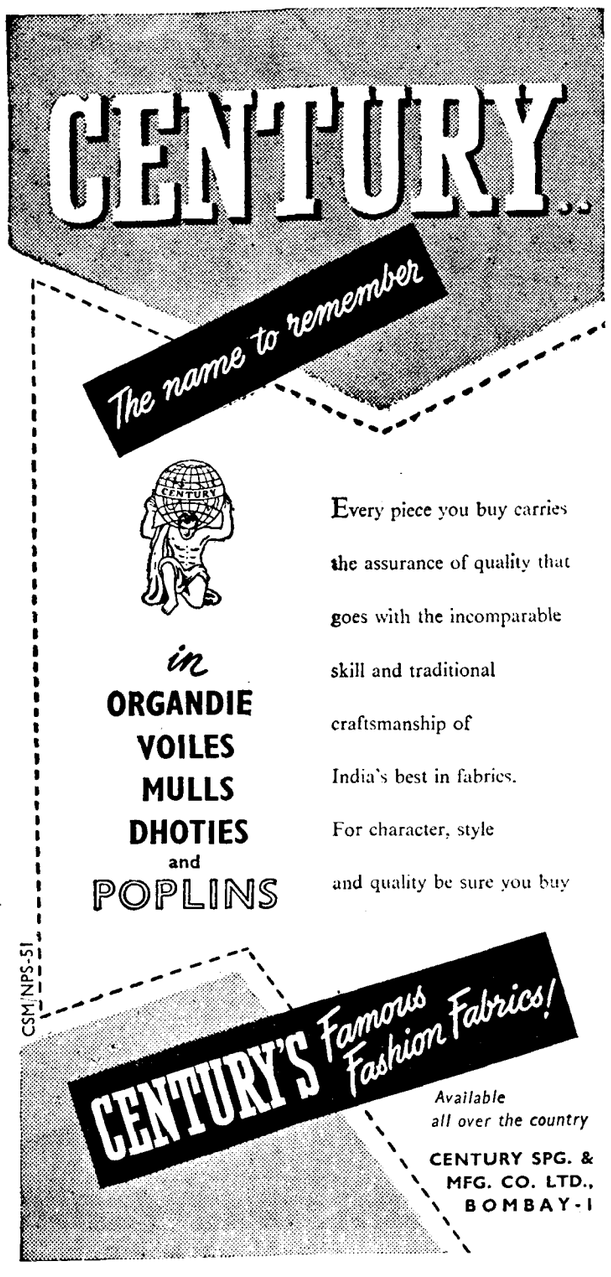
Commerce—1959 Annual Number: Brady House, Veer Nariman Road, Bombay; Editor: S. V. Rayan; Price Rs. 10

This Annual Number of our Bombay contemporary maintains its usual excellence covering a wide range of subjects. Food, however, has claimed some special attention and there are three articles on the subject, one by B. R. Sen, the other by M. S. Sivaraman and the third by B. R. Shenoy. In his exhaustive article, Mr. Shenoy has dealt with the several facets of the problem and has made a number of suggestions, some of which at least are bound to be controversial. But there will be a wide measure of agreement when he points out that once the foodgrains deficit has emerged, whatever may be the reason for it, import of foodgrains is the only short-term remedy and coercive measures directed against hoarding, introduction of State trading in foodgrains, fair price shops, division of the national market into zones, credit curbs etc., which tinker with the machinery of trade, would be worse than useless. Among the other articles, "Six and Seven disuniting Europe" by Thomas Balogh, "Minister and his Secretary in a Parliamentary Democracy" by C. C. Desai and "An investment capacity approach to the Third Five-Year Plan" by P. R. Brahmananda, deserve special mention. The Annual also contains the usual review of the various facets of the economy which are particularly valuable as a handy source of reference.

CAPITAL

Capital: Annual Review of Trade, Commerce and Industry; 5, Mission Row, Calcutta; Editor: George Barrell; Price Rs. 5; Pp. 156.

The annual number of Capital, our contemporary from Calcutta, contains this year a series of provocative articles. The "Problems, Paradoxes and Prospects of Indian Planning" by P.T. Bauer stresses the importance of the agricultural sector in India as against the heavy industry sector. The theory that the "capital goods industry is necessary for economic prosperity" is criticised and an attempt is made to prove that industrialisation and prosperity can be hastened without assigning undue weightage to capital industries. Thomas Balogh has analysed the role and the purpose of foreign aid in the economic development of poor countries. Rajaji's piece on "Bureaucratic Plans" puts forward the viewpoint of the Swatantra Party on India's Plans. Asoka Mehta's article on food shortages covers almost the same ground as that in the Foodgrains Enquiry Committee of which Mr. Mehta was the Chairman. There are a number of other interesting articles like those by Geoffrey Tyson, Neil McInnes, R. J. Taraporevala, B. R. Shenoy, P. C. Jain, L. K. Jha, M. M. Philip, V. G. Ramakrishna Aiyar, H. J. Bhabha, and M. Dayal. The annual number thus presents a fascinating feast of articles which will be read with interest by all students of Indian economics.





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COMPANY AFFAIRS

THE ASSOCIATED CEMENT COMPANIES LTD.

During the year ending July 31, 1959, there was a decline in the rate of capacity utilisation of cement in India as the figures for installed capacity and despatches of the Company indicate. The installed capacity however, continued to expand.

	(Lakh Tons)
1957-58	
(a) Installed Capacity*	31.27
(b) Despatches	30.69
(c) Per cent of (b) to (a)	98.15
1958-59	
(a) Installed Capacity*	34.42
(b) Despatches	31.47
(c) Per cent of (b) to (a)	91.43

* At the end of the year.

There are indications that demand may pick up again but the level of utilisation may not reach that of 1957-58. Meanwhile the costs have continued to increase with the consequence that there was a deterioration in the profit earned; and this despite the price increase of 3.50 per ton sanctioned by the Government of India from July 1, 1958. Simultaneously with the price increase, the Government imposed a ban on the use of second-hand bags for packing cement. This item alone has put the Company to a loss of Rs. 1.50 per ton. Costs in respect of coal, railway freight, electricity charges and wages too have increased. Added to this was the increasing incidence of depreciation on account of the high cost of expansion and rehabilitation projects, and the fact that the offtake of cement in India was considerably below the installed capacity. In the result, the price increase of Rs. 3.50 per ton granted by Government on the recommendation of the Tariff Commission was more than neutralised, and the directors of the Company have been compelled once again to approach the Government for a suitable enhancement of the retention price of cement.

During the year under review the Company recorded a profit of Rs. 1.30 crores against Rs. 1.81 crores during the previous year, after providing for depreciation, development rebate reserve, taxation and bonus to employees. A sum of Rs. 79 lakhs has been withdrawn from general reserve. Directors have recommended the payment of a dividend at the rate of Rs. 11 on each fully paid up equity share of Rs. 100 subject to deduction of tax at appropriate rates under the Finance Act, 1959 which absorbs Rs. 2.10 crores. Last year's dividend at Rs. 8.50 was free of income tax on old shares and Rs. 6.375 free of income tax on new shares excepting 12,202 such shares allotted to the employees and sundry adjustments and had absorbed Rs. 1.48 crores.

THE PUNJAB NATIONAL BANK LIMITED,

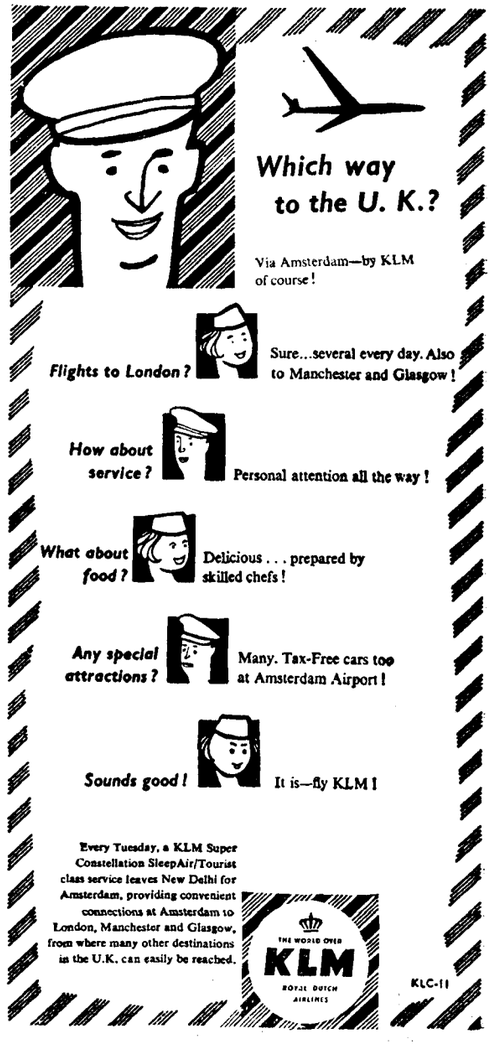
The working of the Punjab National Bank Ltd. for the year ended December 31, 1959, has been satisfactory. Deposits of the Bank as on December 31, 1959 exceeded Rs. 140 crores as against Rs. 129 crores as on December 31, 1958. Subject to audit, the profit of the Bank for the year 1959, after making payment of Rs. 11.99 lakhs to Employee Gratuity Fund Trust and providing for contingencies, amounts to Rs. 88.63 lakhs including Rs. 4.48 lakhs brought forward from the previous year's account. A sum of Rs. 12.50 lakhs has already been utilized towards payment of ad-interim Dividend at Re. 1 per share subject to tax, thus leaving a balance of Rs. 76.13 lakhs for further appropriation. The directors have decided to make the following appropriations:

Provision for income-tax, Rs. 17.50 lakhs; transfer to Reserve Fund, Rs. 17.00 lakhs; transfer to Bonus to Staff Account, Rs. 25.00 lakhs; and transfer to Charity Account, Rs. 1.00 lakh.

The directors have further recommended that out of the balance of Rs. 15.63 lakhs a sum of Rs. 12.50 lakhs be paid as Final Dividend at the rate of Re. 1 per share subject to tax making a total distribution of 20 per cent per annum subject to tax. The balance of Rs. 3.13 lakhs is proposed to be carried forward to the next year. After appropriations for Gratuity, Bonus, Taxation and Charity, net profit for the year 1959 stands at Rs. 40.65 lakhs against Rs. 41.96 lakhs in the previous year. The Bank had 383 offices in India, Burma and Pakistan at the end of 1959 as against 363 offices at the end of 1958.

THE PANDYAN BANK LTD.

During the year ended December 31, 1959, the Pandyan Bank Ltd. has shown a significant progress. The Deposits have gone up from Rs. 3.89 crores to Rs. 5.64 crores, while advances have increased to Rs. 3.46 crores against Rs. 1.94 crores last year. The profit during the year (subject to audit) also has increased to Rs. 7.15 lakhs against Rs. 4.19 lakhs during the previous year.



COMMODITY NEWS AND NOTES

PRODUCTION OF COMMON TEAS

With a view to reducing the cost of production of common teas and improving their competitive ability, the Government of India approved in October, 1959, a scheme formulated by the Tea Board which aims at subsidising the cost of fertilisers and transport charges of the tea gardens in Cachar and Tripura. The amount of subsidy will be Rs. 1.56 per maund for transport of teas by rail from Cachar to Calcutta, while in the case of transport by river, the amount will be Rs. 0.61 per maund. Tea gardens in Tripura are given a subsidy of Rs. 3.68 per maund for transport of teas by air from Tripura to Calcutta. The subsidy sanctioned towards meeting the cost of fertilisers will be Rs. 122 per ton of Sulphate of Ammonia. The subsidy will be available for all tea gardens of 300 acres and below in Cachar and Tripura. The Government of India have also approved the Scheme for the grant of loans by Tea Board to 'uneconomic' gardens. The object of the scheme is to afford some financial assistance for essential repairs, replacements and renovation of tea machinery to those gardens in Cachar and Tripura which are at present running at an uneconomic level but with such repairs, replacements etc., may have reasonable prospects of showing improvement in their standards of manufactured tea.

EXPORTS OF IRON ORE

Notwithstanding the size of its deposits, exports from India of iron ore in the past have been extremely small. Prior to 1952, India's exports did not exceed 200,000 tons. During recent years, there has been an almost ten-fold increase in our exports. The export potential of the country is however capable of much further expansion.

The cumulative effect of various measures has stimulated exports of iron which have risen steadily as will be evident from the following figures:

EXPORT OF IRON ORE (JULY-JUNE PERIOD)

	1957—58		1958—59	
	Quantity	Value	Quantity	Value
Germany West	1,887	99	980	52
Japan	14,06,918	76,475	14,14,539	74,290
Czechoslovakia	4,32,237	24,585	7,02,066	34,307
Italy	1,06,307	6,165	84,657	4,868
Hungary	27,878	1,561	16,798	929
Germany, East	15,305	796	38,935	2,102
Poland	63,064	3,646	41,236	2,337
Holland	226	12	273	14

During 1957-58 the exports were a little less than in 1956-57 but this was due to acute recession in world market. In 1958 the world steel production had been falling but India was able to maintain her exports. During 1958-59 exports were the highest ever materialised from India so far.

Japan already has a contract with the State Trading Corporation to buy 7.2 million tons between 1957-62 (approximately 1.5 million tons each year). It has increased her purchases for 1959-60 from 1.5 million tons to 2.25 million tons. Czechoslovakia is India's second largest buyer. This country has progressively increased her purchases from less than 3 lakh tons in 1955-56 to approximately one million tons each year. As a result, India has emerged as the largest supplier of iron ore to Czechoslovakia excluding the USSR. Likewise, larger supplies are being made to various other countries such as Italy, Yugoslavia, Poland, East Germany, Hungary and now Rumania

YUGOSLAV SUGAR FACTORIES INCREASE PRODUCTION

Yugoslav sugar factories during the last season proceased 210,920 wagon-loads of sugar beet, which is a record quantity, while during the previous season they processed 132,158 wagon-loads. In 1957, which was a record year in sugar production, 185,659 wagons of sugar beet were treated yielding 235,000 tons of sugar. In 1939 Yugoslavia produced only 108,000 tons of sugar while in 1958 that figure rose to 201,000 tons

EXPORT OF MANGANESE ORE

In the Lok Sabha recently, the Deputy Minister of Commerce and Industry, Mr. Satish Chandra, replied in the affirmative to a question by Mr. V. C. Shukla and two others whether the current export policy of the Government was to permit long-term contracts for export of manganese ore only to business associates of the State Trading Corporation or by the S.T.C. itself. Asked what the precise reasons for such stipulation were, Mr. Satish Chandra said that it was necessary to fortify the goodwill of our traditional buyers and inspire confidence in regard to our ability to maintain and develop an even flow of supply and enter into long-term forward bulk contracts at competitive prices. It was not easy for the individual parties to enter into long-term bulk contracts extending over three to five years. Accordingly, the S.T.C. had been directed to co-ordinate its activities with those of experienced exporters and evolve in co-operation with them, as business associates, marketing and production programmes extending over three to five years.

THE BANK OF INDIA LIMITED

(Established 7th September, 1906.)

CAPITAL—AUTHORISED .. Rs. 5,50,00,000
ISSUED & SUBSCRIBED
CAPITAL PAID-UP .. .. Rs. 3,00,00,000
RESERVE FUND .. .. Rs. 3,10,00,000

Head Office:
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 in a position to offer a complete Banking service on favourable terms.

T. R. LALWANI,
General Manager.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays			Food articles	Liquor & Tobacco	Manufactures: Fuel Power Light & Lubricants	Manufactures: Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54		..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55		..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56			86.6	81.0	96.2	99.1	100.1	99.6	99.7	92.5
1956-57		..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58		..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59		..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
November	1958	..	118.0	96.0	114.5*	113.2	110.0	108.6	108.8	114.0
December	,,	..	113.3	96.4	115.1*	112.5*	110.3	108.0	108.3	111.4
January	1959	..	114.3	103.6	115.1	114.1	110.5	108.4	108.4	112.4
November	,,	..	121.4	104.6	116.6	122.5	116.0	110.9	111.6	118.2
December	,,	..	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January	1960	..	117.7	100.9	117.1	131.0	121.1	115.1	116.0	118.9
2-1-1960		..	116.6	102.5	116.9	129.4	119.5	114.2	114.9	117.8*
9-1-1960		..	116.7	102.5	116.6	129.9	121.3	114.2	115.2	118.0
16-1-1960		..	118.4	101.0	117.0	131.0	122.2	115.6	116.6	119.4
23-1-1960		..	118.2	100.5	117.1	131.5	121.3	115.4	116.2	119.3
30-1-1960		..	118.6	98.2	117.3	132.7	121.0	115.6	116.4	119.7

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay (June 1934 =100)	Bombay: Ahmedabad (July 1927=100)	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras (June 1936=100)	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103					105	104		106			—
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
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	—	—	498	—	—	—	—	—
1959 April	381	400	296	156	364	454	489	157	414	169	167	161
May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	162	179*	173*
October	408	427	324	158	406	470	510	166*	441	162	179*	174*
November	405	424	322	158	399	475	511	—	449	—	—	174*
December	401	420	311	157	—	—	511*	—	—	—	—	—
1960 January	—	..	—	159	—	—	—	—	—	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 12-2-1960			5-2-1960			29-1-1960			22-1-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold [per fine tola] ...	132.94	130.06	131.89	131.69	128.75	130.16	133.50	132.47	132.97	134.62	130.00	132.41
Silver (per 100 fine tolas)	213.56	212.69	213.15	213.44	211.19	212.34	214.50	213.12	213.81	215.44	212.31	213.59

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)							
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
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
1958-59 ..	735,93	860,33	1,596,26	40,30	83,29	7.74	766,56	133,27†	56.37	565,14
Average of Fridays										
August 1959 ..	739,09	1084,55	1,823,64	42.07	79,65	6.67	822,34	124,59†	51.93	721,57
September ,, ..	741,75	1106,74	1,848,48	42,21	73,60	6.26	799,58	128,41†	50.21	762,18
October ,, ..	738,50	1118,84	1,857,34	41,69	75,12	6 29	795,39	137,83†	50.25	788,34
November ,, ..	737,36	1137,78	1,875,14	44,18	76,78	6.45	781,59	146,31†	49.49	800,78
December ,, ..	731,80	1142,04	1,873,84	43,39	70,03	6.06	800,59	150,29†	50.75	798,02
January 1960 ..	764,54	1131,99	1,886,54	46,23	78,23	6.59	841,75	158,76†	53.03	773,37
Week Ending										
1-1-1960 .	754,51	1132,08	1,886,59	51,66	101,64	8.13	822,91	153,75	51.77	763,79
8-1-1960 ..	747,11	1128,66	1 875 77	45,33	68,46	6.07	836,88	160,31†	53.16	775,83
15-1-1960 ..	750,28	1128,25	1,878 53	45,94	76,73	6 49	842,05	161,02†	53.40	763,75
22-1-1960 ..	759,79	1133,93	1,893,72	44,84	74,34	6.29	846,99	159,74†	53.16	778,87
29-1-1960 ..	761,03	1137,04	1,898,07	44,07	70 00	6.01	859,93	158,99†	53 68	784,63
5-2-1960 .	744,63	1143,10	1,887,73	43,73	65,74	5.80	873,90	158,25†	54 68	783,67

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(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 ..	1,920,63	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 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
August 1958 ..	2,309,03	1,542.72	766,31	751,61	14,70	—41,26
September ,, ..	2.314,52	1,535,02	779,50	765,10	14,40	+5,49
October ,, ..	2,290,08	1,552,70	737,37	721,23	16,14	—24,44
November ,, ..	2 319,38	1,574,14	745,25	727,68	17,57	+29,30
December ,, ..	2,349,85	1,606,45	743,40	726,03	17,38	+30,47
August 1959 ..	2,451,38	1,671,49	779,89	758,35	21,54	—9,50
September ,, ..	2,431,12	1,663,50	767,62	748,10	19,52	—20 26
October ,, ..	2,470.43	1,715,85	754,58	736,89	17,68	+39,31
November ,, ..	2,472,46*	1,702.72*	769,74*	752,30*	17.44	+2,03
December ,, ..	2,519,96*	1,753.22*	766,74*	751,97*	14 77	+47 50*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

PROJECTION OF INDIA'S POPULATION: 1956-71

(As on March 1 of the Year)

(In millions)

Age Group	1951 (Census)			1956			1959		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
0 — 4 ..	53.6	27.0	26.6	63.8	32.7	31.1	67.6	34.6	33.0
5 — 9 ..	43.1	22.1	21.0	47.3	24.1	23.2	53.5	27.5	26.0
10 — 14 ..	39.2	20.2	19.0	40.9	21.0	19.9	43.5	22.3	21.2
15 — 19 ..	36.0	18.4	17.6	37.5	19.3	18.2	38.7	19.8	18.9
20 — 24 ..	32.5	16.5	16.0	34.6	17.5	17.1	35.7	18.2	17.5
25 — 29 ..	29.4	15.0	14.4	31.0	15.7	15.3	32.3	16.4	15.9
30 — 34 ..	26.2	13.6	12.6	27.7	14.2	13.5	28.8	14.7	14.1
35 — 39 ..	22.7	12.0	10.7	24.3	12.7	11.6	25.4	13.1	12.3
40 — 44 ..	19.2	10.2	9.0	20.8	11.1	9.7	21.9	11.6	10.3
45 — 49 ..	16.2	8.6	7.6	17.4	9.3	8.1	18.4	9.8	8.6
50 — 54 ..	13.1	6.9	6.2	14.3	7.6	6.7	15.1	8.0	7.1
55 — 59 ..	10.2	5.3	4.9	11.1	5.8	5.3	12.0	6.3	5.7
60 — 64 ..	7.4	3.7	3.7	8.2	4.2	4.0	8.9	4.5	4.4
65 — 69 ..	4.9	2.4	2.5	5.5	2.7	2.8	5.9	2.9	3.0
70 and over ..	8.1	4.0	4.1	7.0	3.3	3.7	7.3	3.4	3.9
All India ...	**361.8**	**185.9**	**175.9**	**391.4**	**201.2**	**190.2**	**415.0**	**213.1**	**201.9**

Age Group	1961			1966			1971		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
0 — 4 ..	70.1	35.8	34.3	77.4	39.3	38.1	73.6	37.5	36.1
5 — 9 ..	57.7	29.7	28.0	64.8	33.3	31.5	73.4	37.4	36.0
10— 14 ..	45.3	23.1	22.2	55.8	28.7	27.1	63.2	32.4	30.8
15 — 19 ..	39.5	20.2	19.3	44.1	22.4	21.7	54.8	28.1	26.7
20 — 24 ..	36.4	18.7	17.7	38.5	19.6	18.9	43.3	21.9	21.4
25 — 29 ..	33.2	16.8	16.4	35.2	18.0	17.2	37.5	19.1	18.4
30 — 34 ..	29.6	15.0	14.6	32.0	16.2	15.8	34.2	17.5	16.7
35 — 39 ..	26.1	13.4	12.7	28.2	14.4	13.8	31.0	15.7	15.3
40 — 44 ..	22.6	11.9	10.7	24.7	12.8	11.9	27.2	13.9	13.3
45 — 49 ..	19.1	10.2	8.9	21.1	11.2	9.9	23.5	12.2	11.3
50 — 54 ..	15.6	8.3	7.3	17.5	9.3	8.2	19.2	9.9	9.3
55 — 59 ..	12.5	6.6	5.9	14.0	7.4	6.6	15.9	8.4	7.5
60 — 64 ..	9.3	4.8	4.5	10.6	5.5	5.1	12.3	6.4	5.9
65 — 69 ..	6.2	3.1	3.1	7.2	3.6	3.6	8.7	4.4	4.3
70 and over ..	7.6	3.5	4.1	8.5	3.9	4.6	10.0	4.7	5.3
All India ...	**430.8**	**221.1**	**209.7**	**479.6**	**245.6**	**234.0**	**527.8**	**269.5**	**258.3**

Source: The Planning Commission.

PROJECTION OF INDIA'S POPULATION: 1956-71

(As on March 1st of the Year)

(In million

State	1956 Total	1956 Male	1956 Female	1959 Total	1959 Male	1959 Femal
Andhra Pradesh	33.81	17.10	16.71	35.85	18.16	17.69
Assam	9.88	5.25	4.63	10.53	5.57	4.96
Bihar	41.38	20.91	20.47	43.55	22.02	21.53
Bombay	53.11	27.33	25.78	56.85	29.23	27.62
Kerala	15.17	7.53	7.64	16.36	8.16	8.20
Madhya Pradesh	27.64	14.09	13.55	28.98	14.76	14.22
Madras	32.58	16.33	16.25	34.62	17.39	17.23
Mysore	21.54	11.00	10.54	23.04	11.77	11.27
Orissa	15.36	7.64	7.72	16.06	8.02	8.04
Punjab	17.76	9.50	8.26	18.98	10.09	8.89
Rajasthan	17.56	9.15	8.41	18.80	9.75	9.05
Uttar Pradesh	67.82	35.43	32.39	71.69	37.34	34.35
West Bengal	27.64	14.63	13.01	28.87	15.21	13.66
Delhi	2.12	1.20	0.92	2.35	1.31	1.04
Himachal Pradesh	1.12	0.58	0.54	1.14	0.59	0.55
Manipur	0.62	0.30	0.32	0.66	0.32	0.34
Tripura	0.66	0.34	0.32	0.70	0.36	0.34
Sikkim	0.154	0.081	0.073	0.16	0.08	0.08
Andaman & Nicobar Islands	0.043	0.023	0.020	0.047	0.028	0.01
Laccadive, Minicoy and Amindivi Islands	0.039	0.019	0.021	0.041	0.020	0.02
Jammu and Kashmir	4.78	2.48	2.30	5.10	2.64	2.46
Tribal Areas of Assam	0.62	0.32	0.30	0.64	0.33	0.31
Total	391.4	201.2	190.2	415.0	213.1	201.9

State	1961 Total	1961 Male	1961 Femal	1966 Total	1966 Male	1966 Female	1971 Total	1971 Male	1971 Femal
Andhra Pradesh	37.21	18.86	18.35	41.43	21.00	20.43	45.61	23.11	22.50
Assam	10.96	5.78	5.18	12.34	6.43	5.87	13.64	7.05	6.59
Bihar	44.99	22.77	22.22	49.62	25.12	24.50	53.88	27.32	26.56
Bombay	59.34	30.50	28.84	66.83	34.35	32.48	74.76	38.20	36.56
Kerala	17.16	8.58	8.58	19.49	9.79	9.70	22.07	11.14	10.93
Madhya Pradesh	29.86	15.21	14.65	32.83	16.74	16.09	35.41	18.01	17.40
Madras	35.98	18.10	17.88	40.16	20.24	19.92	44.35	22.43	21.92
Mysore	24.04	12.28	11.76	27.24	13.86	13.38	30.51	15.51	15.00
Orissa	16.53	8.28	8.25	18.02	9.04	8.98	19.34	9.78	9.56
Punjab	19.80	10.49	9.31	22.23	11.64	10.59	24.84	12.91	11.93
Rajasthan	19.63	10.15	9.48	22.04	11.35	10.69	24.63	12.65	11.98
Uttar Pradesh	74.26	38.61	35.65	82.30	42.57	39.73	89.96	46.22	43.74
West Bengal	29.69	15.59	14.10	32.40	16.89	15.51	34.73	17.96	16.77
Delhi	2.51	1.38	1.13	2.98	1.61	1.37	3.43	1.82	1.61
Himachal Pradesh	1.16	0.60	0.56	1.24	0.62	0.62	1.32	0.66	0.66
Manipur	0.68	0.34	0.34	0.76	0.38	0.38	0.84	0.42	0.42
Tripura	0.72	0.38	0.34	0.80	0.43	0.37	0.89	0.47	0.42
Sikkim	0.169	0.082	0.087	0.190	0.094	0.096	0.209	0.109	0.10
Andaman and Nicobar Islands	0.051	0.032	0.019	0.056	0.029	0.027	0.061	0.032	0.029
Laccadive, Minicoy & Amindivi Islands	0.042	0.021	0.021	0.050	0.024	0.026	0.052	0.026	0.026
Jammu & Kashmir	5.31	2.75	2.56	5.85	3.01	2.84	6.45	3.30	3.15
Tribal Areas of Assam	0.69	0.35	0.34	0.75	0.39	0.36	0.84	0.43	0.41
Total	430.8	221.1	209.7	479.6	245.6	234.0	527.8	269.5	258.3

Source: The Planning Commissior

SHARE OF FOREIGN CONTROLLED COMPANIES IN INDIA'S EXPORTS DURING 1956, 1957 & 1958

(Lakhs of Rs.)

Commodity	Total Exports* (Private) 1956	1957	1958	Exports* of Foreign controlled Companies 1956	1957	1958	Percentage of (4) to (1) 1956	(5) to (2) 1957	(6) to (3) 1958
	1	2	3	4	5	6	7	8	9
Food, Drink & Tobacco									
Cashew Kernels	15,94	14.14	14,19	2,24	1,84	98	14.1	13.0	6.9
Tea	139,42	129,66	134,74	101,64	90,88	87,11	72.9	70.1	64.7
Tobacco	16,36	12,76	16,97	7,26	5,08	6,67	44.4	39.8	39.3
Others	35,50	44,82	36,51	3,19	2,60	2,68	9.0	5.8	7.3
TOTAL CLASS I	207,22	201,38	202,41	114,33	100,40	97,44	55.2	49.9	48.1
II. **Raw Materials & Produce and Articles Mainly Un-manufactured**									
Metallic Ores	37,42	45,15	31,96	5,29	7,60	4,93	14.1	16.8	15.4
Vegetable Oils	29,12	16,40	10,92	3,77	1,50	70	12.9	9.1	6.4
Cotton Raw & Waste	28,87	20,21	21,77	5,00	4,26	4,95	17.3	21.1	22.7
Others	77,74	80,36	72,32	14,46	13,59	9,57	18.6	16.9	13.2
TOTAL CLSS II	173.15	162,12	136,97	28,52	26,95	20,15	16.5	16.6	14.7
III. **Articles Wholly or Mainly Manufactured**									
Hides & Skins Tanned	23,84	23,59	18,33	4,49	5,04	3,47	18.8	21.4	18.9
Cotton Yarns & Manufactures	77,68	82,25	62,25	4,95	5.50	5,55	6.4	6.7	8.9
Jute Yarns & Manufactures	122,11	125,17	105,74	35,82	34,29	33,64	29.3	27.4	31.8
Others	50,90	47,68	59,43	12,24	12,05	9,86	24.1	25.3	16.6
TOTAL CLASS III	274,53	278,69	245,76	57,50	56,88	52,52	20.9	20.4	21.4
IV. Others	8,12	8,82	8,29	—	2	2	—	0.2	0.2
V. Less Government Exports included under I to IV above	2,40	4,90†	7,05	—	—	—	—	—	—
VI. Grand Total of Private Exports	660,62	646,11	586,38	200,35	184,25	170,13	30.3	28.5	29.0

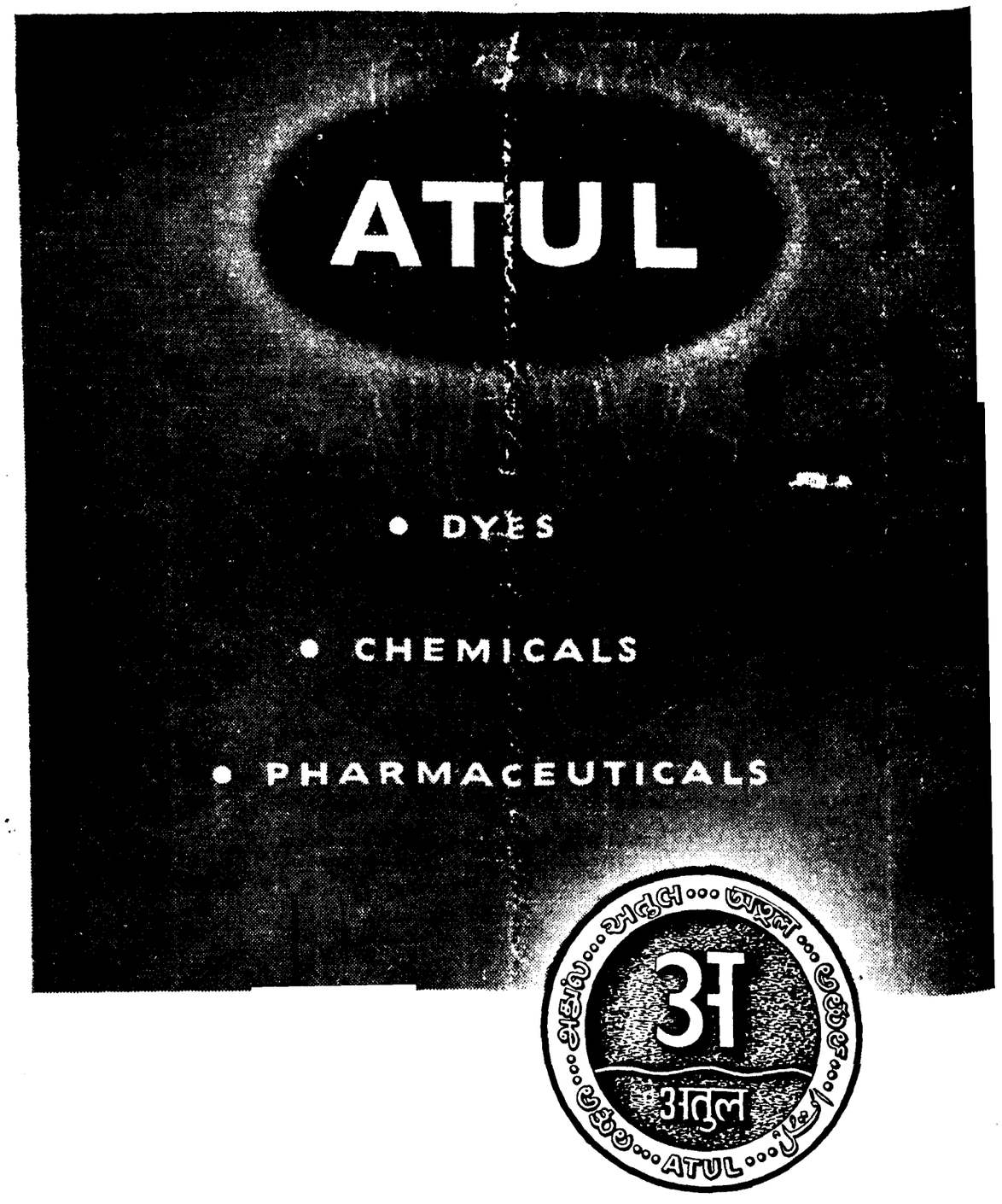
† Excludes silver despatched to U.S.A., valued at Rs. 74,38 lakhs under Lend-lease obligations.
* Figures are a combination of F.O.B., C.F. & C.I.F. values, depending on the nature of invoicing.

SHARE OF FOREIGN CONTROLLED COMPANIES IN INDIA'S IMPORTS DURING 1956, 1957 & 1958

(Lakhs of Rs.)

Commodity	Total Imports* (Private) 1956	1957	1958	Imports* of Foreign controlled Companies 1956	1957	1958	Percentage of (4) to (1) 1956	(5) to (2) 1957	(6) to (3) 1958
	1	2	3	4	5	6	7	8	9
I. Food, Drink & Tobacco	37,49	30,98	19,79	4,93	4,73	2,30	13.2	15.3	11.0
II. **Raw Materials & Produce and Articles Mainly Un-manufactured**									
Mineral Oils	86,35	90,00	88.01	81.29	89,00	81.82	94.1	98.9	93.0
Cotton Raw & Waste	57,75	24,77	23,06	5,17	1,39	2,76	9.0	5.6	12.0
Jute Raw & Waste	12,31	6,92	3,06	63	18	6	5.1	2.6	2.0
Others	37,41	41,61	36,49	8,24	9,16	8,51	22.0	22.0	23.3
TOTAL CLASS II	193,82	163,30	150,62	95,33	99,73	93,15	49.2	61.1	61.8
III. **Articles Wholly or Mainly Manufactured**									
Chemicals (including Drugs & Medicines and Dyes & Colours	57,03	54,08	47,99	26,21	21,54	18,50	46.0	39.8	38.5
Cutlery & Hardware	27,51	23,00	11,02	4,16	3,22	1,81	15.1	14.0	16.4
Electrical Goods	23,34	26,51	16,67	12,24	14,25	9,66	52.4	53.7	57.9
Machinery (including Vehicles, Locomotives and Spares)	190,64	208,53	146,45	40,88	46,15	35,28	21.4	22.1	24.1
Metals (including Iron and Steel)	148,41	134,23	89,28	14,69	11,43	11,61	9.9	8.5	16.8
Others	111,33	120,21	93.04	12,07	11,73	10,47	10.8	9.8	10.9
TOTAL CLASS III	558,26	566,56	387,45	110,25	108,32	87,33	19.7	19.1	22.5
IV. Others	18	18	6	—	—	—	—	—	—
GRAND TOTAL OF PRIVATE IMPORTS	789,75	761,02	557.92	210,51	212,78	182,78	26.7	28.0	32.8

* C.I.F. values.



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CONTENTS

Leading Articles: Page

THE THREE WISE MEN 489
MR. KHRUSHCHEV'S BRICK AT BHILAI 490
FACTS ABOUT FREIGHT TRAFFIC .. 491
A DELHI DIARY 492
THE WEEK'S NOTES 493
Kerala; Scientists; Britain; Rural Industries; Engineering Goods.
A WINDOW ON THE WORLD:
Odysseus on "The Heart of the Rationalist Creed" 495
THE EUROPEAN SCENE:
The Common Market's External Tariff .. 496
ECONOMIC REPORT FROM THE U.S.:
Steel Production 501

Special Article:
THREE PLANS IN FINANCIAL PERSPECTIVE: 1951—1965 503

The Business World: Page
TAX EVASION: THE NEW RECIPE .. 507
PUBLIC PARTICIPATION AND STATE ENTERPRISES 508
BUSINESS NOTES 508
Shipping; Industry; West German Aid: Foreign Aid.
CURRENT TOPICS:
Sugar Target for Third Plan 513
Company Taxation 513
A DELHI NOTEBOOK 514
WORLDGRAM AND NEWS IN BRIEF .. 515
BOOK REVIEWS 518
COMMODITY NEWS AND NOTES 521
CURRENT STATISTICS 523

The Three Wise Men

ON Wednesday evening there arrived in New Delhi two members—Sir Oliver Franks and Dr. Hermann Abs—of a World Bank Mission, which is looked upon as the most important Mission that has ever visited this country. The third member of the Mission, Mr. Allan Sproul of the United States, was unfortunately taken ill at Karachi and is only expected today. What is the context and the purpose of the present visit and how effective can it be in promoting India's Third Five-Year Plan? These questions are being asked and, while naturally it is for the Mission to decide its own terms of reference and the character of its contribution, it has made it known that it welcomes suggestions on its work as well as independent assessments of the intangible elements which must necessarily be included in any forward-looking picture. India's Third Five-Year Plan does not stand or fall by its report, but, over the long period, it may well be that this report will have more profound influence on private foreign investment than any other single evaluation.

This Mission needs no spectacular conversion to our view. Sir Oliver Franks, widely regarded as its most influential member, in his splendid speech as Chairman of Lloyds Bank at the Annual Meeting on 19th February, stated his agreement with us more clearly than ever before. He said:

"This political North-South issue has its immediate economic side. Many of the new or newly free nations intend to develop at all costs. It is no good our wondering whether it is wise for them to force the pace. We developed ourselves and won from it power and position in the world: they are now going to develop themselves in turn. But in so doing they face a vicious circle. Low living standards and free broadly democratic societies cannot produce sufficient savings for the rapid economic development they will not forgo. They need more capital to increase output: low output prevents sufficient saving for capital.

This circle can be broken in one of two ways. It can be broken by tyranny which, by enforcing hardships on the people and holding down their standards of living, forces the savings for rapid development: or it can be broken by the inflow of capital from outside, giving a free society the chance both to develop and to remain free. In coming years for country after country this vicious circle will be broken one way or the other. We have already had evidence in the Middle East how real and how urgent these problems are."

The question of choice has thus been shown to be marginal. India's Third Five-Year Plan (and its size) will go on, irrespective of nice debates on marginal figures or of particular targets. What then is the Mission to do in regard to the Third Five-Year Plan? Firstly, it will help to determine the extent to which World Bank participation can

proceed effectively. Secondly, it has a large public relations role in telling the financial world about India's future capacity to manage institutions productively and profitably, and to repay foreign loans or service equity. Rightly or wrongly, Indian assessments on all these matters, however objective, are not trusted abroad; it may well be that we are so biased by our own political and economic imperatives that we are still not objective enough. Here, at least abroad, will be recognised a tribunal second to none.

We should, therefore, welcome a delegation which speaks with the highest authority to the Western world and recognizes the political and economic imperatives of our own situation. It is in the intangible sphere of creating the right psychology that this Mission can be of service in the solution of the largest economic problem of the Sixties. In a Special Article elsewhere in this issue *The Eastern Economist* has attempted to set Indian planning in perspective for this particular Mission. It is argued that the Third Five-Year Plan is financially feasible, both in foreign exchange and rupees, provided three major conditions in each case are satisfied. *The Eastern Economist* believes that these conditions will be satisfied, but it is doubtful if the Western world would recognize the importance of the throw-forward of foreign exchange recommended without a convincing assurance from the Mission that this is a necessary condition of immediate development. The conclusion of the article is that finance is a necessary, but not a sufficient, condition. The major problems of India's Third Five-Year Plan are managerial and technical. Perhaps this Mission can help us with an inflow of managerial and technical skill as well as of capital. If it does, it will have provided a two-dimensional approach to the problem of economic development. It can thus lay the foundations for a new structure of partnership greater in scope than even the spacious Marshall Plan! This adventure in international co-operation, if successful, might be the decisive event of the second half of the twentieth century.

Mr. Khrushchev's Brick at Bhilai

QUESTIONS that were asked at the Prime Minister's Press conference last Wednesday on the speech made by the Soviet Prime Minister, Mr. Khrushchev, at Bhilai, are a measure of the widespread interest it has caused. It is intriguing why this controversial and patently misleading speech did not evoke any comment in the usually vigilant Press or even in Parliament but for the solitary indirect reference made by Acharya Kripalani. The Russian Prime Minister heaved a hefty brick at the West. Moscow took up the strain, but hardly a ripple has appeared on the waters of Indian public opinion. Perhaps silence, like the Prime Minister's soft answer, turns away wrath.

Mr. Khrushchev after stating that the Soviet people who had developed their economy on socialist lines were interested in developing India's economy, went on to contrast Soviet assistance to India with that of the Western countries. His thesis was that it was "incredible" that capitalist countries could give "disinterested" aid. The obvious implication here is the Soviet aid is "disinterested." But, it is not known whether Mr. Khrushchev was averse to India's taking assistance from the West because it was not "disinterested". Replying to Pressmen's questions on this subject, Mr. Nehru said that normally speaking, as countries functioned, they gave aid not only on the purely humanitarian plane, but on the ground of enlightened self-interest. That, perhaps, sums up the position succinctly.

Apart from this broad position, what are the facts? The Soviet Union launched on its economic offensive for giving aid to under-developed countries only since 1954 whereas the United States began its programme as early as in 1948. It will also be of interest to know that the Soviet Union has been concentrating its assistance programme only to a few countries numbering less than 20. On the other hand, the United States has extended its aid to as many as 55 under-developed countries. Even taking these 20 countries, according to a study done by the *New York Times* some time back, Soviet aid amounted only to $1.5 billions, whereas US aid was to the order of $2.5 billions. So far as India is concerned, the United States alone has given aid of the order of Rs. 786 crores out of the total assistance of Rs. 1760 crores authorised so far. The Soviet share, on the other hand, is only of Rs. 324 crores and if the figure of Rs. 180 crores allotted for the Third Plan is excluded, it comes to only Rs. 140 crores or just one-tenth of the total foreign exchange component of the Second Plan. If we refused Western aid because it perpetuates "capitalist slavery" would we sink or swim?

Leaving aside the magnitude of aid, there are other aspects that are to be taken into account. It is true that the rate of interest charged by the Soviet Union is generally 2½ per cent and is very favourable compared to the rates charged by some of the Western countries. But, it has to be remembered that Soviet aid is of a single piece based on a single public sector operation. Secondly, Soviet loans are given in roubles which means that the equipment and machinery have to be purchased from that country only. On the other hand, if one takes the case of American aid, for example, there are three distinct segments. Firstly, a substantial portion of American aid, at least during the earlier years, has been in the form of interest-free grants; secondly, the interest on loans like the Wheat Loan can compare favourably with that of the Soviet rate of interest. Lastly, come loans from agencies like the Development Loan Fund and the Export-Import Bank which may charge a higher rate of interest. Here, however, it has to be mentioned that in view of the fact India is following a mixed economy, Government is naturally interested in seeing that both the public and the private sectors flourish and if assistance can be made available only on the basis of higher rate of interest, it is for the private sector to decide the appropriate terms on the basis of its own capacity. And why should tax-payers in any country bear burdens for projects which can pay their way in interest as in everything else? Another difference between Soviet and American aid lies in the fact that the former has not so far had any programme comparable to the loans in local currency made by the United States from the sales of her surplus agricultural commodities. It is also significant that unlike the United States, Soviet assistance has generally been channelled to projects which have a dramatic appeal like steel projects and oil refineries rather than for less spectacular schemes like development of agriculture and health.

How has "capitalist slavery" been promoted by a degree of freedom given to an Indian Socialist Government? How has Communist aid to non-committed (but not committed nations) been disinterested? If it had no strings, would it be as selective, ignoring many backward areas in Latin America? Surely if the Western world avoids Communist countries for assistance, the Communist world ignores non-neutrals in spite of the fact that they are backward. How much has the USSR given to Pakistan, Iran and Thailand? One has only to ask these questions to assure oneself that, after all, this speech belonged to a propaganda offensive, to which, like the Prime Minister, Indians are unable to subscribe.

Facts About Freight Traffic

MR JAGJIVAN RAM'S Railway Budget speech makes a pointed, though brief, reference to the year-old controversy over the diversion of high-rated, short and medium distance freight traffic from the railways to road transport. The Railway Minister's demand for taking appropriate measures to bring about a readjustment in the distribution of this category of traffic was nothing short of a demand for the regulation of its flow. The opposition it provoked in both the Houses of Parliament was apparently responsible for prescribing comprehensive terms of reference for the Neogy Committee on Transport Policy. While the Committee has been called upon to recommend a broad national policy for transport, the accent on road-rail co-ordination in its terms cannot be missed. If any doubts are likely to be entertained on this score, they should be dispelled by Mr. Jagjivan Ram's speech.

Because co-ordination-cum-regulation cannot be effective in this case unless it is restrictive in its impact on road transport, it is of vital importance that the facts of the situation should be investigated closely by the Neogy Committee. The case for regulation made out by the Railway Ministry rests on the shortfalls in rail freight traffic during the year 1958-59. Whether the fall in traffic emerged in 1958-59 alone, or whether its occurance dates back to the commencement of the Second Plan and, if so, what are the contributory factors, are crucial issues for examination. The official data necessary for this analysis are available from a statistical table contained in the Railway Ministry's booklet on "A Review of the Performance of the Indian Government Railways," which forms part of the literature circulated along with the usual Budget papers this year. This table is reproduced on page 525 of this issue. The percentages do not appear in the original, but they have been calculated for facility of comparison.

The last six commodities included in that table bear higher tariffs and it is in respect of these items that diversion to road transport due to competition is specifically alleged by the Railway Ministry. The comparative trends in the flow of traffic in these commodities will be properly appreciated in terms of the percentage shares of rail movements in total home production (plus imports in the case of raw cotton). They are tabulated below:

Percentage Ratios of Rail-borne Traffic to Total Production

	1950-51	1955-56	1956-57	1957-58
Raw cotton	72.4	90.3	72.8	60.7
Cotton textiles	93.4	76.6	65.5	59.1
Oilseeds	30.9	31.3	26.6	21.6
Sugarcane	4.9	5.7	5.5	3.7
Sugar	94.8	82.7	76.5	72.1
Salt	59.2	62.4	52.5	43.1

It is clear that the decline in rail-borne traffic in these commodities did not emerge in 1958-59 for the first time so as to justify a vociferous campaign against diversion under pressure of road competition at this late stage. The real reason why the Railway Ministry showed concern at the shortfalls in 1958-59 was that its anticipations of an increase of 12.5 million tons in the freight traffic, in respect of the bulk of which it enjoys superior advantage, did not materialise and the actual increase turned to be 2.5 million tons. The setback which the tempo of rail traffic received in a year of depressed economic activity focused attention on the shortfalls in the six commodities. But there is no warrant for attributing them to unfair competition from road transport. There is the other side of the picture which is that rail transport began to lose its incentive value.

This table highlights a conspicuous trend whose significance the Railway Ministry does not appear to have appreciated. The decline in the share of the railways in the transport of many of the high-rated commodities started in 1955-56 and it took a clearer turn from the very starting year of the Second Plan. It is a seemingly strange phenomenon that the decline should assert itself at least in the first two years of the Second Plan when economic expansion received undoubted acceleration. What could be the major explanation of loss of traffic to the railways in an expansionary phase? It could not be that road transport services launched an offensive of cut-throat competition because in fact they are groaning under the handicaps of heavy taxation and restrictive licensing policy.

A great disservice will be rendered to the cause of the nation's transport system if the effects of the uptrends in railway rates are not properly weighed and assessed in this investigation. Rates were enhanced for no other purpose than to raise revenue. In 1955-56 freight rates were raised steeply for hauls up to 300 miles. The consequences are seen in the decline in rail traffic. In October 1958, the rates were again put up by an average of 4 per cent and the classification of high-rated goods was altered to their detriment. This change has been followed by a drop in earnings. The demand for rail transport will remain elastic to the extent that road transport can provide an alternative. The anticipations of higher revenue from higher rates will also not be realised to that extent.

To raise railway rates and to demand curbs on the alternative mode is not the way to promote a "national" policy for transport: it is a sure technique of promoting a policy of inflation. A surcharge of 5 per cent is to be levied on freight charges from 1960-61 and there is room for still another increase of 4 per cent in terms of the recommendations of the Railway Freight Structure Enquiry Committee. The apprehensions are that the latter will be availed of by the Railway Ministry. Will they be followed by a demand for further curbs on road transport? It is time the railways diverted their attention to improved productivity and cheaper cost of service now that wage terms are liberalised and rolling stock as well as equipment is being modernised.

A DELHI DIARY

EDWINA, LADY MOUNTBATTEN

HOW often since last Sunday have I kept hearing the remark: "In the midst of life we are in death." It cannot have been more appropriate than in the description of the departure last Saturday *night* of Edwina, Lady Mountbatten in her sleep in Jesselton, North Borneo. Those of us who saw her at the Republic Day parade on January 26, and, again at the Beating the Retreat on January 29, could never have dreamt that the hand of death was so early to come upon her. She looked so fit in every way, and vitality was the essence of her being. It was a savage blow to many who have looked upon her not merely as a remarkable woman in her right, but also as an instrument of public service in the Red Cross and Ambulance fields and as an ever-acceptable link in Indo-British relations. Almost everyone had forgotten that she was the last Vicereine of India. She fell naturally and easily into a pattern in which aristocracy and past power have made terms with the spirit of our age. I doubt if any couple have done this better in India than Lord and Lady Mountbatten. To Lord Mountbatten we extend our deepest sympathy; in her burial at sea he has received, perhaps, the greatest tribute to his naval career.

Because she was so respected and so Indian a figure, the terrible impropriety of two Congress Party members, Mr. Mahavir Tyagi and Mr. A. C. Guha, in objecting to the passing of a condolence resolution in the Lok Sabha has shocked and angered many people. It may well be that our conventional precedents in regard to tributes to anybody except former Members of Parliament are hallowed by practice in the Mother of Parliaments. But this is, to most Indians, a foolish convention. Whenever this nation is stirred to pay tribute to any friend of India, it is not merely the right, but the obligation of the Lok Sabha as the foremost representative body of the Indian people, to lead, and even create a precedent. Nothing can be more anachronistic in a dynamic society than the fear of creating new precedents. How would the Indian revolution have become so if Mahatma Gandhi had said he would operate only according to proved revolutionary techniques? Surely the whole of the Gandhian message would have been lost, and we would have followed both a bloody and disastrous course, in which even victory might not have been achieved.

MEA CULPA, MEA MAXIMA CULPA

I must strike my breast three times and confess to a serious failure of duty in that I was not present at the Prime Minister's Press Conference on Wednesday, and I do not even have, at the time of writing, any memory of what happened to prevent my representing "The Eastern Economist" on the occasion.

It was, it seems, not very striking and I am quite prepared to accept its main features by hearsay, or the equivalent thereof, which is the printed word in daily newspapers. It does seem to me, however, that on this occasion the Prime Minister was in one of his intractable moods both on the Muslim League and Mr C. D. Deshmukh. I have said my piece on the Muslim League in which I held the view—which I think is held by the great majority of this country—*that if the* Muslim League's election manifesto was basically wrong, the Congress Party should have denounced the alliance with the Party before the election began. To exploit a situation before an election, and then to refuse to accept its logic when obligations arise, may be convenient politics, but it is not political honesty. The Prime Minister cannot claim the benefit of the doubt because he failed to acquaint himself with the tenets of the Muslim League before the election. As in the case of ignorance of the law, ignorance of a manifesto is no political excuse.

However, it is really on Mr C. D. Deshmukh that the Prime Minister showed his implacable nature. Undoubtedly, he was right in insisting that charges should be fully made and not hinted at and, when made, the individuals concerned should fight it out using the Rule of Law as the final arbitrator. If Mr Deshmukh *is* sure of his facts, *why* does he not proclaim them? It is quite absurd to argue that a tribunal is in a better position than a Court of Law to investigate charges which may be true or false. If the charges are sufficiently serious, either they will be accepted or contested by an action for libel.

What, people are asking, is Mr. Deshmukh now to do? He would be less than just to himself and to the public, which has supported him on this demand, if he does not now place before the country without delay both the original charges and the evidence on which they are based. Undoubtedly, the Press all over the country will publish these charges over Mr Deshmukh's name. And, undoubtedly, the battle will then be joined. I assert that Mr Deshmukh is bound to accept the challenge which has been thrown before him. He will be completely discredited in public life, if having taken this matter so far, he now chooses to withdraw.

I also think the time is appropriate for Mr Deshmukh to withdraw from the Chairmanship of the University Grants Commission. The reason is simple. He is no longer an honorary Chairman; I have heard on good authority that he has been in receipt of a salary of Rs. 3,000 for some months. It is not open to a servant of the State—which Mr. Deshmukh now is—to levy charges against the administration and remain in office. It would be wholly improper even if a Supreme Court Judge behaved in this manner. Why should Mr Deshmukh be an exception? Apart from this there is the question of his own reputation which he has jealously guarded over a long time of public service. It is vital that public life in India should be cleansed by the willingness of Mr Deshmukh to make sacrifice for a cause. I have heard it said several times in the last week that at the remuneration that the Deshmukhs together receive, no sacrifice is involved in his present work. I am jealous enough of the integrity of our public life to ask that this situation should be remedied without delay.

TAILPIECE

I have just time for a tailpiece. It relates to the treasure find in the ashram of a Mahant in Bikaner. The story goes that the police have dug up treasure worth Rs. 1 lakh in the form of cash, precious stones and jewellery from the ashram after the body of the Mahant. which was in a decaying condition, was removed. Apart from the mystery of this treasure, what is really intriguing is the revelation that the police found an old-model motor car inside the ashram. What was the celebrity really doing with it if, as the report goes, the Mahant had never stepped out of the ashram for the past 20 years? This opens a vista of possibilities for the curious.

ARGUS

THE WEEK'S NOTES

Kerala

THE END OF THE BEGINNING

IT HAS taken nearly three weeks between the announcement of the results of the election to the Kerala State Assembly and the formation of the new Ministry. To those familiar with the trend in Kerala politics, this undue delay perhaps might not have caused surprise. There were two main hurdles One related to the question of office of the Chief Minister. Here, the difficulty was got over earlier. This was because, though the Congress commanded a majority of 63 seats in a house of 126, it was from the beginning in a mood of self-abnegation and was not particularly eager to shoulder the responsibility. It was, therefore, soon taken for granted that the new Ministry will be led by Mr. Pattom Thanu Pillai, the Kerala P.S.P. leader. Whether the self-sacrifice on the part of the Congress is really warranted by the circumstances is of course a moot point, but then, apparently, in the present state of the Congress leadership in the State, there was no alternative.

The other question related to the composition of the coalition since a coalition Ministry was deemed inevitable in the peculiar situation of the State. Here, the P.S.P. took a consistent stand throughout and insisted on representation to the Muslim League in the Ministry since it was one of the three parties to the Alliance. By a curious logic, however, the Congress was averse to this proposal on the plea that it will have "wider repercussions" in all-India politics. In all the tortuous process of negotiations, the Congress stand was least understandable. If it can allow the Muslim League to be a party to the Alliance in defeating the Communists and, at one stage, as it was reported, it was willing to concede the Speakership to a Muslim League candidate, it is not known by what logic it should be averse to Muslim League representation in the Ministry. For, it should be remembered that even in the case of the P.S.P., the alliance is only a marriage of convenience since at the all-India plane, there are marked differences between the Congress and the P.S.P. The deadlock would probably have not been broken but for the last-minute decision of the Muslim League not to insist on a seat in the Ministry. In the result, the Muslim League has now emerged with added prestige. It is now only a matter of speculation what would have been the Congress attitude if there had been no P.S.P. and only the Muslim League was a partner to contest against the Communists. Anyhow since a ministry has now been formed, one should feel "all is well that ends well." In the future at least, will the Alliance, which has been forged under exceptional circumstances, have a smooth run in the wider interests of Kerala as well as the country?

Scientists

A NEW DEAL?

THE DEBATE that took place in the Lok Sabha last week on the suicide committed by Dr Joseph of the Indian Agricultural Research Institute served to show the concern of the Members who were obviously not satisfied with the earlier statement made on the tragedy by Mr S. K. Patil, Union Minister for Food and Agriculture. The issues raised go beyond the personal tragedy. Simply stated, the question is what Government proposes to do for providing a highly qualified person with the post befitting his qualifications and also making the climate in general hospitable for the work of the scientists. That conditions in this regard are far from satisfactory can be seen from a recent article contributed in 'The Hindu' by the eminent British scientist, Prof. J. B. S. Haldane. Disagreeing with the statement of the Prime Minister that many Indian scientists prefer to stay abroad because the pay and facilities are much better, he says that though some Indians may do so for these reasons, many others are forced to stay abroad for much more "honourable" reasons. He has given two instances to show under what conditions scientists have to work. One is the case of a scientific worker in Calcutta, who drew Rs 400 per month for at least six months without doing anything, but filling in forms about work and showing visitors round. The second instance relates to the jealousy shown by superiors in the case of junior workers. Here, he refers to a bibliography of publications by the head of a well-known Indian laboratory, who has published over 50 scientific papers in one paper. Indeed, a colossal feat for any one single individual without any assistance!

It will be, therefore, hardly surprising, that under these circumstances, many young men feel frustrated. Here is then a clue as to what should be done if conditions are to be made more congenial for scientific work. Mr Patil stated that Government were now considering the question of improving the pay scales and conditions of service of scientists. It is of course good in so far as it goes. It is also gratifying to know that a committee had been appointed by the Cabinet to consider liberalisation of rules under which the scientists would be able to improve their conditions of service without delay. It is now a well-known fact that even people with a good academic background prefer to go into the administrative services not only because of the better salary conditions but because of the prestige it involves. This has to be rectified and the post of a scientist should command as much prestige as an administrative officer. Secondly, far more important is the need for prompt forwarding of applications whether the jobs relate to Government, quasi-government or private organisations. For, if a man wants to improve his prospects, why should anybody stand in his way so long as any contract is not broken? The present rules and regulations in this regard are far too archaic and out-dated, resulting in a lot of avoidable frustration. The whole approach to this question should obviously be more liberal and made more human, not only for scientific workers but also others interested in improving their prospects if they are to have a fair deal.

Britain

RAILWAYS IN THE NEWS

THE BRITISH RAILWAYS were very much in the news recently, thanks to the strike threat which was, however, bought off at the last minute by Government agreeing to a wage increase of five per cent. This is expected to cost the Government some £15 millions. But this is only a temporary compromise and when the Guillebaud report, which is expected in a few weeks, is published, it is likely to lead to a further series of negotiations. The real problem, however, does not rest mainly with the question of wage increase or even with its impact on the general economy. It relates to the future structure and finances of the railway system itself. The fact is the British Transport Commission is already running at a deficit, and it is expected that the accumulated railway deficit will reach the huge total of about £500 million by the end of this year and it is obvious that the railways will not be able to clear it off out of their own revenues. Its modernization programme is already being

financed by funds from the Treasury and even when this is completed, it is feared that the railways will be able to do little more than cover their running expenses. A further pay increase will only aggravate the problem.

The problem in essence is this. Should the railways be run strictly on a commercial basis (which means cutting down services and putting up freight rates and passenger fares for regaining solvency) or should it be run as a public service (which would mean the Government preparing to subside the railways to the extent necessary to ensure an efficient working of the system)? Opinion is now divided between these two schools of thought. The former Chancellor of the Exchequer, Mr Thorneycroft, is a supporter of the first school, but in view of the growing total movement of people and goods and the growing road congestion, there can be no denying that an efficient railway system will remain essential to Britain. There is perhaps some compromise possible between the two schools of thought, but it is clear that if there is to be no further decline in efficiency or reduction in services, an annual Government subsidy is inevitable.

Rural Industries

NEED TO REORIENTATE PRODUCTION PATTERN

THE HIGH expectations that the 26 pilot projects of rural industries by their early success as business ventures would act as catalytic agents and lead to rapid growth of small-scale co-operative enterprises in the countryside may not have been fully realised, but their progress under the Second Five-Year Plan has by no means been small. At a total expenditure of Rs. 2.3 crores they have provided full-time employment for 39,000 persons and part-time jobs for another 79,000. The production achieved by them during the past three years has been of the order of Rs. 4 crores. Besides, they have led to the formation of as many as 1074 industrial co-operative societies, with a membership of 37,000 persons and a paid-up capital of Rs. 14 lakhs. This sureily does not give any cause for despondency and as the Mishra Study Team, which assessed their working recently, points out the progress of these projects though slow has been quite sizeable. Money spent on them has not been utter waste.

The need to develop rural industries in India can never be over-emphasised: they are the first step of the industrial ladder that has to be built up between the city and the village in order to check the migration to the town and to provide a second string to the agriculturist's bow. The slow development of these industries is perhaps due to the fact that stress so far has been laid only to revive and organise the traditional forms of village industries which suffered decay as they could not withstand the competition from the large-scale industries. There is urgent need to re-orientate the production pattern of these industries. As pointed out earlier in these columns, dovetailing of small manufacturing units to the larger ones, now being set up both in the public and the private sectors, will provide a ready market for their product. This can go a long way in fostering their development in a comparatively short period. Confining their role to the production of consumer goods only, though it will help in relieving the shortage of some of these goods, can hardly be beneficial in the long run.

The recommendation of the Mishra Study Team that further concentration of small-scale industries in cities should not be allowed, however well-intentioned it may be from the point of view of developing rural industries, is scarcely in the best interests of the country. Unemployment is not the problem for the rural sector of our economy alone. In towns and cities it is no less acute. Thousands of educated youngmen every year swell the ranks of the unemployed there. Development of small-scale enterprises in urban areas is, therefore, no less important.

Engineering Goods

AN IMPRESSIVE RECORD OF ACHIEVEMENTS

THE NEWS that the Second Plan targets for some of the light engineering industries will be accomplished, if not exceeded, by the time the Plan comes to a close is indeed heartening. Particularly gratifying is the performance of the bicycles and sewing machines industries. Not only the Plan targets in their case have been already achieved one year ahead of the schedule and they produce practically all the component parts indigenously, these industries have made their mark in the export field as well. The production of bicycles in 1959 amounted to 13 lakh units—50,000 units more than the Plan target. Sewing machines output last year equalled the target of 3 lakhs units. Against a negligible quantity exported a year ago, bicycles exports have risen to nearly 6,000 units, valued at Rs. 6 lakhs, during the past few months. Exports of sewing machines have steadily increased to Rs. 30 lakhs in 1958-59 from Rs. 6.5 lakhs in 1955-56. India-made sewing machines are now exported to places as far off as Canada and South American countries.

That the light engineering goods can play a significant role in the diversification of our foreign trade goes without saying. But that can be brought about only by enabling the industry to lower its cost of production. The industry has been long complaining of shortages of some of the categories of steel and their high prices. Attention needs to be paid to this fact. Shortages of steel may disappear with the three plants in the public sector going into full production next year, thereby helping the industry to increase it output. But the recent statement of the Union Minister for Steel, Sardar Swaran Singh, that there is no likelihood of a reduction in the selling prices of steel in the near future will surely stultify the growth of export trade in light engineering goods.

The difficulty arising out of the high cost of raw material has been attempted to be obviated by the Engineering Goods Export Promotion Council by differentiating between the domestic prices and the export prices—a recognized practice in many countries to boost exports. But this device can be helpful only in the short run. The long-range solution lies in lowering the prices of steel, the essential raw material for these industries.

MOTOR VEHICLES OUTPUT

THE PRODUCTION of motor vehicles during 1959 amounted to 36,468, the highest recorded so far. It is expected to reach the level of 62,000 by the end of 1960-61, against the Second Plan target of 65,000 vehicles. The Minister of Industry, Mr. Manubhai Shah, who gave this information in the Rajya Sabha on Wednesday in reply to a question by Mr. Maheswar Naik, said that the decline in production during 1958, more noticeable in the case of cars, was primarily due to the shortage of foreign exchange on account of which the import of components needed for indigenous manufacture could not be allowed freely. For over a year now, however, foreign exchange had been released to manufacturers on an increasingly liberalised scale as a result of which production had risen and was expected to go up further during 1960. Every effort, Mr. Shah added, was being made to provide enough foreign exchange to manufacturers for enabling them to step up production to the maximum level possible to meet the demand.

Window on the World

THE HEART OF THE RATIONALIST CREED

By

ODYSSEUS

THE POLITICAL CONSEQUENCES of distinguishing between my "lower", passionate self and my "true" enlightened self becomes clearer if we consider the two chief forms which the desire to be directed by one's "true" self has historically taken: that of (1) self-abnegation — the retreat to the citadel — in order to attain self-mastery and "freedom," and (2) self-realisation, or complete identification with a specific ideal in order to attain the same goal. Having last week discussed (1), today we turn to (2).

Those who uphold self-realisation argue that passions, prejudices, and fears spring from ignorance. Marx (and others) maintained that the path of humans was obstructed not only by natural forces, or the imperfections of their own character but, even more, by their social institutions, which they had originally created (not always consciously) for certain purposes, but whose functioning they came to misunderstand and which then became obstacles to their creators' progress. Marx pointed to the laws of supply and demand, and of property, the "eternal" division of society into rich and poor, owners and workers, as examples of illusions whose spells could be broken when men understood them and replaced them by up-to-date institutions.

According to this argument, we are enslaved by despots, institutions, or beliefs, which can be removed only by being analysed and understood. I am free if I plan my own life in accordance with my will. Plans entail rules. A rule does not oppress me if I impose it consciously on myself, providing that it is rational. To understand why things must be as they must be is to accept them freely, to will them to be so, and to preserve oneself from the frustrations of attempting the impossible. To want necessary laws to be other than they are — to want two and two to make five — is irrational. In his brilliantly written little study, "Two Concepts of Liberty" (Oxf. Univ. Press, 57 pages. 5 sh.), Isaiah Berlin points out that this argument is the "metaphysical heart of rationalism." Its notion of liberty is not the "negative" idea of a field in which I can do as I please without interference, but the notion of self-direction or self-control. According to this, I am a rational being. Whatever I can prove to myself as being necessary, as incapable of being otherwise in a rational society, I accept like the laws of chemistry or mathematics. That is why (runs the argument) I can never be thwarted, since I shall never want things that, because they are irrational, cannot be.

This is the "positive" doctrine of liberation by reason. Socialised forms of it are at the heart of many of the nationalist, Marxist, and authoritarian creeds of our day. The doctrine may, in the course of its evolution, as Berlin wryly remarks, have left its rationalist moorings, but it is this freedom that in democracies and dictatorships is in dispute.

WHO IS TO DECIDE?

Those who believe in freedom as rational self-direction were led to ask how this applied to the individual's relations with society. I wish to be free to live rationally, as my "true" self demands—but so do others. Where is the frontier that lies between my rational rights and yours? A rational (or free) state would be governed by laws that all rational men would accept, i.e., by such laws as they would themselves have enacted had they been asked, or been able to determine, what as rational beings they wanted. But who, in fact, is to decide where the frontiers between your rational rights and mine should be?

Rationalists argue that moral and political problems must in principle be as fully soluble as a problem of mathematics, i.e., there must exist one, and only one, true solution to any problem. A just political order must be discoverable by reason. Marx, and his predecessors and followers, all assume that in a society of rational individuals the lust for domination over men will disappear. The existence of oppression is a symptom that the true solution to social problems has not yet been reached. The common assumption of these thinkers is that the rational ends of our "true" natures must coincide—or must be made to coincide, however violently our poor, unreflective, desire-ridden, passionate selves may cry out against the process of compulsion. Freedom is not freedom to do what is irrational. To mould stupid people into the right pattern is not tyranny but liberation. This is what Rousseau meant when he said: "In giving myself to all, I give myself to none," and get back as much as I lose. Kant put it this way: When "the individual has entirely abandoned his wild, lawless freedom, to find it again, unimpaired, in a state of dependence according to law," that alone is true freedom, "for this dependence is the work of my own will acting as law giver." Liberty is not incompatible with authority but is identical with it. This is the language of all the declarations of rights in the 18th century. Almost alone, Jeremy Bentham doggedly went on repeating that laws do not liberate: they restrain. "Every law is an infraction of liberty."

Now, if social problems were capable of exact solutions like those of arithmetic, and if reason were what rationalists say it is, liberty might coincide with law and with authority. A law which forbids me to do what I could not, as a rational being, conceivably wish to do is no restraint on my freedom. In an ideal society, composed wholly of rational men, laws and the state would wither away.

OBEYING YOUR SUPERIORS

Those who founded their political theories on rationalism were led to consider how, in practice, reason could be made rational. Education was the answer. The uneducated are irrational. They cannot be expected to understand or to co-operate with their teachers. Fichte therefore laid down that you must be taught in such a way that "you will later recognise the right." Neither children, nor the ignorant (that is, for the moment, the majority of mankind) understand why they must go to school, nor why they must obey the laws that will presently make them sweetly reasonable. "Compulsion is also a kind of education."

the great virtue of obedience to superior persons. If you cannot understand your interests as a rational being, I cannot be expected to consult you in the course of making you rational. The logical conclusion of this argument is to transform it from the individual to the social plane and to assert that the better educated, the more rational elements in society may use compulsion to force the ignorant masses to be "free". This is the argument used by every bully, inquisitor, institutional boss, and dictator to justify his conduct. Fichte, the progenitor of the heroic doctrine which glorifies a "leader," said: "To compel men to adopt the right form of government, to impose Right on them by force, is not only the right but the sacred duty of every man who has the insight and the power to do so."

We have come a long way from our liberal point of departure! But this is the path by which the rationalist argument, with its assumption of the single true solution, has led from an ethical doctrine of individual responsibility and individual self-perfection to an authoritarian state. As Auguste Comte said: "If we do not allow free thinking in chemistry or biology, why should we allow it in morals or politics?"

Where did the philosophers go wrong? Kant insisted that a capacity for rational self-direction belonged to all men: that there could be no experts in moral problems because morality is not a branch of specialised knowledge (as the Utilitarians had maintained) but of the correct use of a universal human faculty, and consequently that what made men free was not acting in certain self-improving ways (which they could be coerced into) but knowing why they ought to do so, which nobody could do for, or on behalf of, anyone else. But when Kant came to political problems he changed his ground and said that no law, providing that it were such that I should, if I were asked, approve of it as a rational being, could possibly deprive me of any portion of my rational freedom. With this he pushed the door wide open to the rule of experts.

If freedom, as defined by the rationalists, turns out to be identical with despotism, can it be that their definition is mistaken? Let us recapitulate the assumptions of the argument: (1) All men have the one purpose of rational self-direction. (2) The ends of all rational beings must fit into one universal, harmonious pattern, which some men may be able to discern more clearly than others. (3) All conflict arises from the clash of rational men with immature, irrational men. These clashes are, in principle, avoidable and, for rational men, impossible. (4) When all men have been made rational, they will obey the rational laws of their own natures, which are one and the same in them all, and so will be wholly law-abiding and wholly free.

Can it be, Isaiah Berlin asks cautiously but with a certain gleam in his eye, that Hume was right and Socrates mistaken: that virtue is not knowledge, and freedom neither virtue nor knowledge? That although this famous doctrine now rules the lives of more men than ever before, not one of its basic assumptions is demonstrable? Or perhaps true?

We will hold these weighty questions over till next week.

(This is the third in a short series discussing the war being fought throughout the world between two systems of ideas which give conflicting answers to the questions: "Why should I, or anyone, obey anyone? May I be coerced? By whom?" Although each article is complete in itself, Odysseus hopes that his friends will keep their copies for a collected reading of the whole arguments.—ED.)

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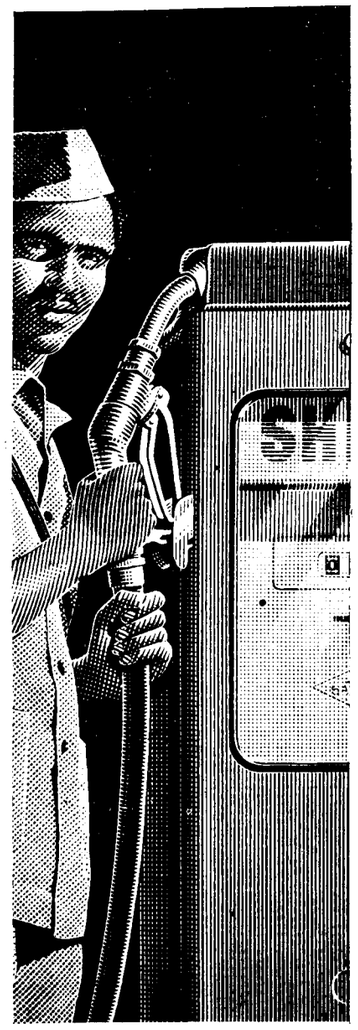
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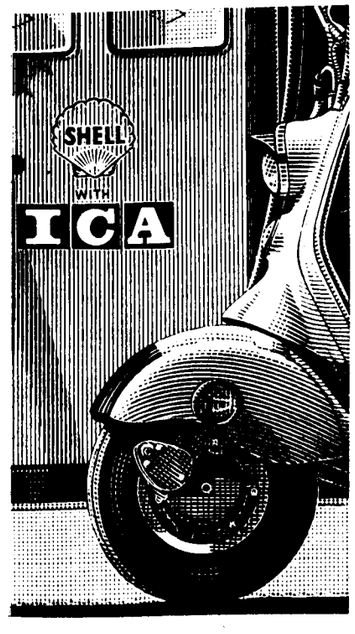
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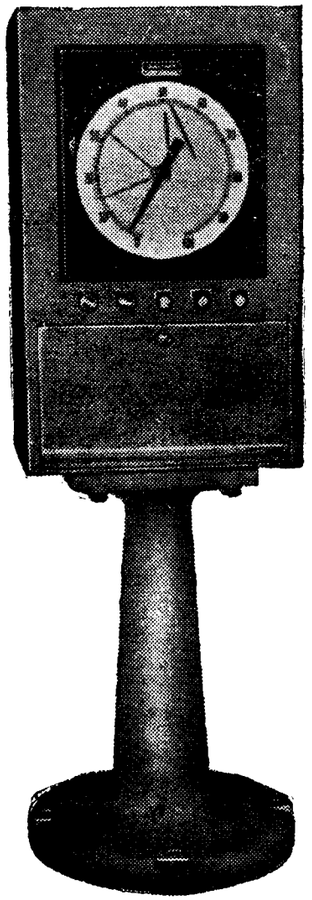




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The European Scene

THE COMMON MARKET'S EXTERNAL TARIFF

From Our Special West European Correspondent

PARIS, February 20.

THE Common Market should still be, according to the predictions made when the Rome Treaty was written, in the cautious initial phase and it should stay there till 1962. Its members, that is, should be disarming commercially among themselves without worrying about the outside world. They should be broadening quotas every 12 months and lowering tariffs every 18, as between themselves, but as far as the rest of the world is concerned they should be maintaining the same quotas and tariffs on imports from outside. They should be taking the first steps to equalise conditions of competition within the Market, but they need not yet be acting as a bloc in such matters as the common external tariff, a common fiscal and commercial policy and joint aid to developing countries. All that has its place, but it comes later in the schedule drawn up in Rome.

In reality, matters are working out quite differently. The members are doing all they should as regards their mutual tariffs and quotas, they are doing rather less than they should in equalising competitive conditions, but they are well advanced in matters of common policy toward the outside world. The common external tariff, for example, which will form the customs barrier around the six-nation union when its internal barriers have fallen, is being drawn up two years in advance. This haste in dealing with the Common Market's "foreign policy" has been forced on the members by recent changes in international trade. It involves a strengthening, or at least an acceleration, of their cohesion as an economic unit and means that, in many ways, the outside world will have to take notice of the Common Market earlier than it had expected. Ironically, this more rapid unification of the Market's foreign policy is the upshot of efforts by outsiders to delay that unification and to break down the distinctiveness of the European Community.

Take the question of the common external tariff, which should not appear on the agenda before 1962. When members began trading more freely among themselves, outsiders said this was discrimination and demanded that they too be allowed to benefit from the tariff reductions. This was granted at the start of 1959 and will probably be granted again in mid-1960 when the next tariff cuts will occur. But obviously members only consented to cut their external tariffs down to the probable level of the future common external tariff; e.g. when Italy lowered an import duty on goods from her partners, she consented to lower it also on imports from Britain, but in the second case she did not lower it so far that her duty would be below the future external tariff that all the partners would impose on those imports from outside. But for many goods, the level of the future external tariff had not been decided upon by the partners. So, if they were to go on making concessions to outsiders, they would have to settle the level of the common tariff for fear they went too far.

Moreover, the agitation among outsiders about the protectionist potential of the Common Market could only be answered by settling the external tariff and presenting it to them, so that they would be able to see just how the Common Market was going to affect their trade with Continental Europe. This is why the Six are now completing their common tariff list, so, that they can produce it at the GATT meeting in May. With the figures in hand, the Six will then be able to argue at GATT that their enterprise is a genuine customs union, and thus entitled to practise the discriminations GATT allows in such cases, and furthermore that it is not an excessively protectionist customs union. Not only that, GATT will have to consider the USA's "Dillon Plan" for a 20 per cent reduction in world tariffs over four years. Since that will concern the period in which the Common Market must begin to have a common external tariff in any event, the Six needed to know what that tariff would be in order to take up a position on the Dillon Plan. In fact, their position is positive, and they are among the best supporters of the US proposals. So with their list in hand they will be able to say at GATT, "These are the duties we are going to impose on imports from outside, and we are ready to knock 20 per cent off them in four years if the US plan is accepted." Early preparation of the common tariff had become an economic and political necessity.

How is it arrived at? For most goods the rule is that the common tariff will be the arithmetical average of the separate tariffs imposed by the six members on 1st January, 1957. This means that tariffs will go up in the low-duty countries like Benelux, while they come down in the high-duty countries. So if an overseas country's trade has been mainly with the former (as Canada's has; she sends her exports to Europe through the Dutch and Belgian ports), there will be an apparent loss. But quite evidently, this needs to be set off against the gain from the reduction in duties by the high-tariff members. For example, one can see in the list just published by the Six that 70 per cent of French duties (on 3,553 articles) will be lowered, 15 per cent (on 725 articles) will be unchanged, while 15 per cent (on 696 articles) will be raised. Since it is only 15 months since France was being presented as the arch-protectionist and the laggard of OEEC, the reduction of 70 per cent of her duties coming after the numerous other free-trade concessions she has made since the end of 1958, should be subject for rejoicing. The French employers' organisation, the CNFP, has just said that it is accepting this reduction on the understanding that the common external tariff will thereafter be left untouched. But we have just seen that their Government, along with others, is committed to supporting the Dillon Plan which will reduce the external tariff. Once the tariff is in force, it will be subject to all the political and economic pressures that are concentrated in GATT, and if those pressures work in the direction of deprotection and freer trade, then the Common Market's external tariff will fall. Having accepted the deprotection entailed in joining the Common Market and in accepting its lower external tariff, the high-duty countries will be better able to face further measures of deprotection later.

On balance, therefore, the main achievement of the common tariff will have been to get the protectionist countries to lower their duties; the increased duties consented to by the low-duty countries need not be permanent, if the current of world trade continues to flow to greater liberalisation (and that is the hope of

the Dillon Plan). Reductions in the common tariff will be easier to secure because the Six will have, as a bloc, a better bargaining position. An early and important example will be chemicals. Taken separately, the Continental chemical industries could not bargain with the much larger but heavily protected US industry. As a unit, they will be able to negotiate mutual reductions.

However, not all the Common Market's imports could be subjected to the arithemetical-average rule. There were a number of special cases that were put aside in the "G List" for later negotiation. This negotiation has been under way for months past and will probably be completed early in March at a meeting in Rome. The G List contains 263 entries, covering 70 main products. Bargaining between the Six has already disposed of 41, for which a common tariff has been agreed upon. The common tariff is in every case low, and often nil; the same liberal spirit has governed decisions about the difficult cases as about the easy ones. Italian sulphur, for example, needed more protection than French sulphur, produced cheaply from natural gas in the Pyrenees. So the Six decided to charge no duty on sulphur imports, and to give a special subsidy to the Sicilian sulphur mines by way of compensation; this subsidy is to be used to equip them for competition. On the remaining 29 articles (paper pulp, automobile parts and motors, aluminium, etc) agreement is expected shortly. The only difficult case will be oil and its derivatives; France wants her Saharan oil to have privileged access to the Common Market and naturally the international cartels are opposing this vigorously, having lately lost much of the US market and being faced elsewhere with a world power glut.

Having been drawn up two years in advance, the common external tariff will no doubt come into force earlier than planned. If the suggestion is accepted that the next tariff cut between members be of 20 per cent rather than of 10 per cent, then the common tariff must legally come into force in July this year because the Common Market must have one tariff for the rest of the world once its internal tariffs have been cut by 30 per cent in all. (Otherwise it becomes a mere free-trade area, with consequent dangers of diversion of trade, outsiders' goods getting into high-tariff countries after a detour via low-tariff countries.) Alternatively, if the July reduction is kept at 10 per cent but is extended to non-members as well, Paris will insist that low-tariff members raise their duties when high-tariff members lower theirs, thus bringing the one tariff into operation. The only way to avoid application of the common tariff this year would be for members to limit the July duty reduction to 10 per cent but not to make any concession to outsiders. No one wants this, inside or outside the Common Market. So if the Six mean to implement the Rome Treaty and not to dilute their Common Market in a loose free-trade area, it seems that application—at least partial—of the common external tariff is inevitable this year. The importance of this for world trade should be evident. The Common Market, the world's biggest importer and second biggest exporter, will be presenting a united front and one set of duties to the external world two years earlier than foreseen

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Economic Report from the U.S.

STEEL PRODUCTION

By GUY SIMS FITCH

WASHINGTON, Feb. 16.

THE American economy has been moving ahead so steadily that landmarks which might otherwise have caused considerable comment seem to slip by almost unnoticed. This past week saw another example of this when a rather startling announcement by the American Iron and Steel Institute drew only passing mention in the nation's periodicals. It was to the effect that January 1960 was the first month in which steel production in the United States — or in any nation — had ever crossed the 12 million-ton mark. According to the Institute, the leading private trade group in the industry, steelmaking furnaces in the United States poured 12,043,000 short tons (one short ton equals 0.91 metric tons) of steel last month. The previous monthly record was the 11,989,319 tons poured last December. By comparison, production in January 1959 was 9,317,385 tons — considered a highly commendable monthly total that time.

According to the Institute's index of steel-making, the January 1960 output was 69.5 per cent above the average output for 1947-49, the usual base period for measuring U.S. industrial production. Based on January 1, 1960, capacity of nearly 148.6 million short tons of raw steel annually, American steel-making facilities were used at an average of 95.4 per cent of capacity during that month. It is problematical whether this rate will be maintained over the entire year. The readjustment of the U.S. steel market to normal conditions has proceeded at a healthy pace following the reopening of the mills last November after the 116-day work stoppage. With completed steel inventories now being rebuilt to satisfactory working levels, it would not be unexpected to see the production rate adjust to a steadier and more stable 80-90 per cent of capacity during the course of the year. Even so, it appears virtually certain that a new U.S. steel production mark will be established in 1960. While some of the more extravagant claims may be difficult to achieve, a total of at least 120 million short tons, compared with the existing annual record of 117 million, certainly seems reasonable and well within reach. At 120 million short tons, U.S. steel output would be a resounding 28 per cent above the 93.4 million tons poured last year. And the 1959 total was nearly 10 per cent above the 85 million tons poured in 1958 despite the lengthy industry shutdown.

It is significant that the U.S. is not alone among the free nations in attaining new steel production marks. Only last week, it was announced in London that the United Kingdom's steel output also had hit a new high in January. U.K. production for 1960 as a whole is expected to show a 20 per cent increase over the 1959 level. Steel output is also booming in such countries as Canada, Japan, the Netherlands, Belgium, France, the Federal Republic of Germany — all of which scored new steel production highs last year. Steel, of course, is only one manifestation, albeit an important one, of the thriving industrial activity of the free nations—an activity which points to some interesting developments in the world economic picture. Preliminary data now indicate that the free world last year increased its industrial production lead over the Communist bloc. And what makes this all the more interesting is the constant harping of Soviet leaders on the alleged gains of the Communist economies as against the free economies. The Communist States have been making progress, of course, but the following comparative production figures show they have a long way to go if they are ever to catch up with, let alone surpass, the free nations:

Commodity	Communist Bloc		Free World	
	1958	1959	1958	1959
Steel (millions of metric tons)	80.1	92	189.5	203
Petroleum (millions of metric tons)	127.0	144	782	830
Electric Power (thousand million kilowatt hours)	362.5	413	1,510	1,650

These figures clearly show that the free world "widened the gap" over the Communist bloc in each of these basic industrial fields—fields which traditionally have received major emphasis from Communist planners. In the case of steel, the gap was widened by 2 million tons; in petroleum, 31 million tons; in electric power, by 89,000 million kilowatt hours.

There also is this to be noted: The gap in steel conceivably could have been even wider last year, had not the work stoppage shut down the bulk of the steel-making facilities for narly four months in the United States, by far the world's leading producer. Of course, the Communist States will be making every effort to push their output to new highs. But with the economics of the United States and other free nations continuing to demonstrate their underlying vitality and reaching new highs themselves, it would be reasonable to expect that when 1960 is over the figures once again will show the free world widening the gap over the Communist bloc.

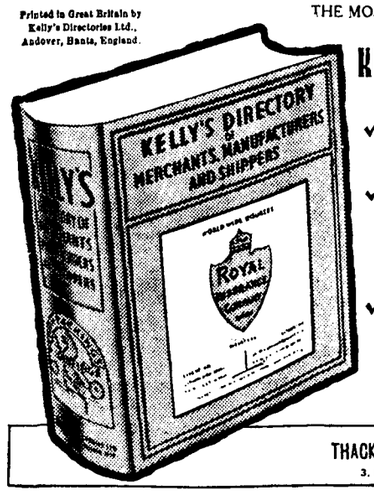
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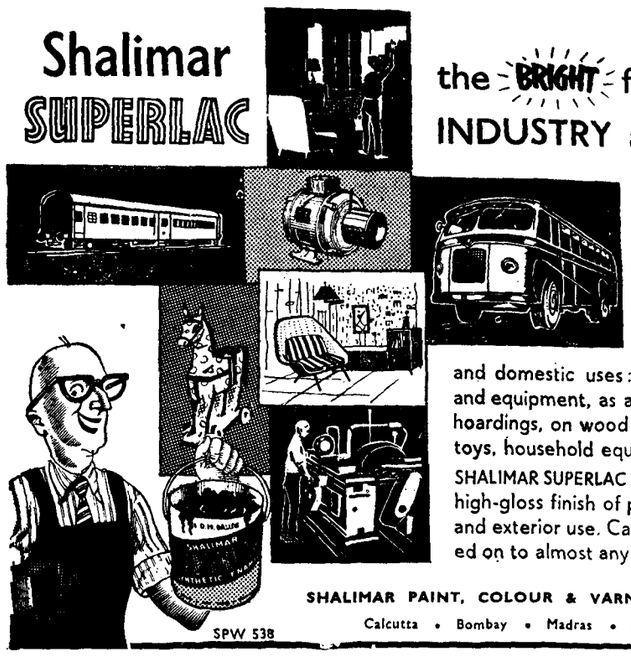
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Special Article

THREE PLANS IN FINANCIAL PERSPECTIVE: 1951—1965

INDIAN planning purports to be a single piece, but in each of India's three Plans, the financial problems are unique. Indeed, in at least two, they may be said to be diametrically opposed. In the First Five-Year Plan, there was no forced march. The targets of production were at best projections of existing trends. Their overfulfilment placed no strain on the financial or production system because, in fact, "unplanned" production came from agriculture and was not reflected either in a foreign exchange loss or a price rise; it seems to have required no additional investment. The problems of the Second Plan are markedly different. The forced rate of growth of the system in absolute terms was clearly much more exacting, and nothing is so misleading as supposing that, because the Second Five-Year Plan is likely to achieve a rate of growth of four per cent per year, which was not significantly higher than that in the First Plan, the order of stress in the two cases was similar. The first Five-Year Plan had no steel plants and the ratio of consumer goods to producer goods in total production at the end of the Plan was about 2, or producer goods were only one-third of industrial production. In the Second Five-Year Plan, the ratio of consumer goods to producer goods may be 50:50. The absolute strain on the economy has shown itself in both the inflationary pressure within and the crisis in foreign exchange from 1957 onwards.

THE MIRRORS OF STRAIN

The foreign exchange and internal price levels are, so to speak, the mirrors in which we see the strains of the economy. In the First Five-Year Plan, there was no strain and our sterling balances at Rs. 746 crores were only slightly lower on April 1, 1956 than they were on April 1, 1951. The price level was also lower at the beginning of the Second Plan than it was when the First Five-Year Plan began; the wholesale price index (Base: year ended August 1939=100) was 391.3 in April 1956 as against 457.5 in April 1951. The Second Five-Year Plan, except in a chronological sense, was not a continuation of the First Plan. The visible signs of difference are in the steep decline of the sterling balances from Rs. 735 crores at the end of 1955 to about Rs. 200 crores today, and the rise in the internal price level of over 20 per cent. In boldness of conception, it was diametrically opposed in that while we moved from a very ineffective floor in the First Five-Year Plan, along which we crawled for approximately five years, we hit in the Second Plan a ceiling in foreign exchange and inflationary pressures, as well as in terms of managerial and physical resources.

THE THIRD PLAN: THE HIATUS

Indian planning will need in the Third Five-Year Plan to take on entirely a new dimension, which is again different from the hiatus which separates the First and the Second Plans. We will still be moving on a ceiling, both in foreign exchange and in terms of inflationary pressures and, therefore, have not much room to manoeuvre, but we have an additional constraint which arises from the fact that, while in the Second Five-Year Plan we had foreign exchange reserves with which to meet the stresses of the first two years of the Plan, on this occasion we are in a strait-jacket from the beginning. Anyone who argues that, because we overcame difficulties in the third and fourth years of the Second Plan, therefore we can overcome all the difficulties of a much greater Plan in its very first years is not arguing from analogy. This is the nearest thing to dogma in Indian planning at the present time.

A CATEGORICAL IMPERATIVE

Not, indeed, that 'The Eastern Economist' recommends that there should be a reversal of the decision to finance by investment a Third Plan between Rs. 9,500 crores and Rs. 10,000 crores. This decision is decreed by political imperatives, based on the fact that the country needs this rate of economic development and that an election in 1962, or perhaps at the end of 1961, will in any case put a bigger plan on to the hustings. Even before the verdict of the elections, however, it can be safely said that all existing indications are to the effect that the Indian people demand, both for employment and for income, a larger plan. The political chances of a party which chose a smaller investment programme in that period would be bleak. The question, therefore, which is urgent, is not whether we should have a larger or a smaller plan, or whether we should crawl along the ceiling both in foreign exchange and in inflationary pressures, but how we are to maintain a steady plan of development without foreign exchange resources at the beginning of the race.

On the foreign exchange component one can argue that the problem has moved away from the level of "late" financial credits to immediate issue of negotiations with many foreign countries (instead of a few) on the basis of bilateral agreements in which credits are tied all the way or additionally that these countries agree to operate a non-convertible rupee account, permitting in the meanwhile capital goods' purchases that India requires possibly at a level of 400 crores of rupees a year additional to those on current replacement account.

The rupee account has already come to stay. In simple terms, the trade pattern is now strongly tilted towards rupee payments countries and those countries which have provided credits in their own currency to permit imports without payment of foreign exchange in the immediate present. At first sight, these are only the Communist countries of Eastern Europe. But in fact this is not the case. Thus, our exports in the last two years to Japan have risen at roughly the same rate by which they have risen to the Communist countries. In respect of Yugoslavia and Austria, they are likely to rise in 1960 at an even steeper rate, which has nothing to do with a strictly political turn dictated by the Kremlin or by the countries connected thereto by the bond of political operation. In other words, a solution can be found if a similar process is adopted by other countries to allow orders to be placed for capital goods in the first two or three years of the Plan. Some of these may be against credits which are likely to mature in the last three years. Assuming, which is very likely, that the United States and Western

Europe will provide a thousand crores in free dollars or sterling apart from P.L. 480, it would be sufficient if half of this were thrown forward to the first two years of the Plan, and orders are permitted to be placed in 1960 for capital goods of the order of about Rs 250 crores in each year. There is evidence that Russian credits on rupee account might rise to the order of 100 crores of rupees per year and that Indian exports under pressure of the same factor would also rise by 50 crores of rupee on trade account; thus Rs. 400 crores on capital goods would be available in the first two years of the Plan, if only the following three conditions were satisfied:

(1) that the operation of trade between 1960 and 1962 was similar to that between 1958 and 1959;

(2) that rupee credits outside a balanced current trade were of the order of 100 crores of rupees per year;

(3) that Western European countries set up foreign exchange credits of the order of Rs. 250 crores in each of years 1961 and 1962 to finance the immediate import of capital goods.

So far as rupee resources are concerned, the conditions of equilibrium are also threefold. They are firstly, that the tax effort and the loan effort together should provide at least 4,000 crores of rupees out of a total of about 7,000 crores of rupees, which represents the net minimum rupee expenditure of the plan after foreign credits of Rs. 2,500 crores with no rupee counterpart are deducted. Secondly, that the phasing of deficit financing should be such that in any one year the loan target and the deficit financing target should be in equilibrium allowing only for such additional money supply as is necessary to finance additional production on consumer goods. In other words, the producer goods element is to be financed entirely by foreign exchange or by taxation. Thirdly, P.L. 480 funds of Rs. 1,500 crores over the five years and bank credit of about 80 per cent of the deficit financing figure (or about Rs. 1,200 crores) are both used in a restrained and phased manner so that they do not amount in any one year to a net addition to money supply of over Rs. 200 crores.

When all this has been said and done to show that the financial problems of the Plan are now manageable, it has said nothing about the capacity of the country, having both foreign exchange and rupee resources, to carry out production targets according to schedule. This is in the Third, as in the Second Plan, likely to be its Achilles' heel. This is what makes purely financial arrangements necessary, but not sufficient, conditions of success.

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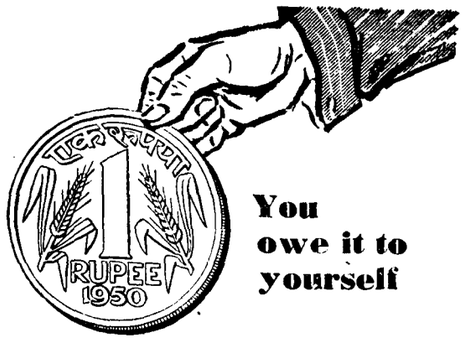
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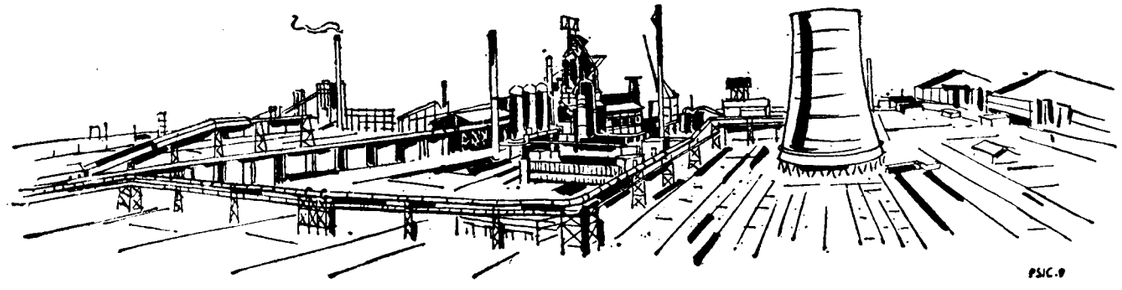
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THE BUSINESS WORLD

Tax Evasion: The New Recipe

ACCORDING to a news agency message, the Finance Minister, Mr. Morarji Desai, is reported to have told a recent meeting of the Informal Consultative Committee of Parliament on Finance that legislation will soon be brought to amend Section 54 of the Income-tax Act. The object is stated to be to enable the Government to disclose to the public names of assessees and details about their assessment. That Government were already thinking on such lines was disclosed during the Bangalore session of the Congress by the Prime Minister. This recommendation, incidentally, is one of the gifts of the Tyagi Committee on Direct Taxes Administration whose full report, by a coincidence, is available this week.

Before examining its merits, a word about the background which may perhaps explain why Government seems to have been so prompt in accepting this particular recommendation. Mr. Nthru's announcement came while the Congress was discussing the question of alleged corruption and malpractices in high places. While rejecting the demand for a standing tribunal, perhaps as a gesture to mollify the concern of members, Mr. Nehru made two announcements. One was that the Congress Working Committee had decided to invite Congress legislators throughout the country to disclose their assets and indicate how they changed from time to time. Perhaps feeling that this would mean a discrimination against only members of the ruling party, he made the second proposal that the Government intended to make public all income-tax assessments. But whether it was so intended or not, this only had the effect of side-tracking the main issue. For while it may be conceded that tax evasion is a form of corruption, by no stretch of logic it can be argued that corruption results from tax evasion only.

The result is a confusion of issues, whether by design or accident. Nevertheless, it is easy to understand Government's anxiety to steal the thunder of critics by acting up to the Tyagi Committee's recommendation in view of its political appeal though there may be little justification on the ground of equity or reasonableness. To be fair to the Committee, however, it must be mentioned that this recommendation was only one of many other recommendations to tackle the problem of tax evasion. It is a strange irony that immediately, Government should have plumped for this particular proposal disregarding many other concrete suggestions, though they may be lacking in the dramatic element.

The Committee, while analysing the reasons for tax evasion, have listed many factors operating to bring about this result, such as the high rates of tax, the complexity of the tax laws, the inadequacy of the powers vested in the personnel of the department and shortage of experienced personnel. It has therefore suggested various measures by way of remedies to rectify defects in the present tax administration. Apart from these, it has also expressed the view that the secrecy provisions of the direct taxes Acts are responsible for widespread evasion. Hence it suggests that if the secrecy provisions are relaxed even to a limited extent, they will go a long way towards checking tax evasion. It has, therefore, suggested two possible methods for giving effect to this decision, namely, that Government should either periodically publish the names of assessees and details of assessment or make available such information on payment of a nominal fee. The amending bill proposed by Government seems to favour the second alternative.

Even while making this extraordinary proposal, the Committee is not unaware of the possible objections it may provoke. "The main argument urged against the proposal", it says, "is that it will be an unjustifiable intrusion into one's privacy and that it may encourage blackmailing and even slandering of honest citizens". Having pointed out this, it goes on to say in all innocence: "We do not see how publication of the figures relating to the income, wealth etc. of a person shown by him in his return would lead to an intrusion into his private affairs". This is exhibiting an extraordinary 'naivete'. The Committee itself admits how the Taxation Enquiry Commission, which examined this issue, were not in favour of any further relaxation of the provisions of Section 54 of the Income Tax Act. But even after this, the Committee has chosen to ignore its serious objections and has cited instances of foreign countries where this practice is adopted. As the dissenting minute points out, the position obtaining in some of the foreign countries quoted is the result of particular conditions which cannot be readily followed here. Even here, it must be remembered that this practice is not followed in countries like England, the United States, West Germany and Japan. Unless one is obstinately blind, it is easy to see the far-reaching effects of this proposal if it is implemented. This will not only affect the credit of a business man, which is a delicate fibre upon which his whole business and enterprise hang, but will also leave a free field to blackmailers and informers by opening the floodgates of enquiry resulting in undue harassment of normal citizens. This is not a prospect that one can view with equanimity.

It is also reported that the Amending Bill will provide for the publication of names of persons on whom a penalty for tax evasion is levied. This is also a sequel to the suggestion made by the Tyagi Committee that the publication of penalties imposed will act as a deterrent for tax evaders. It is strange that the Committee should have made this proposal after it has itself rejected the suggestion to publicise names of tax defaulters. It is obvious that in its excessive zeal, the Committee has been forced to make proposals of a draconian nature which are permissible only in a dictatorial set-up. And all these after its own assessment that the magnitude of tax evasion is not at all likely to be of the order of Rs. 200 crores as estimated by Professor Kaldor though it is unable to agree with the estimate of the Central Board of Revenue which has put the figure between Rs. 20 crores to Rs. 30 crores. This does not mean that the problem of tax evasion is not a matter of serious investigation. Only the approach should be different which, as the Tyagi Committee has itself underscored in many places, has to be on the lines of reforming the administrative machinery and making tax collection possible and feasible within the existing legal framework instead of resorting to measures of doubtful utility and serious pitfalls.

Public Participation and State Enterprises

By

CROESUS

MUCH interest has been aroused by the recent disclosure by the Prime Minister at a meeting of the All Party Committee on the Third Five-Year Plan that the Planning Commission has been asked "to work out proposals for giving to the general public opportunity to contribute to a limited extent to the capital of State enterprises in industry and allied fields." It is not clear from the statement whether the phrase "State enterprises in industry and allied fields" also includes the defence industries. Perhaps it may not. Be that as it may, this is a decision that is bound to be welcomed by the investors. As a matter of fact, a suggestion to this effect was made quite some time ago, but it did not meet with any favourable response at the time, thanks to the inhibition of certain Government officials who did not seem to favour such a proposal. Since then the business community has been urging, from time to time, that shares in public sector projects should be made available to the public for it is only then the public sector projects would really become public in character. This is also the reasoning behind a section of the business community asserting that the term "public sector" is a misnomer and that it could hardly be described as the people's sector, as claimed by the Government. Any way, albeit belatedly, there seems to have been a re-orientation in official thinking in favour of the people's participation in public sector projects.

Now, certain important implications stem from the proposed decision of the Government. The first is the question of liquidity of the holdings of the investing public in the public sector projects, and this would be possible only if the concerned public sector undertakings are listed on the stock exchanges. For example, the shares of the State Bank of India are listed on the Bombay Stock Exchange and are, therefore, easily negotiable, even though the proportion of the shares in the hands of the public may not be even around, let alone more than, fifty per cent. For very good reasons, the stock exchanges may not mind relaxing their requirements for purposes of listing shares in public sector projects.

Secondly, this will mean that, just as the LIC. which now holds shares in private limited companies, enjoys the privilege of participating in the proceedings of general meetings of these companies, the shareholders in public sector undertakings also would be entitled to participate in the Annual General Meetings and to seek information on the working of the Government undertakings concerned periodically. In this connection, as a result of the abandoning of the practice of giving balance sheets of State-owned undertakings in the Union budget every year, it has become difficult to get information about the working of State undertakings. Of course, the Administration reports on the working of the different Ministries concerned provide information, but these are not available so freely. Hence the opportunity for a better disclosure of the results of working of the public sector undertakings provided by the new proposal is to be welcomed.

A third aspect of the matter is that the proposal offers a fresh avenue of direct investment for the investing public and thereby makes for an increased turnover on the stock exchanges. In other words, the equity investment habit will tend to grow which would be a healthy and welcome development.

There is, however, one disadvantage, if it could be described as such, that would result from the proposal. It is that, to the extent that people's money may flow into the shares of public sector undertakings, the amount in the market that would otherwise be available wholly to investors in equities (that is, shareholders in the private sector) would be reduced. As it is, there is a hue and cry that the Government is draining away a major portion of the funds in the capital market by means of its borrowing programmes, leaving very little capital for the private sector to tap. But this fear is probably not very well founded, judging from the admittedly encouraging response which invitations for shares in the private sector have attracted in recent months. Moreover, it is a matter of opinion whether, in an expansionist economy in which there is bound to be surplus purchasing power with different sections of the society, at different times, this fear is not a little too far-fetched.

Business Notes

Shipping

IN THE THROES OF A CRISIS

"FRANKLY, COASTAL SHIPPING is facing almost a crisis of existence." This sounds like an s.o.s. The bitter truth is that the chairman of the premier shipping company in the country was constrained to send the s.o.s. in his annual presidential address on 24th February last. Mr. Dharamsey M. Khatau, Chairman of the Scindia Steam Navigation Company, sent it in relation to the coastal shipping services. It is, indeed, tragic that things should have come to such a pass. It will be recalled that the Rail-Sea Co-ordination Committee made an urgent recommendation asking the Government to take suitable action to divert the carriage of bulk cargoes to shipping. Unless this action is taken, the gloomy prospect that stares coastal shipping in the face will not be dispelled. And yet nothing seems to have been done to act on this recommendation. Mr Khatau has placed special emphasis on two cargoes transported in bulk, namely, coal and salt. At the present time they are being carried by the railways and it is a specific grievance of the shipping industry that the railways have aggravated the situation for it by placing larger wagon capacity at points which were previously served by coastal shipping. The railways, which themselves are accusing road transport operators of diverting remunerative traffic from them and are demanding restrictive regulation of road transport, should set an example of accommodation by sharing traffic in bulk cargo with shipping at a time when the latter is literally in the throes of a crisis of existence. The other causes assigned for heavy losses in the coastal and adjacent trades are low rates of carriage allowed by the Government of India for transport of rice from Burma, the increasing deterioration in the draft of the Hooghly river involving idleness for steamer capacity and prolonged detentions or delays at Madras and Cuddalore ports. Here relief can be extended to the coastal shipping services by the Government and the port authorities. But the root cause of the crisis is the depression in the freight market.

In the overseas trades, the tale of hardship is no less severe. Here the shipping industry is witnessing the paradox of a lower demand for shipping space and expansion of tonnage. Indian overseas services find themselves caught in a tight corner. The established members of the shipping conferences have shown stubborn resistance to the very simple and perfectly logical demand of Indian shipping to admit them to membership of more Conference lines. The ships of these member-companies, although their countries have nominal trade with India, touch Indian ports as wayside ports and carry away considerable cargo: but they refuse to recognise the principle of reciprocity to allow Indian ships to call at the ports of their countries. Being in an entrenched position, they are shutting out the nascent shipping services of under-developed countries from the membership of the conference lines. Mr Khatau has pointed out that the Indian shipping companies have no alternative but to wage a determined and hard struggle against this monopoly resistance and try to penetrate those routes. He has thanked the Government for the sympathetic attitude shown by it to the shipping industry in this predicament. But surely the Government can do something more than extending sympathy. Can the State Trading Corporation not use its bargaining power in its foreign trade deals to acquire business for Indian ships? The query has been made a number of times, apparently with little effect.

Industry

INDIAN TEXTILES IN GERMANY

"PATTERN IS the step-child of industry" observes Prof. Maria May, while commenting on the Indian textile industry. "And this is the country where fabric printing originated." The mission with Prof. May was to advise the Indian Government on promotion of textile exports to the Federal Republic of Germany. The report that has now emerged contains certain significant observations about our exports to Germany as well as to other markets. The lack of proper design, which has been stressed at various places in the report, seems to be a major drawback with Indian textiles. As a sharp contrast "Chinese prints were technically excellent, patterns corresponded to our staple genre and prices were about 50 per cent less than those of comparable German textiles" adds Prof. May. Sufficient attention is not paid and the designers in India do not get enough emoluments because the mills find copying cheaper. In Japan, observes Prof. May, every medium-sized town has a "school for designs" and in India, perhaps, there are not enough teachers for such schools. Moreover, the dyestuffs used are cheap chromium dyes, alezarines, helizarines and naphthols. Then, not many factories in India have good Swiss automatic screen printers and instead they take to the cheaper Italian models. The result of all this is that Indian textiles are not able to compete in the European market and even in Sudan and British West Africa their designs are considered old-fashioned.

While Prof. May has stressed the need for the production of textiles with designs suitable for the European market, the importance of traditional patterns should not be neglected. "Tie and Dye," a technique peculiar to Orissa is specially suited for interior decoration. Similarly, Bandhana fabrics of Rajasthan, wax resisting prints from Gujerat, Farukhabad, and Kashmir prints can have a steady demand in the foreign market. In the field of interior decoration, draperies, upholstery fabrics, floor covering fabrics as well as carpets can be exported in greater amounts since they only require minor alterations and are not subject to frequent fashion changes.

Another notable observation by Prof. May is that the term "Handloom" does not have the attractive power in Germany as it has elsewhere, for instance, in America. Only a few consumers are able to distinguish between handloom or mechanically woven silk, between block prints and screen prints, between handwoven carpets and mechanically woven ones. Probably the industrially produced fabrics would be preferred because of their better quality and finish. More important, therefore, is the fact that the goods should be competitive in quality, finish and prices. Proper importance should be given to marketing organisations. Research should be carried out to determine consumer preferences. For this purpose the German Federal Republic is prepared to give scholarships.

MANUFACTURE OF PUMPS

MR. J. R. BAMMI, Chairman, Indian Pump Manufacturers Association at the sixth Annual General Meeting of the Association expressed satisfaction at the progress made by the pump industry and pointed out that it was well equipped to meet the demands of the country. It may, for instance, be noted that the total production of centrifugal pumps in 1959 was approximately 84,000 units. Taking into consideration the production of 18,666 units in 1949, the production of 84,000 centrifugal pumps now can be said to be an encouraging rate of growth. The production of turbine pumps over the last two years well below the installed capacity, however, is to be attributed to lack of demand which was mainly on account of various tube well projects having been shelved or not carried out.

A reassuring feature in the development of the pump industry is that the manufacturers have now diversified their operations and incorporated changes in designs, so as to supply pumps suitable for industrial requirements, such as for cement, paper, chemical and for petroleum industries. However, it ought to be recognised that at present manufacture of such specialized pumps is limited. The main difficulty in setting up the manufacture of specialized pumps is said to be lack of statistics pertaining to the demand. Now, that the Association is trying to secure information independently by writing to various consumers the Government could at least help by instructing its various departments that when any special projects are planned, they should furnish suitable advance information either to the Development Officer concerned or directly to the Indian Pump Manufacturers Association. Mr. Bammi has also pleaded that the Government should not, in future, grant import licences for pumps until the availability of indigenous pumps is first fully explored.

Regarding the export of pumps, Mr Bammi has suggested that pooling arrangements and attention to quality should be organized by the industry and trade so as to develop a stable market abroad.

West German Aid

DIFFICULTIES IN EXECUTION

APPARENTLY, CONSIDERABLE difficulty is being felt in utilizing the assistance offered by the West German Government for India's Second Five-Year Plan. India,

it may be recalled, was extended credit facilities to the tune of $ 100 million by West Germany as an outcome of the Aid India Conference held at Washington under the World Bank's auspices in August, 1958. This assistance was offered in three slices of $ 40 million for the financial year 1958-59, and $ 30 million for 1959-60 and 1960-61 each. At present when the year 1959-60 is already coming to an end, it has not been possible to draw in full even the share of 1958-59 ($ 40 million) in spite of two extensions. This seems perplexing when seen in the light of our demand for capital goods from Germany.

There are two major factors that have created this anomaly. The first is that it is conditional to use this credit against orders insured with the Hermes organization, the West German export insurance body and, that too upto 80 per cent of the value of orders. It is now found that bulk of the supplies from West Germany had been contracted without any recourse to the services of the Hermes organization. Indian importers enjoy good reputation with German exporters and, therefore, insurance which only adds to the cost, is not sought, if it can be avoided.

The Second hurdle is due to the West German method of finding the Deutsche Mark funds for India. Unlike Britain, which gives its credits from the Exchequer funds, West Germany depends on floating market loans for the purpose of raising credit to be lent to India. For instance, negotiations for credit facilities of $ 30 million are still inconclusive because conditions in the German capital market have hardened and the cost of borrowing, which has to be borne by India, is now much higher. Conditions were easier in August-September last year, but then the financial credit for 1958-59 was lying unused. Market forces should not, as a matter of fact, be allowed to intervene and disturb the flow of aid and the spirit in which it is given. The Government of India naturally is trying for a change in the procedure so that the promised credit could be made available from West German Government revenue or the current holdings of the financial institutions, which later on can be replenished from the market. In fact, a part of the DM credit for 1958-59 was made available from the holdings of the German savings banks. Similarly, the Government of India has requested for the waiving of the insurance condition too. It is to be trusted that there will be evidence of full appreciation of India's difficulties on the part of Bonn and accommodation will be shown so as to accelerate the use of aid.

Foreign Trade

INDO-BRITISH TRADE

THE LATEST available figures in respect of composition of trade between India and the United Kingdom for the year 1959 show that India had an adverse balance of trade to the tune of £28.7 million in 1959 as against £20.9 million in 1958. The widening of the gap with U.K. was due mainly to increasing imports which touched the figure of £ 171.3 million in 1959; exports too moved up, but at a much slower pace. The following table in this respect is quite illustrative:

(In millions)

Year	Imports	Exports	Balance of Trade
1958	£ 160.3	£ 139.4	—£ 20.9
1959	£ 171.3	£ 142.6	—£ 28.7

While the increase in imports is to the tune of £11 million, the exports show a rise of £3 million only. The highest increase in imports from U.K. has occurred in the case of machinery, which is directly linked up with the rising tempo of construction of various development projects in the country. Other items that show an increase in imports are electricity machinery, apparatus and appliances, petroleum and petroleum products, chemicals, iron and steel, railway vehicles and scientific instruments. Contrary to the general impression, the figures show no significant increase in the value of imports of aircraft. It may well be that orders were placed in 1959, but they have not been executed so far. Or it may also be that the figures in this respect are provisional and need revision.

The major items that accounted for increase in exports were leather manufactures and dressed furs, oilseed cake and meal, animal and vegetable crude materials, cotton yarn, and woollen fabrics. The picture on our exports to the United Kingdom would probably have been more cheerful if the traditional exports had not suffered a setback. It is indeed distressing that tea, one of our major foreign exchange earners, has suffered to the extent of nearly £ 9 million in 1959 as compared to 1958 in the U.K. market. Competition from Indonesia, Ceylon and China is partly responsible for this state of affairs. Earnings from tobacco and tobacco manufactures have also declined during the year under review. It is here that something needs to be done immediately so that we do not yield any further portion of our traditional market.

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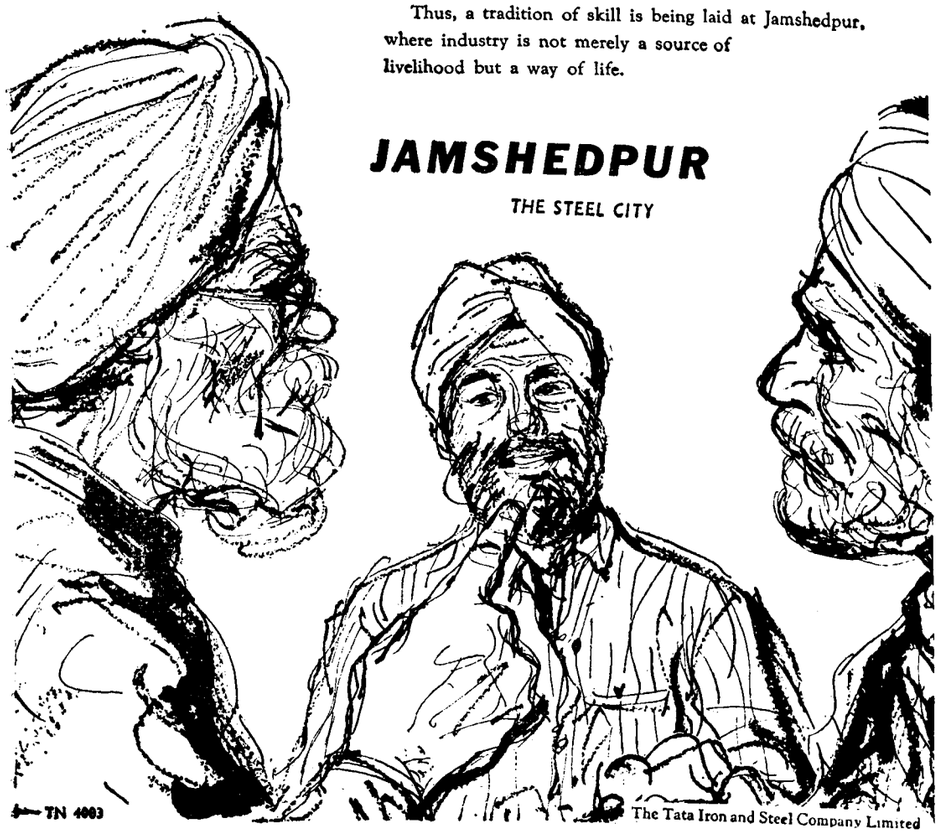
the beginning of a tradition

FIFTY YEARS AGO, Sardar Pratap Singh Bhumra, now 87, was assembling cranes and electrical equipment as India's first steel works was taking shape in the wilderness of Chhotanagpur.

His son, Jwala Singh, joined the steel works his father helped to build. Drawing upon his mature technical skill, he suggested an improvement to soaking pit cranes which won him a reward from Management and appreciation from the American manufacturers.

Hari Singh, Jwala Singh's son, imbibed the family tradition early in life. A young electrician in Tata Steel's Skelp Mill, he was recently sent to Japan to study advanced crane maintenance.

Thus, a tradition of skill is being laid at Jamshedpur, where industry is not merely a source of livelihood but a way of life.



Current Topics

SUGAR TARGET FOR THIRD PLAN

The Development Council for Sugar Industry at its meeting last week has recommended a consumption target of 30 lakh tons of sugar for the third Five Year Plan. This will make available per capita consumption of 13.87 lbs. of sugar in 1965-66, as against 11.79 lbs. at the end of the Second Plan.

THE Third Plan estimate of sugar consumption is based on the assumption that 25.06 lakh tons of sugar would be required for a population of 480 millions at the existing rate of consumption, 2.14 lakh tons required to cover increase due to changes in dietary habits and 2.51 lakh tons required to meet the demand due to increase in purchasing power of the people.

Addressing the Council, Mr. Ameer Raza, Chairman, said that the production of sugar had gone up by about 2.3 lakh tons during the current season up to February 7, 1960 as compared with the corresponding period of the preceding season. The area under sugarcane was also estimated to be higher than last year, being 5.1 million acres against 4.7 million acres during 1958-59. While much would depend on the production during March in the West U.P. factories, it was expected that the overall supply position of sugar would considerably improve this year.

Referring to the steps taken by the Government for increasing production during the current season, the Chairman said that the minimum price of sugarcane was raised from Rs. 1.44 to Rs. 1.62 per maund for delivery at the gate of the factories. A rebate of 50 per cent was also allowed in the basic excise duty of the production during 1959-60 which will be in excess of their average production of the previous two years. Further, the factories in U.P. and North Bihar were given incentives this year in the form of a concession of 31 n.P. per maund on cane crushed by them up to the specified date.

The Chairman said that the year, which had gone by, was a difficult year for the sugar industry. There was a decline in production from 19.78 lakh tons in 1957-58 to 19.19 lakh tons during 1958-59 against the internal consumption of 20.80 lakh tons. As a result of this, the supply position continued to be difficult and to conserve the surplus for internal consumption, the programme of exports had to be suspended for the time being. The results of incentives recently given had, however, been good and hence the production had gone up. Regarding the progress in the establishment of the additional capacity, he said that 27 factories had gone into production and 28 existing factories completed expansion by 1958-59 season, covering a total capacity of 4.53 lakh tons. About 0.5 lakh tons of additional capacity due to part expansions of some of the units was also in operation. Four more new factories had so far gone into production this year and two were expected to have a trial run this season. During 1960-61, another 11 new factories were likely to go into production.

COMPANY TAXATION

The total burden of direct taxes on companies will increase substantially as a result of the new scheme of taxation introduced in the last budget, states a research study on "The New Scheme of Company Taxation," published by the Association of Indian Trade and Industry.

UNDER the Finance Act of 1959, the old system of grossing of dividends was abolished in respect of dividends declared for accounting years ending after March 31, 1959. New rates of income tax and corporation tax are to be prescribed in the coming Finance Act, but the rates of these taxes for the purpose of advance payment of tax were prescribed at a total of 45 per cent of assessed gross profits.

The study states that if the Finance Minister's claim that the new scheme will not involve any increase in the total burden of tax on the corporate sector of the economy is to be justified, the total rate of income tax and corporation tax should be fixed at between 35 and 40 per cent of the annual gross profits of companies. It contains a detailed statistical analysis of the impact of the new scheme of taxation on 28 different types of companies in the country.

MAIN FINDINGS

The main findings of the study are:

1. Companies earning lower rates of gross profits will be more adversely affected by the new scheme of company taxation than companies earning higher rates of gross profits. Thus, companies earning small or modest profits will experience the maximum increase in the burden of taxation under the new scheme, whereas companies earning very large profits will not suffer to any extent.

2. Companies distributing larger proportions of their profits as dividends will be more adversely affected by the new scheme than companies distributing smaller proportions of their profits. Thus most companies distributing up to two-thirds of their profits after tax (or ploughing back around one-third of their post-tax profits) will face an increase in the burden of tax under the new scheme.

3. Companies having smaller accumulated reserves will be more adversely affected by the new scheme as compared with companies having larger reserves in addition to their paid-up capital. Thus, the financially prosperous companies will suffer the least whilst poorer ones will be most hard hit.

4. Persons holding tax-free preference shares will suffer a small cut in their dividend incomes. The new scheme will result in a substantial increase in the burden of fixed dividend payments on preference shares on companies to the detriment of their ordinary shareholders.

5. Under the new scheme, share-holders will lose the benefit of grossing of dividends even if they are paid out of taxed profits or reserves. Hence companies which have put through a substantial expansion programme in recent years, and may therefore have no assessable profits for tax purposes, will find it very difficult—if not impossible—to maintain their dividends in the coming two or three years, since such dividends will have to be paid out of past taxed profits or reserves.

6. There will be a substantial increase in the burden of tax under the new scheme on income received from inter-corporate investments.

The study urges the Government to (1) fix the total rate of direct tax at between 35 and 40 per cent of the annual gross profits of companies; (2) give some 'ad hoc' relief in tax on dividends declared in future out of past taxed profits or reserves and on income from inter-corporate investments; (3) to abolish the tax on bonus issues of companies; and (4) either abolish or reduce the "penal" super tax payable by companies under Section 23-A of the Indian Income Tax Act for non-distribution of profits as laid down in the section.

A DELHI NOTEBOOK

THIRD PLAN

THE Prime Minister announced in the Lok Sabha on Monday that the tentative approach to the Third Five-Year Plan would be for a rise in national income at the rate of 5 per cent per annum. The total investment envisaged is of the order of Rs. 9,950 crores. Investment in the public sector would be about Rs. 5,950 crores with a total development outlay of Rs. 7,000 crores. Investment in the private sector (including agriculture, small industry, housing and organised industry) is expected to be around Rs. 4,000 crores. The foreign exchange requirements of the Plan are placed at Rs. 2,400 crores plus Rs. 500 crores for payments falling due on account of the loans already utilized.

Tentative allocation for industrial development in the public sector is Rs. 900 crores and oil, coal and mines Rs. 400 crores. The target for coal production, it is learnt, has been scaled down from 110 million tons to 90 million tons. The target for steel will permit the expansion of the three plants in the public sector. A feeble provision may also be made to set up the fourth steel plant at Bokaro.

Mr. Nehru said that the plan for industry was being drawn up from the point of view of the economy as a whole and not in terms of the private and the public sectors; the distribution between the two sectors would come later. He emphasised that the Government's approach to the Third Plan would be pragmatic. They wanted to do the job quickly—the sooner the better. The Government, Mr. Nehru disclosed, was also considering the question of the general public contributing to the capital of State enterprises.

DUGDA WASHERY

The Dugda Washery, one of the three washeries which were to be set up by the time the three public sector steel plants went into production, is expected to be commissioned in about a year's time. The land required for the washery and township has been acquired. Access road to the site has been completed. Railway track to the site has been laid. Laying of some lines in the marshalling yard has been completed and work on other lines is in progress. Temporary offices, stores and camp accommodation have been constructed and occupied. Electricity and water for construction has begun to be supplied. Civil engineering work on the site has commenced and excavation and concreting work in different sections of the washery is in progress. A number of units of equipment, which are to be despatched from the U.S.A., have been inspected and the shipments are expected to start shortly. On receipt of the equipment from U.S.A., the erection of the plant will be taken up. Upto the end of December, 1959, Rs. 1.50 crores had been spent on this project.

STATE ENTERPRISES

The Government of India has decided that the approval of the Appointments Committee of the Cabinet need not be sought for appointments in Government undertakings carrying salaries upto and including Rs. 2,000 a month. The question of amending the Articles of Association of the respective undertakings has been taken up with the Managing Directors concerned.

The Union Finance Ministry's decision fixing a ceiling of Rs. 3,000 per annum on the entertainment expenditure of General Managers/Managing Directors of State enterprises, the expenses being directly debited to the accounts of the undertakings, has been communicated to all the General Managers/Managing Directors for implementation from April 1, 1960. Most of the Government companies concerned have already taken suitable action in this regard, it is learnt.

SMALL CAR

The Union Government, it is understood, is contemplating setting up a three-man technical committee to examine the Jha Committee's report on the manufacture of small cars in India. The new committee will be directed to extend invitations, in addition to the present tenderers, to the Governments of U.S.S.R. and Czechoslovakia and the General Motors, of U.S.A., to send their project reports.

Lobby circles reveal that Mr. Manubhai Shah, the Union Minister for Industry, is thinking in terms of setting up a new unit in the public sector to manufacture small cars. The Government, it is said, is anxious to place these cars on the market for Rs. 5,000, irrespective of their cost of production. To create adequate market, these cars will even be sold on hire-purchase basis. Till the time mass production starts, the Government may be required to give some subsidy, the total cost of which in the initial stages is not expected to be more than one crore of rupees (Rs. 1,000 per car on the manufacture of 10,000 cars).

Mr. Shah, however, it is stated, will have to convert to his viewpoint not only his own Ministry, but the whole of the Central Cabinet. The Jha Committee's report in itself may prove to be a big hurdle in his way. As already reported, the Jha Committee has recommended against disturbing the existing pattern of cars production in this country; it has even made detailed recommendations on lowering the cost of production of the existing models. Besides, it has unequivocally said that foreign exchange for the new unit should be made available only after meeting fully the requirements of the existing units. The Defence Minister, Mr. V. K. Krishna Menon, may, however, espouse Mr. Shah's case. The Jha Committee has recommended consideration by the Government of the plans of the Hindustan Aircraft Corporation to manufacture small cars.

MONEY SUPPLY AND PRICES

The Union Finance Minister, Mr. Morarji Desai, is understood to have told the Informal Consultative Committee of Parliament on Finance that no simple or direct relation could be established between the money supply with the public and the general price level. Mr. Morarji Desai, it is learnt, explained that there were various factors responsible for the uptrend in prices; the most important of them being the increase in the rate of investment, rise in population and the consequent increase in demand, failure of agricultural output to keep pace with the demand for foodgrains and raw materials and restrictions on imports leading to reduction in the supply of certain commodities.

Figures made available to the Committee showed that the total money supply with the public increased from Rs. 1,954.7 crores in July, 1955, to 2,520 crores in December, 1959. Scheduled banks credit during the same period rose from Rs. 600.9 crores to Rs. 964.6 crores. The actual amount of deficit financing on the Central and States account between April 1, 1955, and March 31, 1960, was Rs. 1,232 crores (figures for 1958-59 are provisional and are based on the Budget estimates for 1959-60). The index number of wholesale prices for all commodities (1952-53 = 100) stood at 117 in December, 1959, as against 92.9 in July, 1955.

A growing economy, Mr. Morarji Desai said, needed a larger supply of money particularly when the degree of monetization in the economy was increasing. This was not, however, to deny the importance of monetary stability in a growing economy and, in this context, of the need to keep a careful watch over the extent of deficit financing and credit creation.

WORLDGRAM

India

Assistance for Oil Development Programme: The Government of India have accepted the offer made by the Government of West Germany to supply geophysical equipment and scientific personnel to further the oil development programme in India. The Government of West Germany, it is reported, has provided one seismic team with essential geophysical instruments and equipment for carrying out seismic surveys in the Gangetic plains for a period of one year. The entire cost of the team and their equipment will be borne by the Government of West Germany, except the operational cost, which will be borne by the Oil and Natural Gas Commission.

*

Tariff Commission Questionnaire: The Tariff Commission has taken up for investigation the question of continuance of protection to the aluminium industry beyond December 31, 1960. In this connection, the Commission has prepared questionnaires for producers, importers and consumers which are ready for issue. Firms, associations, or persons who desire that their views should be considered by the Commission may obtain copies of the relevant questionnaire from the Secretary, Tariff Commission, Central Government Offices Building, 101, Queens Road, Bombay-1. While asking for copies of questionnaires, the interest represented, (i.e., whether the party is a producer, importer or consumer) should be specified.

*

Trade with Bulgaria: Negotiations are afoot between the Indian Government and a delegation from Bulgaria for a new trade agreement. The last trade agreement between India and Bulgaria was signed in 1956, and was valid up to the end of 1959. The trade between the two countries, which is on a balanced basis in non-convertible currency, has increased manifold in the last few years. While in 1957, the total volume of trade between the two countries was only Rs. 14 lakhs, it increased to Rs. 48 lakhs in the first ten months of 1959. The main items of export from India consist of coffee, spices, vegetable and hydrogenated oils, raw cotton and waste, drugs and medicines. Exports from Bulgaria include various types of machinery, particularly insulators, electrical instruments, chemicals and diesel engines.

*

Manufacture of Liquid Gold: The National Metallurgical Laboratory, Jamshedpur, has evolved a process for the manufacture of liquid gold which is used extensively in the decoration of ceramics, pottery and glass wares. Applied to ceramic and glass wares and fired at proper temperatures, liquid gold gives a very thin and shining film of gold possessing good adherence and wearing qualities. Being cheap, it is applied to the cheapest of ceramic, pottery and glass wares, e.g., cups, saucers, bangles.

United States

Loans to Indian Firms: The U.S. Export-Import Bank has announced that it was making three rupee loans with a total value of Rs. 42.6 million to industrial firms in India. All three companies are joint ventures involving U.S. and Indian private concerns. The largest loan, of Rs. 27.1 million is for India Synthetics, formed recently by the Firestone Tyre & Rubber Company of Akron (Ohio) and Ilachand Devachand and Company Bombay. The second loan, of Rs. 10 million is for the Hindustan Aluminium Corporation and is in addition to one of $13.6 million announced on January 27. The third loan, worth Rs. 5.5 million, is for Mysore Cements.

*

Output of goods and services: In real terms—not in terms of goals or quotas or predictions—the United States output of goods and services has sustained an annual rate of growth of 3.2 per cent since 1946. This annual rate of 3.2 per cent will produce a cumulative increase of 100 per cent in 22 years. This doubling of output of goods and services every 22 years is roughly equivalent to the long-term average reached in America's previous history. For industrial growth, the annual rate has been 4.5 per cent or 63 per cent in 14 years and 81 per cent in 20 years. Real income, per capita, has increased by 20 per cent since 1946; this rise has been achieved by 66.2 million workers whose average labouring week is 40.3 hours. Per family real income has risen 16 per cent in the same period. Since 1946, 15 million new dwelling units have been constructed and the quality of housing has improved materially.

*

Comparison with U.S.S.R. Economy: Given below are some of the important objectives of the Soviet 7-year Plan to be achieved by 1965, as compared with the current annual rate of U.S. output in 1959. Steel: 83 million metric tons (U.S.S.R. 1965 target). The U.S. now is turning out steel at the rate of 125 million metric tons a year and has a current capacity of 135 million metric tons. Oil: 240 million metric tons (U.S.S.R. 1965 target). U.S. production is now 335.5 million metric tons. Electricity: 520,000 kilowatt hours (U.S.S.R. 1965 target). The U.S. is now generating 724,000 million kilowatt hours. Automobiles: 170,000 units (U.S.S.R. 1965 target). The U.S. is now turning out 6 million, and can turn out 8 million or more if necessary. It is to be borne in mind that U.S. will be adding significantly to its own output in the years ahead.

United Kingdom

Exports in January 1960: Britain's exports in January reached the highest ever figure of £316,300,000, according to provisional figures issued by the Board of Trade in London on February 15. Imports were also at the high figure of £367,300,000. Re-exports were valued at £12,000,000 another high total. January, it is pointed out in London, is normally a favourable month for exports, but even when seasonally adjusted, the export figure is still a record. Imports were also at a high level, but this was to be expected in view of the high level of domestic economic activity. A welcome feature of the January results was that exports had more than maintained the upward trend established in the fourth quarter of 1959. After allowing for the normal seasonal variation, United Kingdom exports in the three months, November to January, were 4 per cent more than in the preceding three months, and were 7 per cent higher than the average for 1959, according to a Board of Trade analysis. On the same basis, imports were 8 per cent more in November-January, and 10 per cent higher than the average for 1959.

*

Loan for Malaya: A Commonwealth assistance loan agreement for £2,250,000 to help Malaya develop a modern telecommunication system was signed between the United Kingdom and the Federation of Malaya, in London, on February 17. The loan was made in accordance with the British Government's policy announced at the Commonwealth Trade and Economic Conference held at Montreal, Canada, in 1958. It will be repaid in instalments, with the final payment to be made by end of 1969.

U.S.S.R.

Giant Turbine Designed in the Ukraine: The single-shaft steam turbine of 500,000 kilowatts capacity, whose blueprints have been prepared by the designers of the Kirov plant in Kharkov, the Ukraine, will be able to generate three thousand million kilowatt hours of electric power a year. Somewhat earlier the engineers of this plant produced rough drawings of a doubleshaft 800,000 kilowatt steam turbine. Calculations have shown that expenditure of labour and metal per kilowatt of capacity will be almost three times smaller in the case of 500,000 kilowatt turbines than with 100,000 kilowatt machines. The cumbersome but easily shaped elements of the turbine will be made of reinforced concrete instead of steel. They will simultaneously serve as the foundation. This will yield an economy of hundreds of tons of metal per turbine and will reduce its weight 20 per cent.

Soviet turbine building concentrates on superpowerful steam turbines, chief designer of the plant Leonid Shubenko-Shubin said in a 'Tass' interview. These turbines, built with considerably smaller expenditure of labour and materials per kilowatt, ensure the speediest advancement of the Soviet power industry. The gigantic machines will be most economical and fully in line with the latest achievements of science and engineering. The Soviet electronic computer "Strela" (Arrow) proved to be highly effective in making labour-consuming calculations for a 500,000 kilowatt turbine. This enabled the designers to cut the calculation time. For instance, the time needed for calculating critical revolutions of multispiral rotors was cut from 800 hours to 2.5 minutes.

Australia

Rapid Expansion of Packaging Industry: Rapid and sustained growth of the packaging industry in Australia has been shown in a review undertaken by the Australian Department of Trade. This discloses that the annual value of output has increased by about Rs. 90,00,00,000 in the past 20 years and that output has been rising at an annual rate of about 5 per cent in recent years. The food industries, which export a large proportion of their production are the largest users of packaging. They spent nearly Rs. 50,00,00,000 on packages and containers in 1957-58. Of this amount the jam, fruit and vegetable canners accounted for Rs. 12,30,00,000. The next largest users are breweries (Rs. 7,90,00,000) and butter, cheese and processed milk producers (Rs. 7,00,00,000).

*

Life Assurance and Retirement Fund Plan: Australian Fixed Trusts Pty. Ltd., Australia's largest fixed trust organisation, has announced a scheme to provide life assurance cover for its investors, to be financed from dividends from unit holdings, and also a retirement fund. Life assurance, through the Eagle Star Insurance Co., will be made available to persons between the age of 21 and 64 years who invest in 100 or more units of any of the "balanced funds" managed by the Australian Fixed Trust Pty. Ltd. group. Premiums to cover the life assurance policies will be calculated on a maximum of 3 per cent of the face value of the units purchased by investors. There will be an absolute upper limit of Rs. 192 a year premium payment a person, irrespective of the size of the unit holdings. After the initial premium payments to cover the first months of the assurance policy, premiums will be paid automatically from dividends deducted from the annual income earned by the units. Benefits from the fund will be paid in a tax-free lump sum on the member reaching the retirement age.

Poland

Export of Electrical Equipment: In Poland the year 1959 saw, as compared with 1958, an increase of over 50 per cent of the export of electro-technical equipment. The same indices (as compared with 1959) have been planned for the current year. The representatives of trade agencies consider the delivery of an electric foundry furnace to Czechoslovakia, a large number of generators of various types to the U.S.S.R., colliery locos to China, static condensers to Korea, electric motors to Turkey and batteries to Egypt, as the main Polish export items this year. It is to be mentioned that Poland began last year export of nuclear apparatus to the U.S.S.R. and the German Democratic Republic.

Austria

LD-Steel Works Planned in Europe and in South America: New LD-steel works are projected to be erected in co-operation with the Austrian Alpine Montan Steel Corporation in Norway, Portugal and Brazil in the near future. The works in Norway, planned to be built in the zone of the Arctic Circle, is to have an annual capacity of 750,000 tons in its first development stage. Similar specifications apply also to the plant projected for the "Usiminas" Company in Brazil, while the works in Seixal, near the Portuguese capital, is scheduled to produce an annual volume of 500,000 tons of LD-steel.

Japan

Outlook of Production for Fiscal 1960: The Ministry of International Trade and Industry, on January 26, made public the report on the present conditions of production at factories and mines and the fiscal 1960 prediction thereof. According to the report, which constituted a basis for the 1960 fiscal year economic forecast, the mining and manufacturing production for fiscal 1960 is expected to continue to make a steadfast expansion, and register an annual rise of 11.8 per cent as compared with 27 per cent. (estimate) for fiscal 1959. Influences from the trade liberalisation are not taken into consideration in the MITI estimation, but MITI officials are of the view that even if there develops speculation in some sections, such would not seriously affect the production level, and that demand and supply in general would remain satisfactorily balanced throughout the 1960 fiscal year.

United Nations

Population Estimates: According to a United Nations report, India's population would reach 500 million between 1975 and 1980. China's population may reach the 900 million mark by 1971. Asia and the Far East, for long the world's most densely populated area, would account for 55 per cent of the global total population by 1980. A tentatively estimated population of the region would reach 2,268 million in 1980, compared with 1,317 million in 1950. South-East Asia was expected to show the most rapid growth to 348 million in 1980, while large further growth was foreseen for Ceylon, India and Pakistan, despite the operation of birth control clinics. Distribution figures in the report, which covers the period 1950-1980 showed that in 1957, Asia and the Far East had an average density of 70 persons per sq. kilometer, compared with 9 persons each in the Soviet Union, North and Latin America and 15 persons, on average, elsewhere in the world.

NEWS IN BRIEF

INDIAN

Mr. L. N. Misra, Parliamentary Secretary to the Union Labour Minister, said in the Lok Sabha recently that Government had agreed to set up a wage board for jute industry.

*

Studies carried out by the National Building Organisation in the production and use of asphaltic corrugated sheets for roofing in the country have enabled the organisation to prepare a scheme for the establishment of a manufacturing plant. The organisation's findings reveal that there is good scope for the manufacture and use of asphaltic roofing sheets in India.

*

India's unfavourable trade balance with Japan was reduced to Rs. 6.53 crores in the first 11 months of 1959 from Rs. 9.56 crores in the corresponding period of the previous year.

*

According to official sources, India exported cement worth about Rs. 1 crore during 1959. The value of cement exported in 1958 was Rs. 31 lakhs.

*

The Forward Markets Commission has decided to increase, with immediate effect, the special margin payable by longs from Rs. 25 per bale to Rs. 75 per bale when the price of the April 1960 contract at the West India Cotton Association, Ahmedabad, rules above Rs 800.50 per candy.

*

It is reported a process on transistorised community receiver has been developed at National Physical Laboratory of India, New Delhi.

*

India will take part in the 44th Session of the International Labour Conference, to be held from June 1 to 23, 1960. One of the items to be discussed at the Conference is the contribution of I.L.O. to the raising of incomes and living standards in rural communities with particular reference to countries in the process of development.

*

It is reported a factory for the manufacture of motor cycles is to be started in the private sector in Mysore.

*

The quantity of tea exported from India to Russia declined from 2,129,952 lbs. in October 1959, to 1,373,872 lbs. in November, according to trade sources. The quantity exported to Russia in the 11 months ended November 1959 was 20,738,292 lbs. valued at Rs. 6.80 crores compared to 21,215,440 lbs. worth Rs. 7.05 crores in the corresponding period of 1958.

*

The Andhra Pradesh Government has decided to set up an Industrial Development Corporation for the development of large, medium and small-scale industries in the State either by subscribing or holding or underwriting the capital for such industrial establishments. The details of the scheme will be worked out shortly.

*

The Government of India have decided to permit the import of 50,000 bales of cotton of 400 lbs. each of stapling not below 1-1/16 inches from any area for meeting the requirements for spinning of counts over 60s by textile mills.

*

A scheme drawn up by the Life Insurance Corporation of India to advance loans to policy holders for constructing houses will be put into operation in two months.

FOREIGN

During the first ten months of 1959, TWA flew 4,863,109,000 revenue passenger miles, more than any other airline in the world. As an example of a single month's mileage, it flew 1,826,000 plane miles with jets during August, more than any other jet operator.

*

The Canadian Government's recent $300 m. borrowing is expected, by many investment dealers, to be its last appearance on the market before June 10 when $275 m. in one year Treasury bills are due.

*

The first consignment of Russian cement to reach Cyprus under a two-way trade deal with the U.S.S.R. has arrived at Limassol port. The consignment of 5,000 tons is part of 20,000 tons ordered by Cypriot importers from the Russian cement factory Proletarii and was shipped through the Black Sea port of Novorossisk on the Greek freighter S.S. Dorothea.

*

Foreign residents coming to Israel—whether as temporary residents or as immigrants—will in future be granted a premium of 20 per cent above the official exchange rate for the foreign currency which they transfer to Israel in cash.

*

Russia and Cuba have signed an agreement under which Russia will buy 5 m. tons of sugar from Cuba over a five-year period.

*

Dortmund Hoerder Union, West Germany's largest steel producer, is embarking on an investment programme which will extend its crude steel capacity by about 500,000 tons per annum.

*

The possibility of establishing a glass yarn factory in Western Europe is being jointly studied by A.K.U., the Dutch Rayon concern, and Pittsburg Plate Glass International, of the U.S. At this stage the companies expect they will decide to build a factory jointly, probably in Holland.

*

The O.E.E.C. has announced that it had granted Spain a new $25 m. credit from the European Monetar Fund to strengthen her reserves. Spain was granted $75 m. from the E.M.F., $175 m. from the International Monetary Fund and $200 m. from the U.S. Government and private banks when she joined the O.E.E.C. in 1959.

*

British Railways are considering a new line in Scotland to link the British Motor Corporation's proposed factory at Bathgate with Colvilles steel strip mill at Rauenscraig, Motherwell.

*

The West Pakistan Government will soon have labour tribunals set up in each important centre for settlement of industrial disputes.

*

Canada's population increased 366,000 in the first eleven months of 1959 to an estimated 17,650,000 at December 1 from 17,284,000 at the beginning of the year, according to the Dominion Bureau of Statistics quarterly estimate.

*

A small four-seater passenger car for which designs are now being prepared in the U.S. will be produced in Israel within one year.

BOOK REVIEWS

CO-OPERATIVE FARMING

Joint Farming X-rayed: The Problem And Its Solution: By Charan Singh; Published by Bharatiya Vidya Bhavan, Bombay; Price Rs. 17.50: Pages 322.

The Indian National Congress has been obsessed for sometime past with the idea of creating farming co-operatives. That the resolutions passed at the Nagpur Session of the Congress on the Indian agrarian situation betrays lack of realism on the part of the people who sponsored these resolutions and who are guided mostly by emotion and ideology has now become year clear. The problems of Indian agriculture are very intricate requiring a down-to-earth examination of the problem. In the book under review, Mr. Charan Singh, an acknowledged expert on the land problem, has presented, in a very comprehensive and masterly way, the Indian agrarian situation. Sedulously eschewing polemics, Mr. Charan Singh has discussed, in this extremely readable book, all the ramifications of the rural economy in a scholarly and, at the same time, realistic way.

The book, divided into two parts, one dealing with the problem and the other the solutions to it, bears the imprint of the author's lifetime study and reflections on agriculture. "Whereas peasant proprietorship generates forces which stimulate the free development of the peasant's personality," he remarks, "co-operative farming, which is nothing but a euphemistic version of collective farm practised by the Red regimes, saps individual initiative, apart from injuring the democratic principle which the country cherishes, by inviting bureaucratic control". After discussing the evils of joint farming on the personality of the peasant and capital formation in the economy, which is fully supported by statistical data and testimony of internationally renowned agronomists, he concludes that there are unmistakable evidences to show that peasant farming possesses remarkable internal strength and is not only capable of adapting itself to changing circumstances and bearing the stresses of modernisation but has also the power to endure. This is a tribute not to the system, but to the Indian farmer whose love for the land is as sacred as it is strong. Not being content with a mere analysis of the problem and criticism of collective farms, Mr. Charan Singh has also suggested a multi-pronged attack on the problem of our poverty, which boils down, broadly, in his own words, "to reclamation and redistribution of land, development of non-agricultural resources, intensive utilization of our land resources and population control." All in all, the publication, though titled in a somewhat misleading way, is perhaps the most painstaking and persuasive book on the subject and is a "must" for everyone interested in the manifold problems of Indian agriculture.

INDUSTRY

Major Industries of India Annual 1958-59: Editor M. P. Gandhi; Published by Messrs. M. P. Gandhi & Co., Bombay; Price Rs. 15; Pp. 396.

Rapid industrialisation brings with it a number of difficult problems. These problems are not the same in the case of all industries. Only reviews dealing with the peculiarities, if not the difficulties, of every one of these industries can highlight the problems that arise from acceleration or deceleration—both these processes have been in evidence in our country — in the various sectors of the industrial economy. Such reviews further offer a good guide not only to policy-makers and business men but also to the general public. As President Rajendra Prasad has pertinently pointed out, in his introduction to this publication by Mr. M. P. Gandhi, "Industrial development in India would proceed at a quicker pace if the enthusiastic support of the people of the country could be won for it." The 'Major industries of India Annual 1958-59'; which is the eighth issue of the Annual, contains, as usual, contributions by distinguished persons and well-known specialists, who are competent to deal with such questions. For this reason, this publication should be commended not only for a proper understanding of the problems of Indian industries, but also as a good and handy source of authentic information to both students of industrial economics and business men.

INDIA NUMBER

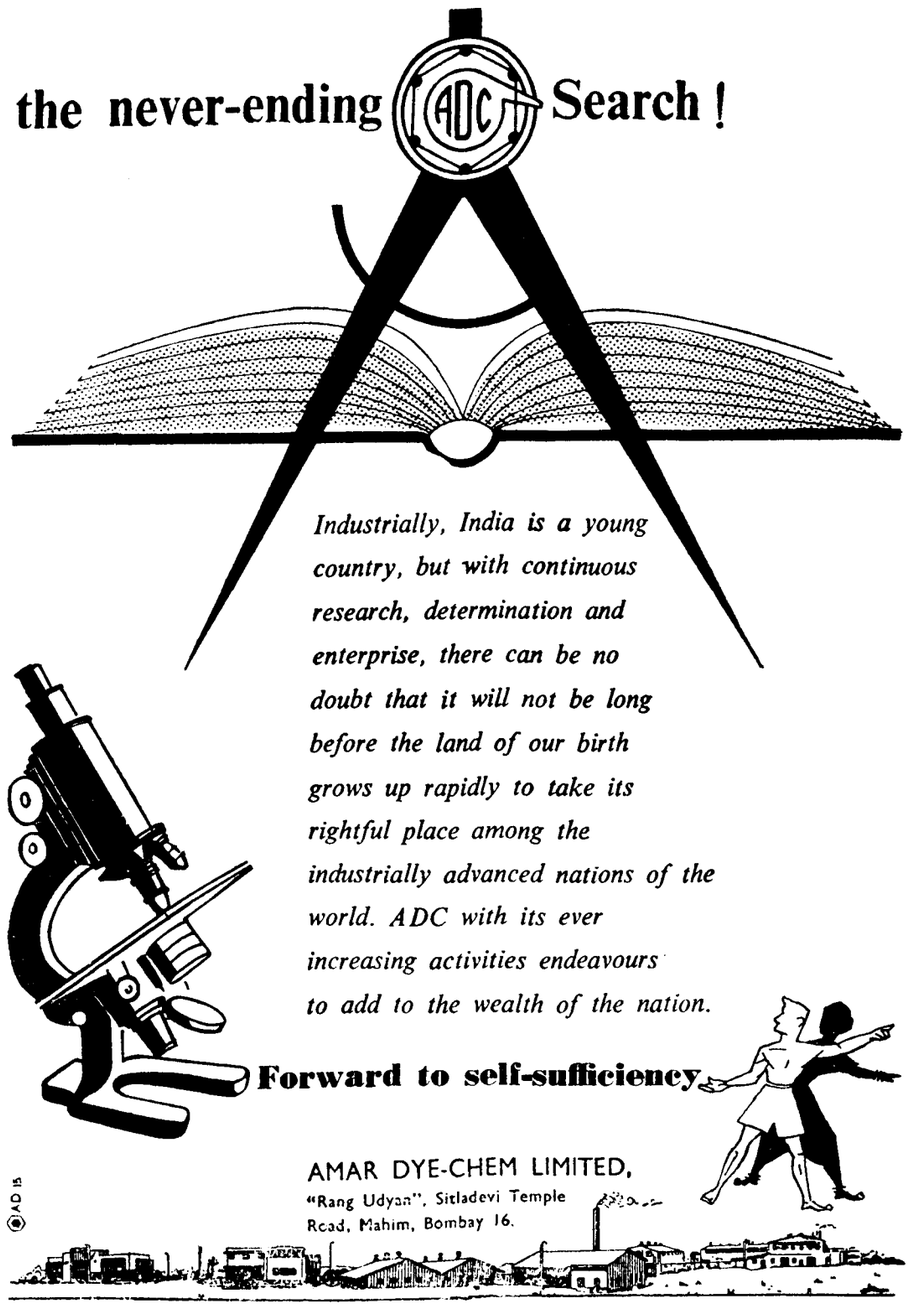
Far Eastern Economic Review; 322, Queen's Building, Hongkong—Special Number "India since Freedom"; Editor: Dick Wilson.

This weekly Journal. published from Hongkong has devoted its issue, dated February 8, to a survey of India's economic progress since Independence. This is only another proof of the widespread interest Indian planning has provoked, particularly, in countries of East and South-East Asia. Mr. Morarji Desai, Finance Minister, in a message points out how the economics of this region are at present more competitive than complementary, but he has no doubt that as the process of economic development deepens and widens, there will be growing opportunities for mutually advantageous trade and economic co-operation. This Special Number has devoted more than 100 pages to a survey of India under different heads like Politics, Finance, Industry, Agriculture and Transport. In his article on "The Democratic Path," the Editor, gives a brief historical review and here is how he sums up the position: "India, then, stands in the penultimate year of her Second Plan and in the twelfth year of her Independence a proud and bustling nation. The largest parliamentary democracy in the world, she has had two of the most orderly general elections ever held. She has established a reputation in foreign affairs as a voice of reasonableness and justice that cannot be bought for friendship or money. Her peasants are just beginning to see the ways in which science can bring them a better life, and her industry is well along the road to construction. She has faced political and monetary problems with common sense and pragmatism. She should be held the envy of Asia." This Special Number is bound to be of value for all those interested in Indian economic development in the countries of East and South-East Asia and the Editor is to be congratulated on taking up such a topical theme.

ECONOMIC ATLAS

Oxford Economic Atlas of the World: Oxford University Press; Price 42 s.

This revised edition of the Oxford Economic Atlas of the world prepared by the Economist Intelligence Unit and the Cartographic Department of the Clarendon Press is a production of painstaking study. The Atlas is divided into two main parts, one dealing with world commodity maps grouped in 10 sections and the other, the Index arranged country by country. The maps give a world pattern and the index gives actual figures for each country. In addition to these two main parts, there is an introductory section which contains a series of world maps dealing with important aspects of physical geography, and the concluding section containing maps dealing with the important subjects of population and communications. The atlas is a mine of information and should be of considerable value for students of economics and geography, as well as to those interested in getting basic information about world economics.





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COMMODITY NEWS AND NOTES

INCREASED IRON ORE PRODUCTION DURING 1959

The production of iron ore during the year 1959 was 7,903,000 metric tons as against 6,126,000 metric tons during the preceding year, according to an estimate by the Indian Bureau of Mines. This represents an increase of about 29 per cent. All the producing States recorded increase in production. Bihar and Orissa, the two important producing States reported 3,229,000 metric tons and 2,581,000 metric tons respectively. Mysore, Madhya Pradesh and Bombay reported 1,020,000 metric tons, 414,000 metric tons and 311,000 metric tons respectively. During the year despatches of iron ore to iron and steel plants totalled 5,662,000 metric tons which is 61 per cent higher than the despatches in 1958. Despatches in 1959 to the export market amounted to 2,812,000 metric tons—9 per cent more than the corresponding figure for 1958.

IMPORT OF ZINC LIBERALISED

The Government of India have decided to liberalise the import policy for zinc or spelter unwrought etc. by increasing the quota for established importers from 20 per cent General and 20 per cent Soft to 30 per cent General and 30 per cent Soft during the current half year. This has been announced in an Import Trade Control Public Notice. Applications for additional licences should be made to the licensing authorities at the ports before March 10, 1960.

BASE METALS IN INDIA

The importance of base metal production in the general programme of rapid industrialisation during the Third Five-Year Plan has been emphasised in a bulletin on Base Metals in India, published by the Indian Bureau of Mines recently.

The foreign exchange involved in the import of base metals is now of the order of Rs 33 crores. During the coming years, the bulletin points out, this is even likely to be more unless internal resources are developed and exploited. Analysing the various schemes and programmes now in operation for the exploitation of base metal deposits in the country, the bulletin gives comprehensive information regarding mining methods, technology, import and export and world production in regard to copper, lead and zinc, aluminium, etc.

SUGAR PRODUCTION AND STOCKS

The sugar production, according to the Indian Sugar Mills Association, during the month of January 1960 was 4,98,000 tons as against 4,44,000 tons produced during the corresponding period last season. This brings the total production for the season 1959-60 upto 31.1.60 to 11,40,000 tons as against 9,21,000 tons produced last season by this date.

COMPOUNDED EXCISE LEVY SCHEME FOR KHANDSARI

Representations were being received from the Khandsari industry that the normal Central Excise procedure for the control of, and realisation of duty from, small-scale producers of Khandsari sugar was causing a good deal of inconvenience to the trade. With a view, therefore, to helping the manufacturers of Khandsari sugar, working without the aid of sulphitation plants, the Government of India have introduced a Compounded Levy Scheme by virtue of which manufacturers will be required to pay a composition fee on the rated capacity of the equipment employed and would thereafter be absolved from the day-to-day checking or verification of the production by the Central Excise staff. The rates for different types of centrifugals used by the industry have been notified in a Gazette of India Extraordinary. It is hoped that the whole industry would welcome the Scheme. For details of the Scheme, the local Central Excise officers may be contacted. The Scheme will come into operation with effect from 1st March, 1960

IMPORT OF KEROSENE

Government have under their active consideration the question of importing from the U.S.S.R., against payment in rupees which can be used for increased exports from India to the U.S.S.R., quantities of such deficit petroleum products as kerosene. These imports will generally be outside the normal channel, namely the three oil companies. It is planned, 100,000 tons of kerosene will be imported from the U.S.S.R.

RECOMMENDATIONS OF THE WOOL DEVELOPMENT COUNCIL

The Government have accepted the recommendation of the Wool Development Council that a delegation of five members representing the organised mill and hosiery sector of the woollen industry should be sent abroad to study foreign market potentialities.



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Central Office: Madras

M. Ct. Muthiah, Chairman

C. P. Doraikanna, General Manager

Company Meeting

THE SCINDIA STEAM NAVIGATION CO., LTD.

Speech of the Chairman, Shri Dharamsey M. Khatau

Speech delivered by the Chairman, Shri Dharamsey M. Khatau, at the 40th Annual General Meeting of the Company held on Wednesday, the 24th February, 1960, at 4-00 p.m. at Scindia House, Ballard Estate, Bombay.

After welcoming the shareholders, Shri Dharamsey explained the reasons for the net profit being lower, although the gross earnings were higher.

Speaking on overseas trades, Shri Dharamsey referred to the difficult time for the shipping industry as freights continued at low levels and cargo movements were not quite satisfactory. The world tonnage presently surplus is being continuously augmented and all this has resulted in a scramble for cargo to avoid space going unutilised. The Indian Lines have therefore a trying time for not only have they to compete with long established Lines but also have to withstand competition from ships of other countries which either have little trade with India or where our ships are not allowed to call and from ships which call at Indian ports en route and carry away what they could get to other ports.

The Indian Lines, he observed, were determined to stand firmly together and face the difficult future to establish for themselves a proper place in the countries' overseas trades. In this approach the Government is sympathetic, as the Government of India wants to see not only Indian shipping to grow but also that the voice of Indian shipping is heard in various Conferences which govern the trade routes to the advantage of Indian trade with the world. A further vital factor was the saving of valuable foreign exchange on cargo carried by Indian ships. He also observed:

"The Indian Lines, on their part, have

(1) rationalised their services to various ports of the world by giving a regular service to the shippers;

(2) are continuously replacing their old vessels by faster vessels; and

(3) are opening up new trade routes.

"I have said all this to show the difficulties which the Indian Lines have to face and the steps they are required to take to face it. We may have to go through a severe trial of strength and patience, but I am sure that in the end wiser counsels will prevail and by negotiation and in a spirit of goodwill we will be able to adjust matters with the other competing Lines for the good of all."

Dealing with the Coastal and adjacent trades, Shri Dharamsey reiterated the factors that were responsible for the drop in available Coastal cargoes, thereby affecting freight earnings. He emphasised the national need for maintaining and expanding Coastal shipping without which the country's transport economy would vitally suffer, and added:

"Frankly, Coastal shipping is facing almost a crisis of existence. Unless the recommendations of the Rail-Sea Co-ordination Committee for diversion of bulk cargo to the sea route are implemented, it would seem that its future is gloomy. It is unfortunate that we are at present witnessing a reverse process, in which cargoes traditionally moving by the sea route are going out to the rail route. It is not in the interests of the economy of the country to allow Coastal shipping to suffer —if not to fade out— and I would appeal especially to the Transport Minister, the Minister of Shipping and to the National Shipping Board to ensure that it is enabled to maintain its proper position in the transport economy by adequate diversion of bulk cargoes, from the rail route, so that it may also retain its foothold as a second line of defence. Unless early and adequate steps are taken, I am afraid our Company, as owners of sizeable Coastal fleet, will incur a substantial loss in this trade.

"I would also request the Ministries of Transport and of Food to take all the economic considerations into account in fixing the rate of freight on Burma rice instead of considering mainly the fluctuating conditions governing tramp tonnage."

Speaking about the tonnage programme, he observed that the Company's acquired fleet for a period of 5½ years ending June 1960 would be 24 vessels costing approximately Rs. 25 crores and most of these are engaged in the Companies' overseas services. He stressed that out of Rs. 25 crores involved, only Rs. 11 crores were borrowed from Government as loan.

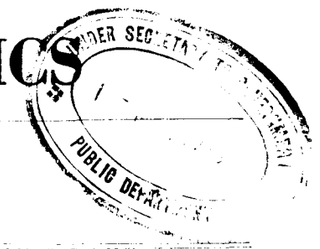
Regarding the prospects for the current year, he expressed the view that the current year would be worse than the year 1958-59, although he hoped that restoration of economic rates in the international trade would in due course assist the Company in improving its position.

He welcomed the target of 1.60 million G.R.T. for the Third Five-Year Plan and expressed satisfaction on the formation of the National Shipping Board.

He suggested that transfer to Reserves out of the Development Rebate be spread over a period of years especially in the shipping industry with a continuous programme of expansion and replacement. He also stressed the urgent need of the Government of India evolving a War Risk Insurance scheme, without which ships on the Indian Register would stand exposed to very big risks in the event of out-break of hostilities anywhere in the world.

Dealing with the Subsidiary Companies, especially the Bombay Steam Navigation Co. (1953) Prvt. Ltd., he hoped that the ad hoc Committee appointed to examine and report on immediate and long term problems of Konkan services would give such decision as would enable the services to be maintained uninterrupted in future.

CURRENT STATISTICS



INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
November 1958 ..	118.0	96.0	114.5*	113.2	110.0	108.6	108.8	114.0
December ,, ..	113.3	96.4	115.1*	112.5*	110.3	108.0	108.3	111.4
January 1959 ..	114.3	103.6	115.1	114.1	110.5	108.4	108.4	112.4
November ,, ..	121.4	104.6	116.6	122.5	116.0	110.9	111.6	118.2
December ,, ..	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January 1960 ..	117.7	100.9	117.1	131.0	121.1	115.1	116.0	118.9
9-1-1960 ..	116.7	102.5	116.6	129.9	121.3	114.2	115.2	118.0
16-1-1960 ..	118.4	101.0	117.0	131.0	122.2	115.6	116.6	119.4
23-1-1960 ..	118.2	100.5	117.1	131.5	121.3	115.4	116.2	119.3
30-1-1960 ..	117.7*	98.2	117.3	132.7	121.0	115.6	116.4	119.2*
6-2-1960 ..	118.3	98.4	117.3	132.3	120.2	115.6	116.2	119.4

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 =100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103					105	104		106			—
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
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	—	—	498	—	—	—	—	—
1959 April	381	400	296	156	364	454	489	157	414	169	167	161
May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	162	179*	173*
October	408	427	324	158	406	470	510	166*	441	162	179*	174*
November	405	424	322	158	399	475	511	—	449	—	—	174*
December	401	420	311	157	—	—	511*	—	—	—	—	—
1960 January	—	—	—	159	—	—	—	—	—	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 19-2-1960 High	19-2-1960 Low	19-2-1960 Average	12-2-1960 High	12-2-1960 Low	12-2-1960 Average	5-2-1960 High	5-2-1960 Low	5-2-1960 Average	29-1-1960 High	29-1-1960 Low	29-1-1960 Average
Gold (per fine tola)	132.81	131.25	132.11	132.94	130.06	131.89	131.69	128.75	130.16	133.50	132.47	132.97
Silver (per 100 fine tolas)	215.44	212.94	214.33	213.56	212.69	213.15	213.44	211.19	212.34	214.50	213.12	213.81

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
1953-54* ..	1,133 95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102.26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656 52	696,54	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1.494,52	40,02	545,61	595,63	39.95	115.93	755,22	1,494,52
1957-58* ..	1,529.36	23,18	1,552 53	(117,76) 117,76	329,65	(663,37) 447.41	(44,37) 28.79	130,06	975,06	1,552,53
1958-59* ..	1,593,88	19.34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
Average of Fridays										
November 1958 ..	1,569,09	22,76	1,591,84	117,76	166,68	284,44	17.74	137,18	1,172 23	1,600,90
December ,, ..	1 589.09	11.82	1,600 90	117,76	164.68	282,44	17.64	136,22	1,182 25	1,556,01
January 1959 ..	1,621,47	10 46	1,631,93	117,76	164 68	282,44	17 31	134,70	1,214,80	1,631,93
November 1959 ..	1,690,84	20.51	1,711.35	117,76	163,01	280,77	16 41	133,89	1,296,68	1,711,35
December ,, ..	1,725,18	11.46	1,736,64	117,76	163 01	280,77	16.17	132,74	1,323.13	1,736,64
January 1960 ..	1,766 07	14.42	1,780,49	117,76	163,01	280,77	15.77	130,31	1,369,42	1,780,49
Week-Ending										
15-1-1960 ..	1,777,90	9,79	1,787,69	117,76	163,01	280,77	15.70	129,81	1,377,43	1,788,01
22-1-1960 ..	1,767.32	20,68	1,788,00	117,76	163,01	280,77	15 70	129,49	1,377,43	1,787,69
29-1-1960 ..	1,767,44	20,67	1,788,12	117,76	163,01	280.77	15 70	129,99	1,377,36	1,788,12
5-2-1960 ..	1,796,80	18.51	1,815,31	117,76	163,01	280,77	15 47	127,20	1,407.34	1,815,31
12-2-1960 ..	1,811,94	12.44	1,824,38	117,76	163,01	280,77	15 39	126,29	1,417,32	1,824 38

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad §	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	260,72	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
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
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
Avr. of Fridays														
November 1958 ..	59,29	21.55	88.21	115,15	284,20	63,44	432,64	22,82	3,48	21,61	21,34	55,92	302 51	10,24
December ,, ..	60,44	14,40	76,33	116,55	267,72	69,19	421,91	11,88	9,57	13,91	24,31	62.45	281,37	10,73
January 1959 ..	56,88	29,42	72,41	116,16	274,88	80,27	440,15	10 52	12,68	28,85	26,49	88,18	262,21	11,20
November ,, ..	50,55	20,41	81 23	119,16	271,35	78,47	434,83	20,60	13,19	39,88	23,77	83,31	243,33	10,76
December ,, ..	55 33	18,65	73,42	117,60	264,98	83,86	433,84	11,52	15,82	44,83	83,80	90,67	235,92	11,29
January 1960 ..	54,26	23,94	81,53	120,76	280,49	86,67	452,19	14,48	39,44	46,55	21,53	106,74	210 48	12,93
Week-Ending														
15-1-1960 ..	49,41	49,37	80,69	122,57	293 04	87 54	465,58	9,85	66 68	46,78	20,78	105,54	213,03	12,91
22-1-1960 ..	52,29	24,76	78,36	123,40	278,71	90,27	453,98	20,75	36,37	44,02	22,12	104,94	212 83	12,95
29-1-1960 ..	49,78	21.27	73,75	119,66	264,45	88.68	438,13	20,74	14,69	43,98	20,27	107,80	217,33	13,33
5-2-1960 ..	49 25	25,74	66 29	119 36	260 64	88,64	434 29	18,59	12,80	44 34	21,75	121 04	202,40	13,38
12-2-1960 ..	66,96	20,85	81,20	108,51	277,52	91,73	454,24	12,52	37,18	44,34	23,50	130,25	192,99	13 47

*. 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 of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

Indian Railways

COMMODITY MOVEMENTS IN RELATION TO PRODUCTION

(In 000 tons)

COMMODITY	1950-51	1955-56	1956-57	1957-58	1958-59
1. **Coal:**					
Production	32,307	38,226	39,434	43,500	45,300
Rail movement	30,423 (94.2)	35,337 (92.4)	38,158	40,517	43,253 (95.5)
2. **Cement:**					
Production	2,613	4,487	4,929	5,602	6,062
Rail movement	2,432 (93.1)	3,956 (88.2)	4,291	5,077	5,012 (82.7)
3. **Iron and Steel:**					
Production and imports ...	1,724	2,661	3,637	3,402	2,971
Rail movement†	2,707 (157.0)	3.655 (137.4)	4,237	4,861	5,595 (188.3)
4. **Metallic ore, other than Manganese ore:**					
Production	3,655	5,464	5,744	5,973	6,723
Rail movement	3,007 (82.3)	4,373 (80.0)	4,630	5,351	5,807 (86.4)
5. **Manganese ore:**					
Production	883	1,584	1,687	1,650	1,200
Rail movement	867 (98.2)	1,378 (87.0)	1,647	1,620	974 (81.2)
6. **Foodgrains:**					
Production and imports	50,235	66,494	70,168	66,091	76,673
Rail movement	7,682 (15.3)	9,044 (13.6)	9,685	11,076	11,946 (15.6)
7. **Raw Jute:**					
Production	586	712	766	724	925
Rail movement	463 (79.0)	512 (71.9)	720	688	727 (78.6)
8. **Tea:**					
Production	271	284	298	303	316
Rail movement	261 (96.3)	258 (90.8)	274	297	285 (90.2)
9. **Paper and paper products:**					
Production and imports ...	215	324	323	333	332
Rail movement	189 (87.9)	256 (79.0)	267	306	364 (109.6)
10. **Jute manufactures:**					
Production	836	1,027	1,093	1,030	1,062
Rail movement	267 (31.9)	290 (28.2)	269	259	261 (24.6)
11. **Cotton raw:**					
Production and imports	714	818	966	914	892
Rail movement	517 (72.4)	739 (90.3)	703	680	541 (60.7)
12. **Cotton textiles:**					
Production	498	715	736	770	727
Rail movement	465 (93.4)	548 (76.6)	482	484	430 (59.1)
13. **Oilseeds:**					
Production	5,076	5,643	6,176	6,051	6,919
Rail movement	1,570 (30.9)	1,766 (31.3)	1,642	1,641	1,497 (21.6)
14. **Sugarcane:**					
Production	56,150	59,587	66,998	68,019	70,915
Rail movement	2,774* (4.9)	3,408 (5.7)	3,712	3,324	2,627 (3.7)
15. **Sugar:**					
Production	1,037	1,615	2,008	1,957	1,918
Rail movement	983 (94.8)	1,336 (82.7)	1,536	1,516	1,383 (72.1)
16. **Salt:**					
Production	2,620	2,979	3,265	3,626	4,135
Rail movement	1,551 (59.2)	1,858 (62.4)	1,715	1,880	1,781 (43.1)

† Includes machinery etc.

Note:—Figures given in brackets are the percentages of the movement of commodities by rail to production.

RECEIPTS AND EXPENDITURE OF INDIAN GOVERNMENT RAILWAYS: 1954-55—1960-61

(In thousands of rupees)

	Actuals, 1954-55	Actuals, 1955-56	Actuals, 1956-57	Actuals, 1957-58	Actuals 1958-59	Revised Estimate 1959-60	Budget Estimate 1960-61
Traffic Earnings—							
(a) Coaching—							
(i) Passengers—							
Upper	11,33,81	12,85,15	13,51,85	13,38,30	14,52,50	15,30,80	15,55,50
Third	91,27,72	94,85,76	102,80,54	105,71,39	102,21,67	108,77,20	109,94,50
(ii) Other Coaching	19,24,28	20,86,58	21,09,37	24,23,37	23,58,75	25,20,00	25,00,00
(b) Goods	158,68,74	180,28,34	203,95,94	229,67,39	240,81,70	264,00,00	305,00,00
(c) Sundry Other Earnings	6,01,14	6,81,33	7,51,24	8,41,31	9,62,11	10,00,00	10,00,00
TOTAL	286,55,69	315,67,16	348,88,94	381,41,76	390,76,73	423,28,00	465,50,00
Suspense	22,07	61,90	—1,32,10	—1,63,85	—55,82	—1,25,00	—1,00,00
Gross Traffic Receipts*	286,77,76	316,29,06	347,56,84	379,77,91	390,20,91	422,03,00	464,50,00
Working Expenses—							
Ordinary Working Expenses—							
(i) Administration	29,54,68	31,52,31	34,73,59	32,16,92	34,30,07	35,66,40	39,01,29
(ii) Repairs and Maintenance	72,43,72	78,67,19	86,00,28	90,62,06	91,58,81	95,28,26	106,31,72
(iii) Operating Staff	45,72,74	49,73,39	52,79,65	53,81,63	57,14,40	58,40,70	66,22,01
(iv) Operating (Fuel)	23,25,50	23,58,16	27,28,30	48,03,58	52,46,46	57,31,76	59,64,64
(v) Operation other than Staff and Fuel	11,25,68	10,18,54	10,65,24	14,86,26	15,64,98	17,54,87	18,42,12
(vi) Miscellaneous Expenses	17,83,08	14,97,01	16,46,92	18,28,68	19,13,50	20,63,17	27,06,32
(vii) Labour Welfare	4,25,89	5,02,62	5,83,17	6,96,61	7,94,42	9,10,45	10,79,97
TOTAL	204,31,29	213,69,22	233,77,15	264,75,74	278,22,64	293,95,61	327,48,07
Suspense	1,55,80	—74,14	16.58	—58,43	—1,89,75	—2,03,17	—57,95
Total—Ordinary Working Expenses	205,87,09	212,95,08	233,93,73	264,17,31	276,32,89	291,92,44	326,90,12
Appropriation to Depreciation Reserve Fund	30,00,00	45,00,00	45,00,00	45,00,00	45,00,00	45,00,00	45,00,00
Payments to Worked Lines as share of earnings	21,32	26,49	32,72	26,34	11,20	7,37	7,63
TOTAL—WORKING EXPENSES	236,08,41	258,21,57	279,26,45	309,43,65	321,44,09	336,99,81	371,97,75
Net Traffic Receipts	50,69,35	58,07,49	68,30,39	70,34,26	68,76,82	85,03,19	92,52,25
Miscellaneous Transactions—							
(a) Receipts—							
(i) Other receipts from subsidised companies	81	2,17	1,66	5,05	2,20	1,77	2,32
(ii) Miscellaneous Railway Receipts	1,99	2,22	35,14	14,70	3,66,43	97,58	10,54
TOTAL—RECEIPTS	2,80	4,39	36,80	19,75	3,68,63	99,35	12,86
(b) Expenditure—							
(i) Rebate	9	10	—	—	—	45	38
(ii) Subsidy	7,41	5,16	6,32	5,46	10,91	7,77	12,30
(iii) Land	7	7	8	—	—	—	—
(iv) Surveys	7,87	17,14	36,82	8,35	8,76	34,71	15,40
(v) Miscellaneous Railway Expenditure	1,59,13	1,58,48	1,80,52	2,19,96	2,17,92	2,33,68	2,67,49
(vi) Open Line Works—Revenue	4,91,44	5,96,98	8,05,44	10,42,33	10,76,18	14,00,35	14,00,00
TOTAL EXPENDITURE	6,66,01	7,77,93	10,29,18	12,76,10	13,13,77	16,76,96	16,95,57
Net Miscellaneous Receipts	—6,63,21	—7,73,54	—9,92,38	—12,56,35	—9,45,14	—15,77,61	—16,82,71
Net Revenue	44,06,14	50,33,95	58,38,01	57,77,91	59,31,68	69,25,58	75,69,54
Dividend to General Revenues	34,96,00	36,11,86	38,16,36	44,39,93	50,38,82	54,50,38	57,27,02
Profit for the year	9,10,14	14,22,09	20,21,65	13,37,98	8,92,86	14,75,20	18,42,52
*Includes receipts of Worked Lines	61,56	60,69	57,65	52,81	49,61	44,31	44,15

REGIONAL BALANCE OF PAYMENTS ON CURRENT ACCOUNT 1952-53—1959-60

(Rs. Crores)

	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58*	1958-59*	1959-60* (1st half)
DOLLAR AREA :								
Exports	143.8	115.6	113.3	120.4	121.0	192.6(a)	104.5	54.5
Imports	185.6	108.4	116.8	132.2	209.5	269.3	246.7	116.6
Trade Balance	— 41.8	+ 7.2	— 3.5	— 11.8	— 88.5	— 77.2	—142.2	— 62.1
Invisibles (Net)	+ 5.6	+ 1.4	+ 3.4	+ 6.1	+ 6.8	+ 14.4	+ 27.8	+ 7.2
Official Donations	+ 9.3	+ 18.6	+ 15.0	+ 44.0	+ 37.2	+ 28.0	+ 38.5	+ 20.7
Current Account (Net)	—26.9	+ 27.2	+ 14.9	+ 39.2	— 44.5	— 34.8	— 75.9	— 34.2
STERLING AREA :								
Exports	306.2	291.2	339.7	330.9	332.6	298.2	300.4	126.3
Imports	281.8	302.3	357.4	361.2	466.5	449.6	392.8	205.2
Trade Balance	+ 24.4	— 11.1	— 17.7	— 30.3	—133.9	—151.4	— 92.4	— 78.9
Invisibles (Net)	+ 73.0	+ 74.9	+ 69.8	+ 74.4	+ 93.9	+ 72.8	+ 53.7	+ 27.6
Official Donations	+ 1.5	+ 0.4	+ 0.8	+ 0.1	+ 2.1	+ 4.6	+ 2.3	+ 0.3
Current Account (Net)	+ 98.9	+ 64.2	+ 52.9	+ 43.2	— 37.9	— 74.0	— 36.4	— 51.0
O.E.E.C.								
Exports	63.1	45.4	60.6	72.5	62.6	57.6	59.8	27.4
Imports	82.2	101.6	135.0	154.3	262.3	299.3	216.2	77.6
Trade Balance	— 19.1	— 56.2	— 74.4	— 81.8	—199.7	—242.2	—165.4	— 50.2
Invisibles (Net)	— 1.2	— 1.3	— 1.3	— 2.7	— 0.3	+ 1.0	— 3.2	— 2.2
Official Donations	...	...	...	...	0.1	0.1	0.1	...
Current Account (Net)	— 20.3	— 57.5	— 75.7	— 84.5	—199.9	—241.1	—168.5	— 52.4
REST OF NON-STERLING AREA :								
Exports	88.8	87.5	83.0	116.4	119.0	120.7	120.4	64.4
Imports	83.4	79.5	74.6	113.7	161.2	185.0	190.8	73.7
Trade Balance	+ 5.4	+ 8.0	+ 8.4	+ 2.7	— 42.2	— 64.3	— 70.4	— 9.3
Invisibles (Net)	+ 3.1	+ 5.5	+ 5.5	+ 10.7	+ 12.1	+ 12.7	+ 12.4	+ 4.7
Official Donations	...	...	...	...	+ 9.1	...	...	...
Current Account (Net)	+ 8.5	+ 13.5	+ 13.9	+ 13.4	— 30.0	— 51.6	— 58.0	— 4.6
ALL AREAS :								
Exports	601.9	539.7	596.6	640.2	635.2	669.1(a)	576.1	272.6
Imports	633.0	591.8	683.8	761.4	1,099.5	1,204.2	1,046.5	473.1
Trade Balance	— 31.1	— 52.1	— 87.2	—121.2	—464.3	—535.1	—470.4	—200.5
Invisibles (Net)	+ 80.5	+ 80.5	+ 77.4	+ 88.5	+112.5	+100.9	+ 90.7	+ 37.3
Official Donations	+ 10.8	+ 19.0	+ 15.8	+ 45.0	+ 39.5	+ 32.7	+ 40.9	+ 21.0
Current Account (Net)	+ 60.2	+ 47.4	+ 6.0	+ 12.3	—312.3	—401.5	—338.8	—142.2

*Preliminary.

(a) Includes silver despatched to the U.S.A. and delivered to the American Embassy valued at Rs. 74.4 crores in fulfilment of the lend-lease obligations.



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CONTENTS

	Page
Leading Articles:	
THE BUDGET, INFLATION, AND ECONOMIC DEVELOPMENT	629
AGRICULTURE IN THE THIRD PLAN	630
IDEOLOGY: THE INSTRUMENT OF INFLATION	631
A DELHI DIARY	632
THE WEEK'S NOTES: Universities; The State Bank.	634
A WINDOW ON THE WORLD: Odysseus on: "You are the Majority"	637
"International Capitalism and Profits: I"	638
THE EUROPEAN SCENE: How Americans Invest Abroad	641
ECONOMIC REPORT FROM THE U.S.: International Balance of Payments	645
Special Article:	
THE BUDGET DEFICITS AND CREATED MONEY: 1956—1960	647
The Business World:	
GENERAL INSURANCE: NATIONALISATION BOGEY	649
ICICI: STEADY PROGRESS	650
TAXATION OF ELECTRICITY	651
A DELHI NOTEBOOK	652
WORLDGRAM AND NEWS IN BRIEF	655
CURRENT STATISTICS	663

The Budget, Inflation, and Economic Development

THE Budget debate this week, both in the Rajya Sabha and Lok Sabha, has failed in its primary purpose of awakening the country to the serious peril of creeping inflation. Not, indeed, that it was expected that in one week full of other distractions the most serious problem in the country's economic life could be clearly seen, or equally clearly remedied. But there was enough in this debate to cause additional confusion. The argument that deficit financing is necessary for economic development was used by Mr. Bhagat, Deputy Minister of Finance, to imply that the current level of deficit financing was proper; surely, this was a serious *non-sequitur*. At the same time nobody should be allowed to believe that deficit financing is improper in itself. The whole debate is in regard to the quantity of deficit financing required to maintain a stable price level and the amount which, under the present circumstances, will lead to undesirable inflation. The issue is not one of means, but of quantities. Quantities, like all statistics, terrify the layman; journalists, too, have not shown themselves conspicuously wise on this difference between a "safe" and "unsafe" figure. Even the business community has been led innocently to believe that what has happened on the Budget is good for economic development and, therefore, for the nation.

In the first place, one must make clear the point, particularly to the business community, that in the sixties at any rate there are no profits of inflation for the business community, or for anybody else. The classical argument that inflation favours producers was relevant for a great deal of the first portion of this century. It depended on the "time-lag" between the rise in costs and the rise in prices. The latter was immediate, and the former took time and, often, particularly in respect of labour costs, never caught up completely in that there was generally not complete compensation in money wages for rises in the cost of living. Two major factors have operated since World War II to make this argument inapplicable. In the first place — quite apart from the socialist pattern of society which prevails in India — Government interference has always been on the side of constituting Tribunals or Wage Boards which operate with retrospective

effect; often with costs of living at their peak, so that when adjudication comes into force, compensation tends to be higher than the average real cost over which compensation is provided. Secondly, the level of profits in money terms is, like the level of every other factor, reduced in "real" value; "real" profits, even in the period where the "time-lags" operate are seldom higher as a result of inflation than in a stable economy. In effect, therefore, the real goods which corporate undertakings need for expansion as well as replacements, are not easier to obtain as a result of the specious profits of inflation. Except for Stock Exchange profits, which can be booked, the business community loses both ways; it loses because of the pressure on the morale of its working force and the increasing unpopularity of managements, which earn higher money profits; and it loses in fact the profits themselves, when retrospective wage awards are imposed by outside agencies or by powerful trade unions which, in present circumstances, are sooner or later inevitable.

Once this point is recognised that excessive deficit financing pays nobody if it leads to inflation, much of the idle debate which is proceeding could be remedied. The volume of deficit financing that is appropriate is surely to be judged by the price level just as the proof of the pudding is always in the eating. Nobody can tell what is a "proper" level of deficit financing until the price level reveals the consequences of action taken. But, surely, created finance in 1960 must be on the side of far greater caution than was displayed in 1958 or 1959. *The Eastern Economist's* contention is that caution has not been exercised. There are some who may honestly differ from this contention. If so, surely, they must argue either that we need no price policy, or that we need, and actually have, a production policy which provides a corrective to prices at existing levels of money supply. Has nature provided the necessary curbs in increasing agricultural production? We need only to remind ourselves that in an highest ever agricultural year 1958-59 prices rose five per cent. Can it be lightly assumed that 1959-60 with reduced agricultural production will somehow cushion all the new created money? If so, perhaps, the optimists will provide the evidence which the Finance Minister has conspicuously failed to produce.

Agriculture in the Third Plan

MR. S. K. PATIL'S valiant fight for the restoration of some of the severe cuts effected by the Planning Commission in Food and Agriculture Ministry's proposal for allocation of Rs. 1,092 crores under the Third Five-Year Plan for the development of agriculture will evoke considerable sympathy in the country at large. The Planning Commission is reported to have tentatively provided only Rs. 1,000 crores for agriculture, community development and co-operation, the share of agriculture being barely in the neighbourhood of Rs. 640 crores. Like a bold man, Mr. Patil had accepted the challenge of the time and set his heart on the achievement of the ambitious targets of 110 million tons of foodgrains, 92 lakh tons of sugarcane (in terms of gur), 78 lakh bales of cotton, 92 lakh tons of oilseeds and 65 lakh bales of jute production by 1965-66 — an increase of 28.6 per cent over the current output. That he should be sorely disappointed by the treatment meted out to his portfolio by the Planning Commission is quite understandable; a cut of nearly 40 per cent in his estimates can scarcely heighten his enthusiasm to solve the country's food problem that has evaded solution all these years.

No doubt the Planning Commission is hard pressed in allocating the limited resources for the various developmental works envisaged to be undertaken during the next Plan period; a sum of Rs. 12,500 crores would be required for carrying out the schemes proposed by the various working groups for inclusion in the public sector in the Third Plan, against about Rs. 7,000 crores expected to be available for this sector. But to unduly curtail expenditure on the developmental activity which is to form the core of the Plan is nothing short of fool-hardiness. The Planning Commission appears to have learnt little from its experience of not according proper priorities under the first two Plans. The tall talk of fighting the food and raw materials shortages on war footing with only about 60 per cent of the outlay estimated to be required for the purpose will surely accentuate wide-spread discontent with the high prices that prevails in the country today. The shortfall in foodgrains output is often propted as an excuse for the inflationary tendencies that have been evidenced in the Indian economy during the past two years; yet the Planning Commission has thought it fit to tie the hands of the Union Food and Agriculture Minister who had drawn up an integrated scheme for the development of agriculture during the Third Plan period.

The reported claim of the Planning Commission that "though the outlay on agriculture will be smaller, it should be possible to reach or even exceed the targets provided there are no upsets caused by natural calamities and there are organisational improvements at the block and district level", is intriguing indeed. Is the Planning Commission depending on the bountiful nature for the achievement of the Third Plan agricultural targets? Perhaps yes. Apparently, it seems to have much faith in the smiles of the rain-God. It should be revealing to know how the Food and Agriculture Ministry's demand for Rs. 1,092 crores has been scaled down to Rs. 640-650 crores "without affecting the schemes directly promoting production"; the Planning Commission, reports suggest, has only slashed schemes for new agricultural universities and research institutes and the "heavy" expenditure proposed for transport, buildings and expansion of staff.

And who benefits from this drastic cut in allocation for agricultural development? Obviously, the Ministry of Community Development: the Government of India recently decided to stick to the decision of the National Development Council to bring the entire country under community development programme by 1963. As pointed out earlier in these columns, this decision of the Government lacks realism; only late last year a U.N. Mission, after careful and objective study, had expressed the opinion that the time had come when the Government should decide whether expansion of the programme should proceed at the stipulatd rate or efforts should be concentrated on consolidating the progress made in the existing community development and extension service blocks. True, there is a proposal that the community development staff at the village level should devote 80 per cent of its time for the promotion of agricultural activity, but one may ask why Mr. Patil is being deprived of these resources if they are to be spent on agriculture indirectly through Mr. S. K. Dey, the Minister for Community Development? Community development is too extensive and diffused a field and better use of these resources can be made by putting them directly at the disposal of Mr. Patil.

The Planning Commission, however, has done well in allotting Rs. 225 crores for the establishment of fertilizer factories and Rs. 700 crores for the major and medium irrigation projects. These two investments would go some way in the realisation of the proposed Third Plan targets for agricultural production. So will do the contemplated provision of nearly Rs. 500 crores through banking and co-operative channels. But that does not obviate the necessity of providing more funds for agricultural development under the Third Plan. Agriculture is top priority; this means, quite simply, it comes far before community development. It certainly must have its needs met before a fourth steel plant is contemplated. One would have thought that controversy on these matters had been settled by the trials of the last three years; but perhaps we, like all people, will learn nothing from history.

Ideology: The Instrument of Inflation

IN a curious and swift succession, three major events proclaimed the Government's complete lack of determination to arrest the drift and turn back the rising tide of inflation. On February 29 the Finance Minister's budget speech and budget proposals revealed how budgetary policy was at variance with his diagnosis of the state of the economy, and in effect, he allowed the drift in policy to continue, while making protestations of urgency for a substantial measure of economic discipline and restraint. The next day saw the announcement of the Government's decision accepting the recommendations of the Wage Board for the cement industry. The climax was reserved for March 3 when the announcement was flashed about its decision to implement the proposals of the Wage Board for the cotton textile industry. In a matter of mere four days came forth the proof that action on the price front would be half-hearted and vacillating.

What is significant but regrettable is that the Government's decisions on the proposals of the two Wage Boards were arrived at even after enough time was devoted to their scrutiny. The report on cement was tendered to the Government on October 7 and that on cotton textiles was submitted on December 31 last year. Considering the far-reaching repercussions of the drastic changes in the wage-structures of the two industries, some more time, particularly for a fuller examination of the proposals for textile wages, could not have been grudged. It is on the cards that the Commerce and Industry Ministry put up a dogged fight to place national interests above sectional benefit. But Mr. Nanda had a triumphant day in reversing the order of preference. How completely the Minister for Labour and Employment was swayed by his pet ideology is clear from the ironical fact that he did not consider it worth while to assess the additional burden on the wage-bill of the textile industry resulting from the revised structure. It was enough for him that social justice would be done in enforcing the proposals.

In the event, the estimate of the incidence of the enhanced wage-scales, made by the Indian Cotton Mills' Federation, which is more informed than that of any other non-official agency, ought to be accepted. The Federation has placed the quantum of addition to the industry's total wage-bill at Rs. 9 crores from January 1 last, which is the day of the retrospective enforcement of the revised scales. But when the flat increase of Rs. 2 per worker per month for both the categories of mills comes into operation two years afterwards, another Rs. 2.25 crores will have been added. This is a basic consideration which ought to have weighed with the Government at a time when it is grappling, without success, with the powerful forces of inflation in the economy and when the prospect appears to be that the battle against inflation will be a protracted one.

Unlike in the cement industry, no device is available to absorb the incidence of the extra wage-bill now imposed on the cotton textile industry. The full measure of the addition to wages will be transferred to the consumer. As between ideology and inflation in prices—quite gratuitous—the Government has opted for the former. And at which critical time? The answer is provided in the Government's resolution itself. The mode of the application of the Wage Board's recommendations to the mills which are still closed down, as a consequence of the crisis of market depression, is under the Government's consideration. There is another aspect of the timing of this dose of ideology. The industry is just staging a recovery from acute depression and struggling to reap the benefit of improved demand in the export market. This struggle will be handicapped by the erosion of its competitive efficiency.

A hope has been expressed that the new wage-scales for the textile industry will remain unchanged for a period of five years. To this end, an exhortation has been made to labour not to press for any demands during the period of this anticipated "truce". A truce requires firm commitments of the two parties concerned. Here is a strange instance of a third party saying that the truce will be there. It is a case of an anticipation; where is the sanction? In this context, the fact should not be overlooked that Mr. Ramanujam and Mr. Vasavada, who represented labour on the Wage Board, are Chairman and General Secretary respectively of the INTUC. The Communist-dominated AITUC may claim, with show of justification, that it is not committed to the "truce" and flout the anticipated understanding when expediency suits its purpose.

The wage revisions are levied on the two industries at a time when there was no demand for immediate increases. The machinery of the Wage Boards is introduced in order that fair wages may be incorporated in the wage-structures. There can be no opposition to fair wages provided the extra burden is matched by increased productivity. It is of basic importance that workloads should be determined and firm agreement reached on rationalisation and modernisation of equipment as indispensable ingredients of higher productivity. Nothing would have been lost if the introduction of the new wage-structures had been postponed until these two essentials were first secured. But both have been deferred and rationalisation is exposed to a number of uncertainties. Ideology has succeeded in putting the cart before the horse; it has made itself an added instrument of inflation.

A DELHI DIARY

BY editorial decree I was excluded from performing last week and happily do not yet have to say anything very definite about the Budget. The pundits are quarrelling amongst themselves, and it is being demonstrated for innocents like myself that a little learning is a dangerous thing. It may be that silence is an excellent golden rule for those of us who have no compulsion to earn our livelihood by practising the dismal science in public. I, therefore, confine myself in this page to two matters as wide apart as the high cost of loving and the high cost of living, both of which have been amply demonstrated to us very recently and the understanding of which needs no great sophistication.

THE HIGH COST OF LOVING

On the high cost of loving I do not refer to the Nanavati trial, on which a Division Bench of the Bombay High Court has this week reached the same (serious) conclusion in two separate judgments. The net result of this double-barrelled effort has been received with respect, but much sorrow, in Bombay and perhaps elsewhere. But I must refuse to be diverted from national considerations by powerful human interest. The High Cost of National Loving—as I was about to say—is best demonstrated on Operation Panchsheel, otherwise called Sino-Indian eternal amity. Our anxiety has been reflected in a third White Paper on China which runs into 152 pages and carries notes, memoranda, and letters exchanged between the Governments of India and China between November 1959 and March 1960. I notice that the number of printed pages in White Papers increases monthly at a rate greater than that of India's annual production of paper. Can it be assumed that the high cost of our loving China previously—and the remarkable capacity of both sides to persist in friendly correspondence—will lead to a boom in the prices of whatever paper is used for printing White Papers? If all goes according to plan, I estimate that a fourth White Paper which is due to contain our correspondence between April and May will be exactly double that which we now need to consolidate our loving exchanges between November 1959 and March 1960. Now that Mr. Chou En-lai is definitely coming—although he has not intimated the precise date—some discreet silence on his visit is being maintained. Thus has Indian hospitality shown signs of being up to its traditions from Ashoka to Mahatma Gandhi. Much good nature is being shown on the Government's burdens and the responsibilities therefor. We seem now more concerned with the recovery of some salt mines than with any military operations. And our Defence Budget, as well as a reduced steel target in the Third Plan, show that we mean no greater business over the long haul. Or do we?

THE HIGH COST OF LIVING

It seems to me concern is much greater with the high cost of living. I am not entirely clear, after reading a certain amount of serious literature on the cost of living and deficit financing—are they, or are they not, related? — whether a proper course is to growl in a minor key about the betrayal of the middle classes or to yell with pain on my personal account. Everybody is doing the latter, and I expect one must say, in loyalty to one's class, a full piece on the manner in which the cost of living in Delhi is behaving at the present time. But most people in Delhi are now beginning to think that the Finance Minister of India can do very little about it, as he seems to have said pretty plainly to the Congress Parliamentary Party. There is, therefore, increasing reliance on Providence. People tell me that the showers of rain that have happily come this week following a gale moving at a hundred miles an hour (in answer to prayer) are designed for the agricultural situation. May we hope that what the Finance Minister is unable to accomplish by political and fiscal skill will be accomplished soon by Providence on its own account? I fear greatly for the Third Plan if in the last year of the Second Plan we ascend cheerfully to an eminence from which we will be at last assured that deficit financing is no longer "safe"!

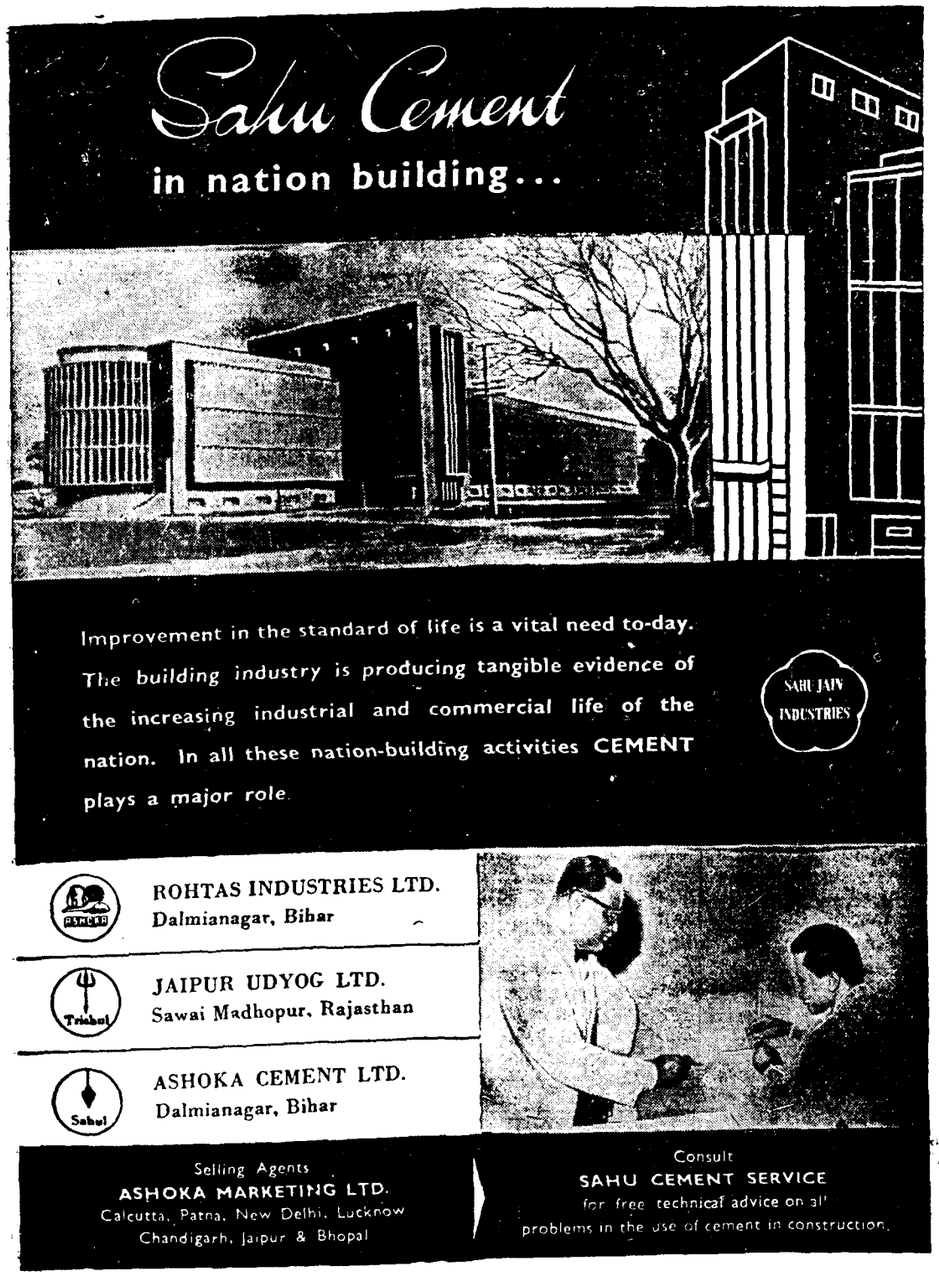
THE SMELL OF SCANDAL?

Proceedings in Parliament over the last fortnight have been, apart from the dull course of financial pluses and minuses, from time to time exhilarated by the smell of scandal. It is strange how the word "corruption" works as though it were a magic light with which to inflame public feeling. The Deshmukh affair had its reaction—action and reaction are equal and opposite?—when a Congress member launched a tirade on Mr. Deshmukh for being in receipt of a salary of Rs. 3,000 as a State servant, and therefore, improperly a critic of the State. But the main target of criticism has been the Defence Minister. Three different approaches have all concentrated on his person and on Thursday Mr. Krishna Menon allowed himself to hit back in a manner which is believed to have caused further resentment in Congress circles. The last occasion was something connected with a Japanese Jeep and information obtained from a driver. But more lasting criticisms will come from the comments of the Auditor-General on the purchase of stores and "wasteful indenting" over some years. The particular case of a Canadian company's supplies caused trouble last week; I must confess I had never heard of this before. The previous week the performance of Defence Ministry's Shaktiman tractors in Dandakaranya came in for heavy criticism. Very few people believe that the whole of the story has been told and that the defects in the tractors are minor is not generally believed; but, minor or otherwise, the fact remains that the Dandakaranya Project reclamation scheme has taken a severe beating as a result of the ineffectiveness of the machinery used.

JACK IN THE BOX

There was also a question on the perennial Jeep Scandal, which has bobbed up and down for over ten years now. Apparently, there is a claim and a counter-claim. Members asked for more details and they were denied. One wonders whether this was correct on the part of the Executive seeing that a money commitment or liability is within the province of the House and the Government is bound to furnish information in regard to claims and counter-claims which the House may have to foot. Similarly, the suggestion that there would be a settlement out of court is probably as damaging to our credit as to our purse, seeing that, if our case is as sound as the Executive maintains, a settlement out of court will create the impression that the Government's assertions are not to be taken at face value. For all these reasons, the Defence Minister is at this moment in one of the most difficult situations in which he has found himself in a daring and adventurous life. He is being criticised by many different sources—The Auditor-General, the Congress Party, individual members of Parliament, and, of course, some people still refer to "risks" on China and "divisions" in the army. Much of this is undoubtedly the result of a personal equation: but can the sum of so many personal equations be dismissed?

ARGUS



THE WEEK'S NOTES

Universities

A PLEA FOR PROBE

THE REPORT of the University Grants Commission for 1958-59 now available is very much pervaded by a sense of self-pity. It is particularly sore of its powers and functions and wants the U.G.C. Act to be suitably amended so that it may be to able to discharge the role assigned to it with greater vigour and increased effect. It is particularly unhappy that even with regard to the establishment of new universities, its advice is not taken. It, therefore, feels that it will be an excellent idea if a convention were established in this country similar to that adopted in Britain so that it might be invested with the entire responsibility of determining the financial needs of the universities without interference in matters of policy or in the detailed administration of university affairs. There will be few who will deny the validity of this stand so that the Commission may be ensured its full autonomous character in letter as well as in spirit.

Granting all this, what has the University Grants Commission done to improve the tone of the universities to the extent its powers have allowed? There are three specific problems. One relates to the question of admission, the second the status of teachers and the third the question of student indiscipline. In fact, these are interrelated issues. So far as the first is concerned, the population of university students in India is estimated in 1959-60 at 900,000 spread over 39 universities. Though in absolute numbers, the figure is impressive, in terms of the total population, India is behind many other countries as the table below will show:

Country	Academic Year	Students enrolled for higher education	Population per university student
United States ..	1954-55	2,308,129	70
U.S.S.R. ..	1956-57	2,013,565	99
Japan ..	1955-56	589,903	151
Canada ..	1956-57	78,100	206
W. Germany ..	1956-57	151,343	336
India ..	1959-60	900,000	448
United Kingdom ..	1954-55	81,705	622
Pakistan ..	1956-57	39,917	2,086

There is no doubt considerable force in the argument of the Commission that university education should be restricted to those who have by any acceptable test the necessary aptitude to benefit by it. It, therefore, points out that it is necessary to determine the principles on which admissions are to be made into a university. What are these principles and who is going to determine them? It was only the other day that the Central Advisory Board of Education had commended the proposal of the National Service Committee (whose Chairman was Mr. Chintaman Deshmukh) that a compulsory national service programme for youth will facilitate educational authorities to select better material for university education. Is this the approach the University Grants Commission intend to make?

STATUS OF TEACHERS

As regards the status of teachers, it is no doubt true that the Commission has done much to improve the salary scales of teachers though it admits that they are not adequate enough to ensure that the best intellects in the country are drawn into it. It then goes on to make an 'obiter dicta' that though this is important, in all countries persons are attracted to the teaching profession more by the opportunities of "academic and intellectual pursuits." If this were so, why does it not happen here? Writing in a southern contemporary recently, a distinguished Madras educationist here gives the answer. He says that apart from the fact that the teaching profession had never attracted the best talent on account of its low emoluments and poor prospects, the contribution of State Governments had not been negligible. By their policy of making selections and promotions on political and communal grounds, they had set an example which was soon followed by some private institutions also. The result is, as he puts it: "There are principals of colleges who misappropriate athletic funds, there are professors and teachers who accept private tuitions and are more interested in them than in their legitimate work, there are managements which sell seats at the time of admissions and there are syndicate members who connive at the nefarious trade of selling marks." In the face of this, to blame the student community alone for lack of discipline is a half-truth. The malady lies far deeper and it is high time that Government appointed a high-powered Commission to go into the various aspects of university education.

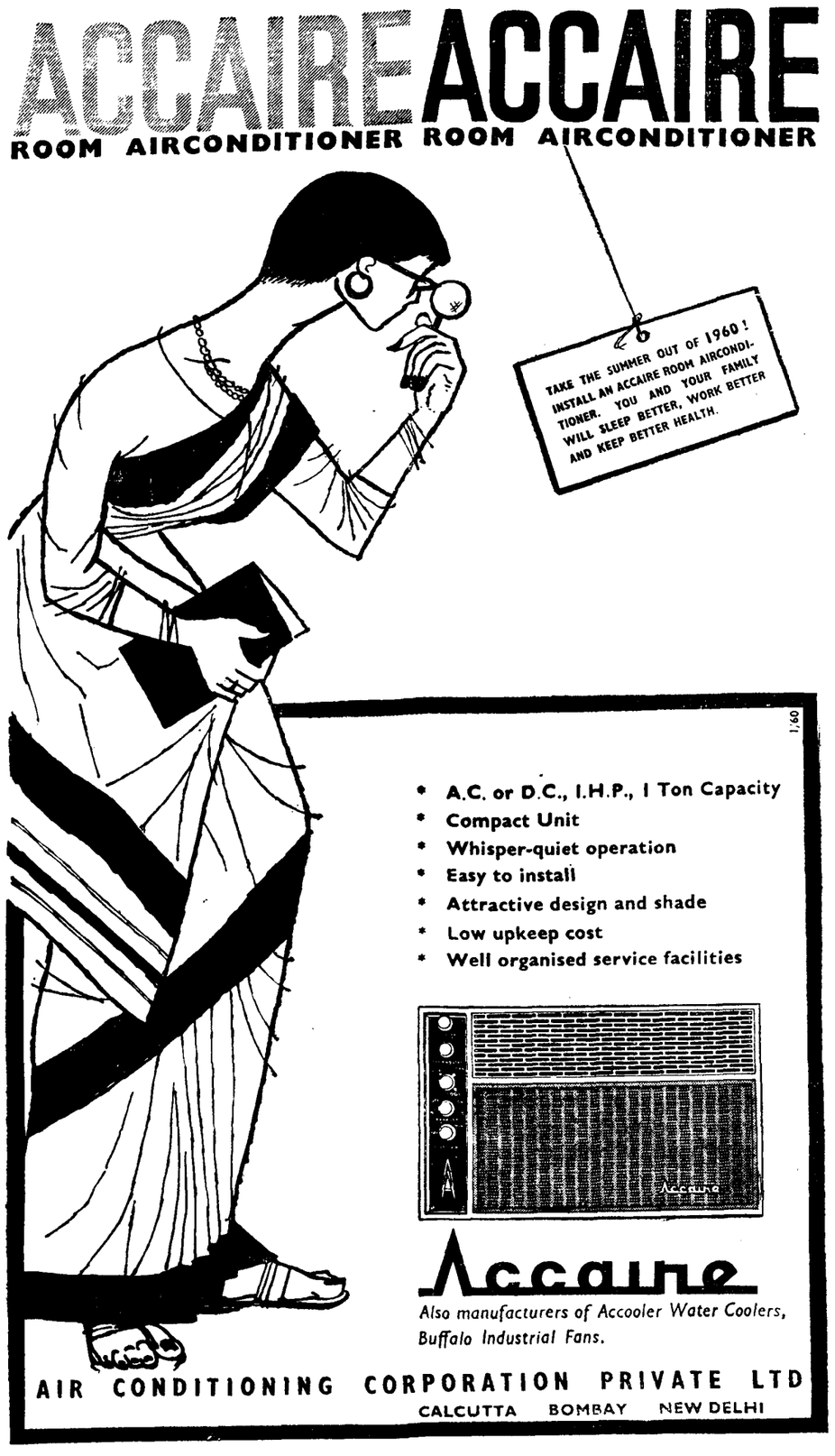
The State Bank

A PRECIPITATE STRIKE

A COHERENT picture of the developments from time to time in the dispute between the State Bank of India and its staff, over the latter's demands for a radical revision of pay-scales and cognate matters, and their culmination in a precipitate strike, is available from the Finance Minister's statement in the Lok Sabha on March 7. It is sufficiently clear from Mr Morarji Desai's authoritative account that the management had never set its face against negotiations. Although this dispute seems to have originated as early as October 1958, there were a series of talks between the Bank's management and the representatives of the Staff Federation. It is unfortunate that an attempt should have been made to create the impression that the management was stubborn, or rather intransigent, in its resistance to negotiations. It would appear that the negotiations were proceeding with reference to piecemeal demands and every time they were being altered and inflated. The Finance Minister has estimated that if the demands added from time to time were conceded, their cost would rise to an additional amount of Rs. 4 crores. Even as it is, it was impressed upon the Staff Federation that the Bank had to find additional funds at the rate of Rs. 25 lakhs per annum for the next five years for increments and other consequential liabilities. The Federation was therefore asked to take a realistic view and to decide an order of priorities for its demands. Apparently, it was in no mood to listen to his counsel. On the contrary its later offer asks for interim relief of the order of Rs. 2 crores.

It is hard to see how the management can even consider the demand for voluntary arbitration. Even at this late stage it has appealed to the Federation once again to adopt an objective attitude and to facilitate a reasonable settlement by removal of anomalies in pay-scales, mitigation of hardships where they exist and elimination of local disparities in the wage structure. If the Federation does not see its way to accepting this basis of talks, the deadlock may be continued for some time. The staff then will have its own Federation to blame for such avoidable hardships as many result from it.

Charters of demands have been served on all bank managements and in the light of this development the Government is considering the advisability of setting up a machinery to consider them in the proper perspective and in a collective manner. The State Bank Staff Federation's demands could then be considered as part of the overall enquiry. As it is the conditions of service and pay-scales in the State Bank compare favourably with those in other banks. Can the Staff Federation believe that it would be advantageous for its members to be clubbed together with the employees of other banks in an overall enquiry in this situation?



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DALDA FORUM

Why is Indian food "hot"?

YOU: Why is our cooking 'hot'? Because we like it that way, I suppose.

WE: There are other reasons, too. People who know about food will tell you...

NUTRITIONIST: A lot of what we like or don't like in food is governed by factors that would seem to have little to do with cooking. Climate, for instance.

YOU: But what does climate have to do with spices in our food?

NUTRITIONIST: In hot countries like ours, food deteriorates faster on keeping. This is because the climate encourages bacterial and enzyme action in food. So, food goes bad quicker and more easily than in cooler climates. To check this, food has to be preserved—spices in food act as preservatives because, amongst other things, they check bacterial action.

YOU: I didn't know that...

NUTRITIONIST: And not just that. Spices tend to stimulate the appetite—a very necessary thing in hot climates like ours.

YOU: A good thing, too. Look how good they make food taste! Imagine eating bland food without any spices at all. Awful!

WE: This leads us to another point. It's not just blandness that we dislike—it's a lack of variety in flavours, whether or not the food is spiced.

NUTRITIONIST: We cannot eat food that tastes the same, day after day. That's why we *vary* our food. This helps us get the proteins, carbohydrates, fats, minerals and vitamins that we need.

YOU: All this is very well, but the taste of food hardly seems to change sometimes, however *varied* our diet.

NUTRITIONIST: But this has to do with cooking methods: How we cook our food and what we use for cooking.

WE: Take fats. They are essential for most cooking operations. A lot depends on the kind of fat you use...

YOU: Well...but I don't understand.

WE: The point is, a fat can make or mar a meal. It can help bring out the natural flavour of food or impose its own taste. Therefore, the choice of a cooking fat is as important as the choice of the things it cooks.

NUTRITIONIST: Besides, a good cooking fat adds extra food value to cooking. Essential Vitamins A and D, for instance.

WE: That brings us to DALDA Vanaspati, which meets all the requirements of an ideal cooking fat.

YOU: Surely, one only uses DALDA for frying.

WE: That is needlessly restricting its use. DALDA is good for all cooking. It helps bring out the natural flavour of food—and does not add its own. What's more, it contains Vitamins A and D. Seven hundred International Units of Vitamin A and 56 I.U. of Vitamin D are added to every ounce.

YOU: How do these vitamins help?

WE: They don't make any difference to the taste of food, if that's what you mean. But they are essential for health. And DALDA comes to you in hygienically sealed tins, so you can be sure of its goodness.

YOU: Interesting...never thought that the choice of fat had so much to do with the taste of food. Mind you, we've used DALDA for years, but now I can see it being used for *all* our cooking.

WE: Millions of people are doing so today —why not you?

DL. 44-X54

A HINDUSTAN LEVER BRODUCT

A Window on the World

YOU AND THE MAJORITY

By

ODYSSEUS

IN MANY PARTS of the world, there are people who have got rid of foreign rule and attained freedom. This freedom is not the kind of "negative" freedom of the individual from interference, discussed here in previous weeks, but is the realization of a desire for status—that of a politically sovereign nation among other such nations. It is a desire not to be patronised, or despised, but to be recognised as belonging to an honourable association of a particular nation. What oppressed nationalities are primarily thinking of in demanding independence is not unhampered liberty of action for their members, but not to be administered by foreigners because this makes them feel subordinate and therefore not fully free. In their longing for status, subordinate peoples will tolerate bullying or misgovernment by their own nationals.

The French Revolution was just such an outburst of the desire for the "positive" freedom of collective self-direction on the part of a large body of Frenchmen who felt liberated as a nation, even though, as Isaiah Berlin points out ("Two Concepts of Liberty." Oxf. Univ. Press. 57 pp. 5sh.) the result for many was a severe restriction on individual freedoms. Rousseau exulted because the laws of liberty might be more austere than the yoke of tyranny. Tyranny is service to human masters. The law, Rousseau argued (for reasons explained here in previous weeks), cannot be a tyrant. He did not, of course, mean by liberty the freedom of the individual not to be interfered with inside a defined area. He meant the possession by all, and not merely by some, of the citizens of a share in public power, which is entitled to interfere with every aspect of each citizen's life.

THE TYRANNY OF THE MAJORITY

The early 19th century liberals foresaw that such positive liberty could destroy every negative liberty of the individual that they held sacred. The "sovereignty of the people" could easily destroy that of individuals. There is a "tyranny of the majority" and of "the prevailing opinion." Benjamin Constant said that the transference, by a successful revolt, of unlimited authority from one set of hands to another does not increase liberty. The problem for those who seek individual freedom is not who wields authority but how much of it should be in any set of hands. Constant could not see why, even though the sovereign is "everybody," it should not oppress one of the members of its "indivisible" self. That blunt authoritarian, Hobbes, did not pretend that authority does not restrict freedom; he justified the restriction and he at least had the decency not to engage in the double-speak which has become so fashionable since by calling "restriction" by the name of "freedom."

The 19th century liberals rightly argued that if I wish to keep my liberty, it is nonsense to say that it can be violated if someone or other—the ruler, the popular assembly, the judges, etc.—authorises its violation. The problem is to establish a society in which there are some frontiers of freedom which no one is ever allowed to cross. Different names may be given to the rules which decide these frontiers—natural rights, or Utility, etc.—but what all have in common is that they are so widely accepted and so deeply grounded in the actual nature of men, not as they appear to some philosophers but as they have developed through history, as to be, by now, an essential part of a normal human being. Belief in the inviolability of a minimum extent of individual freedom entails some such absolute stand. For it is clear that individual freedom has little to hope for from the rule of majorities. For liberals, the point of political—"positive"—rights, of participating in the government, is that they are a means of protecting a basic value, i.e., individual—"negative"—liberty.

What principles, then, are needed to ensure a truly free society? (1) That no power, but only rights, can be regarded as absolute, so that all men, whatever power governs them, have an absolute right to refuse to behave inhumanly. (2) That there are frontiers within which men should be inviolable. These frontiers should be defined in rules so long and widely accepted that their observance is part of the conception of a normal human being, rules of which it would, for example, be absurd to say they can be abrogated by some formal procedure. It is such rules which are broken when a man is declared guilty without trial, or punished by a retroactive law; when children are ordered to denounce their parents; when soldiers are ordered to use barbarous methods; when men are tortured or murdered, or minorities harassed because they irritate a majority. Such acts, even if "legalised," cause horror, even in these days when, heaven knows, they are commonplace enough. This horror springs from recognition of the moral validity—irrespective of the laws—of some absolute barriers to the imposition of one man's will on another.

This is at the opposite pole from those who believe in liberty in the "positive," self-directive sense. The negativists want to curb authority. The positivists want it in no one else's hands but their own. That is, Isaiah Berlin insists, the cardinal issue of our times.

THE ANCIENT FALLACY

These are not two different interpretations of one concept, but two irreconcilable attitudes to the purposes of life. It is important to recognise this, even if in practice it is often necessary to compromise between them. For each doctrine makes absolute claims, which cannot both be fully satisfied. There is no perfect solution to any social or economic problem. There is only a choice of evils. The problem is to try to decide which course involves the lesser evil. The belief that, somewhere, in the past, or in the future, in divine revelation, or in the mind of an individual thinker, or in the pronouncements of history or science, there exists a final solution to all problems has, more than any other, been responsible for the slaughter of so many individuals on the altars of great historic ideals—justice, or progress, or the happiness of future generations, or the sacred mission of a nation, race, or class, or even liberty itself, which demand the "sacrifice of individual for the freedom of society."

This ancient fallacy springs from the idea that all the positive values in which men have believed must, in the end, be compatible. The fact is, however, that neither political equality nor efficient organisation is compatible with more than a modicum of individual liberty; that justice and generosity, public and private loyalties, the demands of genius, and the claims of society can conflict violently with each other; that not all good things are compatible, still less all the varied ideals of mankind.

But unless it is possible for all these values to live together, is not the universe a disharmony in which conflicts of values will be eternal? For every rationalist, from Plato to Comrade Karl, this abandonment of the notion of a final harmony in which all discords are resolved, in which we all live happily ever after, is the bankruptcy of reason, which indignantly rejects that all things cannot be explained and fitted into a system.

But all recorded history shows that we face choices between ends equally ultimate, the realisation of some of which involves the sacrifice of others. It is precisely because this is so that men place such immense value on the freedom to choose. The purposes of men are many. Not all are compatible. Hence conflicts can never be wholly eliminated within a nation, or between nations. The need to choose between absolute claims is inescapable, and it is this need which gives freedom its value as a permanent end in itself.

I do not say that individual freedom is the sole criterion of social action. We compel children to go to school, forbid public executions, enforce vaccination. These are curbs on freedom. We justify them on the grounds that ignorance, or cruel pleasures, or the spread of disease, are worse for us than the amount of restraint needed to repress them. Our solution of such problems depends on our vision of what is a fulfilled human life, as contrasted with J. S. Mill's "cramped, warped, pinched, and hidebound" natures. To protest against laws enforcing censorship or prohibition as intolerable infringements of personal liberty presupposes the belief that the activities forbidden are fundamental needs of men, interferences with their right to choose for themselves. To defend such laws is to hold that these needs are not essential, or cannot be satisfied without sacrificing other values which satisfy deeper needs than individual freedom. But note that these values must be determined by some standard that is not merely someone's opinion, but by one for which some objective status is claimed.

The extent of a man's liberty to choose must be weighed against many other values, of which equality, justice, happiness, security, or public order are some examples. We cannot have everything. Burke's plea for the constant need to compensate, reconcile, balance, and Mill's plea for noble experiments in living, with their permanent possibilty of error, and the knowledge that it is possible, neither in practice nor in principle, to find clear-cut answers, may madden those who seek all embracing systems, guaranteeing happiness for all eternity. But they must be accepted by all who consult history and experience.

The appeal of the world-transforming faith, like the final triumph of reason or of the proletarian revolution, is that of a magic drug. It relieves the individual of the need to choose, to undertake personal responsibilities, to live through agonising reappraisals. All that he has to do is to believe that education will one day complete its task, or vote the party into power, and the millennium will come. It is the faith of children who refuse to become adults.

Those who continue to shoulder the burdens of personal responsibility, to make choices between conflicting values, and to strive to preserve the right to do so, have a hard task. But the liberty that they seek to uphold is a more humane ideal than the goal of those who seek in the great disciplined states the ideal of "positive" self-mastery by classes or peoples. It is truer because it recognises that human goals are diverse, more humane because it does not deprive men in the name of some remote, incoherent ideal of much that is indispensable to them as human beings.

Imposition from above in what is alleged to be the interests of the state is the Communist way of life. The big question today is whether the free way of achieving ends by argument and persuasion can survive. Will the democracies be able to organise their economies more efficiently than the Communists? Or will future generations regard us much as we do classical Athens compared with the Roman Empire? We look back on Athens as a noble, free and versatile society, whose love of freedom of discussion was superceded by the cruder, more powerful, brutal form of Roman political organisation. The choice is up to us.

(Previous articles in this series were: "What is Liberty"? (Feb. 12), "The Retreat to the Inner Citadel" (Feb. 19), "The Heart of the Rationalist Creed" (Feb. 26). Acknowledgements are made to "Two Concepts of Liberty," Oxf. Univ. Press. 57 pp. 5sh., by Isaiah Berlin. —ED.).

INTERNATIONAL CAPITALISM AND PROFITS: I

MR. KHRUSHCHEV is reported to have said that capitalist countries would not invest anywhere unless their investment yielded good profits, whereas Soviet lending was entirely disinterested.

It might clarify Mr. Khrushchev's thinking on economic problems if he were to read a 38-page booklet, entitled "All Capitalists Now," just published at 2sh. 6d. by the Institute of Economic Affairs, 7, Hobart Place, London, S.W.1., by Mr. Graham Hutton, one of Britain's best known economists.

Mr. Hutton argues that the economic processes of Communism and Capitalism are much the same. The differences are in the way that they control or manage human beings. Similar measurements are used in the USSR and in the USA to see where any waste in production occurs, i.e., to see what could be done more profitably. In the USSR, scarce natural resources and capital are allocated by arbitrary decisions which are then forced on all the human beings concerned, from workers to consumers. In the USA, and other free countries resources are used by a more economical voluntary system of team work and competition. But both systems seek profits and to avoid losses.

Managers and workers alike may suffer if, in competition and after such measurements, a factory or a farm in the USSR, or in the USA, is found wasteful. It may be "nationalised" (as in the USSR) or it can be private enterprise (as in the USA). It can be inefficient, and therefore unprofitable under either system. The basic difference is that the USSR secures results by compulsion, free enterprise by co-operation.

It is as important in the USSR, as in the UK that production should be profitable. There should be the least waste of labour, capital, materials, fuel, transport, etc. It is widely claimed (by Socialists) that competition is wasteful and that State monopolies which produce "not for profit but for service" are more efficient. Experience in all countries—from the USSR to the USA and back—has, however, established the opposite: in order to avoid waste, it is better to have separate firms competing with each other. Even the USSR has been led, by experience, to acknowledge that it is best not to have one huge State monopoly, because this makes it easier to conceal a vast number of wastes. Even in the USSR, they make separate firms compete with, or measure up against each other, so that they can tell where poor performances occur. This is also what big US firms, like General Motors, do with their separate, competing, units. As a matter of fact, Communist leaders have been more ruthless than all others with their workers and managers when profitability has fallen below standards set by the Government. Profits are the indicator of efficiency everywhere, even in the USSR. Don't be fooled because in the USSR profits are called "surplus over costs."

YOU CAN'T LIVE ON CHARITY

If a country has no capital equipment, and its people are many and poor, they will be unable to manage all the saving by which they could slowly buy or make capital equipment. But to borrow another nation's savings will cost the poor nation something (even if it buys on credit from the USSR). There has never before been such a world-wide race to build up capital equipment as today. So, since everyone in the USSR, no less than in the UK, wants more consumers' goods and services, it is comparatively difficult to induce some people, somewhere, not to consume all that they could, but to save and invest some of their incomes. If no one saves, nobody can borrow. People must be induced to save. That is why it costs something to get capital.

Few people will give up their immediate power to consume something, if in return they get nothing. That would be charity. Now, although there has always been charity between individuals and even, for immediate relief purposes in the face of some catastrophe, between nations, no nation could run a modern production system permanently on charity, not even the USSR.

There is, of course, a world-wide form of forced savings—taxation. Governments, democratic and totalitarian, can legally take away their citizens' money and invest it in State operations. The totalitarians do more of this compulsory saving than the democracies; they force down consumption by prohibiting or restricting production of some consumers' goods, or by taxing them, or pricing the universal State goods and services so high that wages can buy only a few of them. That is how the rulers of the USSR, for 40 years now, have built up her vast basic industrial equipment.

But when we come to consumption, which, after all is (or should be!) the purpose of all production, the rulers of the USSR have managed to improve individual standards of food, clothing, housing, health, and comfort, by very little in 40 years. Most of the increased USSR productive power from the new capital equipment—forced from the Russians by an arbitrarily restricted standard of life—has gone into equipping the USSR with the heavy industry, fuel, and power, necessary to multiply armaments.

The contrast with the USA, the UK, Germany, and France is enormous. The US standard of living has been multiplied by four since 1914, and even in 1914 US standards were already four times those of Russian city workers. UK consumption standards have doubled since 1914, when they were thrice those of the Russians. Nobody disputes the tremendous economic strides that the USSR has made. But let us not forget the tremendous strides achieved by the industrial countries of the West —at infinitely less human cost to the individual. The capital equipment per worker of the West is increasing without the burden of forced savings. Their standards of consumption, leisure, health and long life, still keep a long, long way ahead of those painfully attained by the Russian proletariat. And even if the USSR one day overtakes the US standard of living, what would that prove? Only that economies can be managed by compulsion, not that compulsion is a better principle than free co-operation.

The most economical, productive, profitable way of building up capital equipment for any country is to encourage its citizens to save and to co-operate with other countries. Communists allege private enterprises from alien countries exploit the natural resources of underdeveloped countries and that this is robbery. What are the facts? International free enterprise applies capital and expertise in order—in order to do what?

To plunder and lay waste? To run up costs of production in a less-developed land? To quit that less-developed country as quickly as possible, after having spent skill, money, time, and trouble there? Whatever they are, capitalists are not fools. International free enterprises are the biggest, most reliable, enduring channels of capital, leading it into capital-hungry countries; mixing it with modern techniques; training local citizens; spreading know-how and prosperity; developing and economising the use of the country's natural resources in order to satisfy work-people, customers and governments; all the time with the intention of remaining there as long as possible. But world-trading private concerns cannot expect to grow, develop, and remain profitable, unless they prove profitable to all concerned, in all countries: customers, work people, Governments. Only the efficiency of their most skilled experts can guarantee this world-wide profitability, pleasing everybody.

WHO ARE THE EXPLOITERS?

Contrast with that the arbitrary system of the Communist's 'international trade' which takes from Poland, Hungary, or Czechoslovakia, whatever is needed in Russia (or China by way of Russia), and returns to them only what is decreed by the economic rulers in Moscow. Which is exploitation? Which of the less-developed peoples, on both sides of the Iron Curtain, is getting better-off more quickly?

Mr Khrushchev told us that it was incredible that capitalists should aid an underdeveloped country because once it had built its own factories it would cease to offer profitable markets for exports. Experience proves the contrary. Today the UK's most rapidly expanding markets are not in the underdeveloped countries but in the USA and Germany. UK exports to Germany set up a new record in 1959 by totalling £ 139 m., a rise of 20 per cent over 1958, while German exports to the UK increased by 14 per cent to £ 141 m. These figures demonstrate once again that two highly industrialised countries, with much the same products, trade profitably with each other. On the other hand, trade between the industrialised and underdeveloped is limited by the narrow range of exports that the underdeveloped has to offer and its lack of means to afford the wide range of exports available from the industrialised country. The moral for the industrialised country, is not to keep the underdeveloped back but to invest money in order to raise the buying power of as many underdeveloped countries as capital can be found for. The moral for the underdeveloped country is to remember first, that in a capital hungry world it must do all that it can to make its markets attractive to foreign investors. Secondly, that private investment capital is the best type to attract because it has no strings attached, whereas foreign Government aid involves political considerations and uncertainties. Foreign Government or institutional loans are often preceded by investigations, and are granted for specific purposes, with fixed terms of repayment, which may impose burdens on the balance of payments and may limit the recipient in choice of currencies. Mr. Khrushchev thinks it sinister that a major motive behind Government loans from the free West is the hope of securing India for democracy. Is that an ignoble motive? It is just as true that the motive behind USSR foreign loans is the hope of securing India for Communism. The point is that if India's strength is built up mainly (though not necessarily exclusively) by Western investment, she stands a better chance of remaining an independent country. Internally, her economy will be based on free economic co-operation and respect for individual human rights. Externally, she will remain a member of the community of free nations, freely co-operating in the mutually advantageous spread of profits and therefore of prosperity. Who wants to spread losses and poverty?

The statements in this article are generalisations of principle. Next week, I will analyse the advantages and disadvantages of (a) foreign loans and equity capital, (b) the different sources from which they are available, and (c) why India has been less successful in attracting foreign investment than some other underdeveloped countries.

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The European Scene

HOW AMERICANS INVEST ABROAD

From Our Special West European Correspondent

PARIS, March 7.

THE volume of American investment that is taking place in West Europe is reaching proportions that should engage the attention of business men everywhere in the world. If the developments of the last few years are continued at the same pace for a few years more, we shall begin to see the emergence of a joint Euro-American economic power, situated in West Europe and using local labour but combining the capital and the technology of two continents, with an industrial capacity that will make itself felt in all the world's export markets not excluding the United States itself. A director of Chrysler in the USA has said, "It is absolutely essential for us to remain competitive, and if competition requires it, well, we'll shift our factories abroad." Soon after, a director of General Motors said he foresaw the day when the production of automobiles in West Europe (including of course the output of the affiliates and partnerships of US firms in Europe) would exceed American production. You have to allow for a certain amount of bluff in such statements, for the intention to intimidate US trade unions and the US Government is obvious. But only a certain amount; the General Motors man knew what he was talking about, for the GM plant on the Main in West Germany has tripled its output in six years (while increasing staff by only 50 per cent, thanks to automation), and has just launched a new expansion programme.

The main reasons for this movement of US capital to Europe (which is one of the factors in the US payments deficit) are familiar. American wages and production costs are high and still rising; European are relatively low and rising much more slowly. European Governments made energetic efforts to attract dollar capital in the days of the dollar gap, and are now competing with each other by offering more and more interesting terms not in order to get more dollars so much as to get more dollars than their neighbours. The progress of European technology, the rising standard of living and the consequent increased demand for US-style goods, the convertibility of European currencies which made investment safer, and finally the appearance of surplus local capital that could join with American in joint ventures, all served to hasten the flow of dollar investments.

But the clinching argument was European economic unity, notably the Common Market. Apart from the fear that this unification would take a protectionist turn, its common external tariff shuting out imports from the USA, the Americans saw that it meant the building of a market of the same order as their own (170 millions in the Common Market), in which therefore there would be scope for the mass-production methods with which they are familiar—which, indeed, they invented. Whereas Europeans timidly stepped into the Common Market as into an unknown adventure, Americans had that "I have been here before" feeling, knowing where this sort of thing must lead. Whereas European manufacturers cautiously reorganised production so as to keep one jump ahead of the gradual reduction of trade barriers, Americans moved in with plans based on the Common Market as it will be right at the end of its development. In fact, in certain lines one may ask whether it is the Europeans who are going to reap the benefits of unification, or the Americans who start out with considerable advantages in capital, experience and confidence. An American subsidiary making typewriters in Holland, for example, counts as a Dutch firm and gets all the benefits of the Common Market, but it also has the backing of the parent firm in the USA and can expand much more rapidly to meet a growing market.

But the Americans are not only interested in the European market, and this is where the subject begins to concern industries in all parts of the world. They want to use the advantages of low wages and costs in Europe, magnified by the transfer to mass-production methods, as a basis of attack on markets all over the globe, beginning with the USA itself. It is well known that a good proportion of the European small cars that have flooded the US and other markets in the past five years are in reality produced by American affiliates and partnerships: Ford in England, Opel in Germany (General Motors) and Simca in France (Chrysler). This lesson has not been lost on other American industries; if an American subsidiary in Europe can compete with Detroit, then it can compete with anything. A few recent examples will show this idea has caught on. Philco has opened a plant in Italy to make refrigerators, radios, TV sets and washing machines with the objective of selling in the Middle East as well as in Europe. Du Pont de Nemours has set up an orlon factory in Holland that will sell everywhere in the world except, by agreement, in the USA. Minneapolis Honeywell is making valves in West Germany to sell behind the Iron Curtain: 15 per cent of its clients are already Poles and East Germans and it is building new plant. Royal Mac Bee started to make typewriters in Holland for the local market, but is now exporting 98 per cent of its output, less than half to Europe and the rest to Japan, the Middle East and the USA; the Royalite portable sold in the USA comes from Holland.

Ronson, from its factory in West Germany, is exporting lighters to Africa and the Far East; it will make 100,000 this year and 400,000 next year, when it plans to flood the US market with its latest butane model. International Telephone and Telegraph is building a totally automatic bank for the First National City Bank of New York, but it is not building it in the USA but in its plant in Europe. Outboard Marine proposes to stop making certain types of motor in the USA this summer and to make them at Bruges, in Belgium instead, re-exporting them across the Atlantic. This list could be extended. When you see that Philipps Petroleum, Godfrey Cabot and Columbia Carbon are setting up separate carbon black plant in Italy whose total output will be far in excess of Italian requirements, while the same or other American firms are building carbon black plant in France, Holland and West Germany, it is clear that this is not just another case of lawless American competition; they have their eye on export markets. Finally, a part of the production of US factories in Europe is being very discreetly exported as parts to be assembled in other countries, the assembled unit then being stamped as made in those countries. Thus IBM (business machines) sends parts to be assembled in its Latin American factories, while Canada Dry makes extracts in Offenbach (West Germany) that are then sent to markets such as the Middle East that used to be served from the USA.

When an American firm talks of "shifting its factory" to some place where costs are lower, it is not kidding. The mobility of American capital in response to economic considerations astounds Europeans, tied to local traditions and connections. When Dutch wages were lower than Belgian, Chrysler simply shifted the whole works across the border. This mobility enables

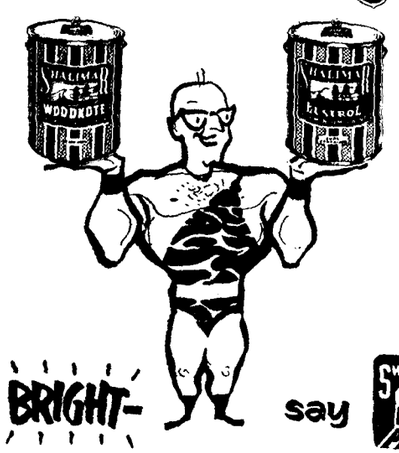
them to exploit advantages as they show up between the USA and Europe, or between one European country and another. It enables them, too, to concentrate their activities as the Common Market grows. IBM, for instance, has five factories in various Common Market countries, located according to tariff and other considerations as they were some years ago. Once the Common Market got going they reorganised the whole business, dividing up the work afresh according to the way Europe will look when the Common Market is totally realised; they just skipped all the intermediate stages. Corn Product Refining used to have four factories all fairly close together but each on the right side of the Belgian, Dutch, French and German borders; with the very first tariff cut, which was only of 10 per cent, they shut down three and concentrated the business in Belgium where corn is cheapest and taxes lowest. When firms show enterprise of that order, you can see why the transfer of American activities to Europe has to be taken seriously, and why one should wonder who will get the biggest gains out of the Common Market.

At the end of 1950 the value of direct US investments in the six Common Market countries was $648 million. By the end of 1958 it had gone up to $1,760 million. But then in the first year of the Common Market new investment tripled, and the total is now over $2,000 million. It has increased in the same period in the seven countries that have formed the Little Free Trade Area (mainly in Britain, the favourite site for US investment in Europe), but more slowly, and, since it has become clear that the two rival trade groups in Europe are not going to be fused into one big free-trade zone, the balance has swung more sharply still in favour of the Continental Six. It is being hastened by open competition between the European countries to attract US capital, and not just competition between the two trade groups but between members of one group. The Duchy of Luxembourg offers to cut company taxes from 40 to 15 per cent in favour of US firms, so North American Van Lines set up their HQ there. Belgium offers five-years loans at 3 per cent (6 per cent is the ruling rate), lower company taxes in the early years, special customs facilities for capital equipment to be imported from the States, and the exemption from income tax of half the salary of Americans who have to travel outside Belgium, so Outboard Marine go to Belgium. Hamburg and German towns near the Iron Curtain offer loans to match US capital, and the French Government offers to put up 20 per cent of the capital for any new US industry set up in a depressed region.

Some of these investments have plain political implications. The biggest US armaments firms are investing millions of dollars and their extensive know-how in the German arms industry, aeroplanes, rockets and tanks, convinced that West Germany will become an armaments power again, despite the Brussels Treaty. American capital has just moved in to save the French aviation industry, threatened with collapse despite its recent technological achievements; now secure, the French planes, backed with US help, will carry the competition into the USA itself and all the overseas markets of the US aviation industry. This survey, to be anything near complete, should include reference to the use Americans are making of European research institutes in every imagineable field; their own institutes are fully employed and anyhow inadequate, and the contracts they are handing out in Europe are reinvigorating European research and may stop the drift of brains across the Atlantic.

This invasion of American capital has so far aroused little or no nationalist reaction in the European countries. European capitalists are in on it, in the form of joint ventures, and European trade unions see no disadvantage in the introduction of American methods. To date the only grumbles have come from the US trade unions. But if the pace continues, others are going to begin wondering about the implications of the new trend in American investment abroad.

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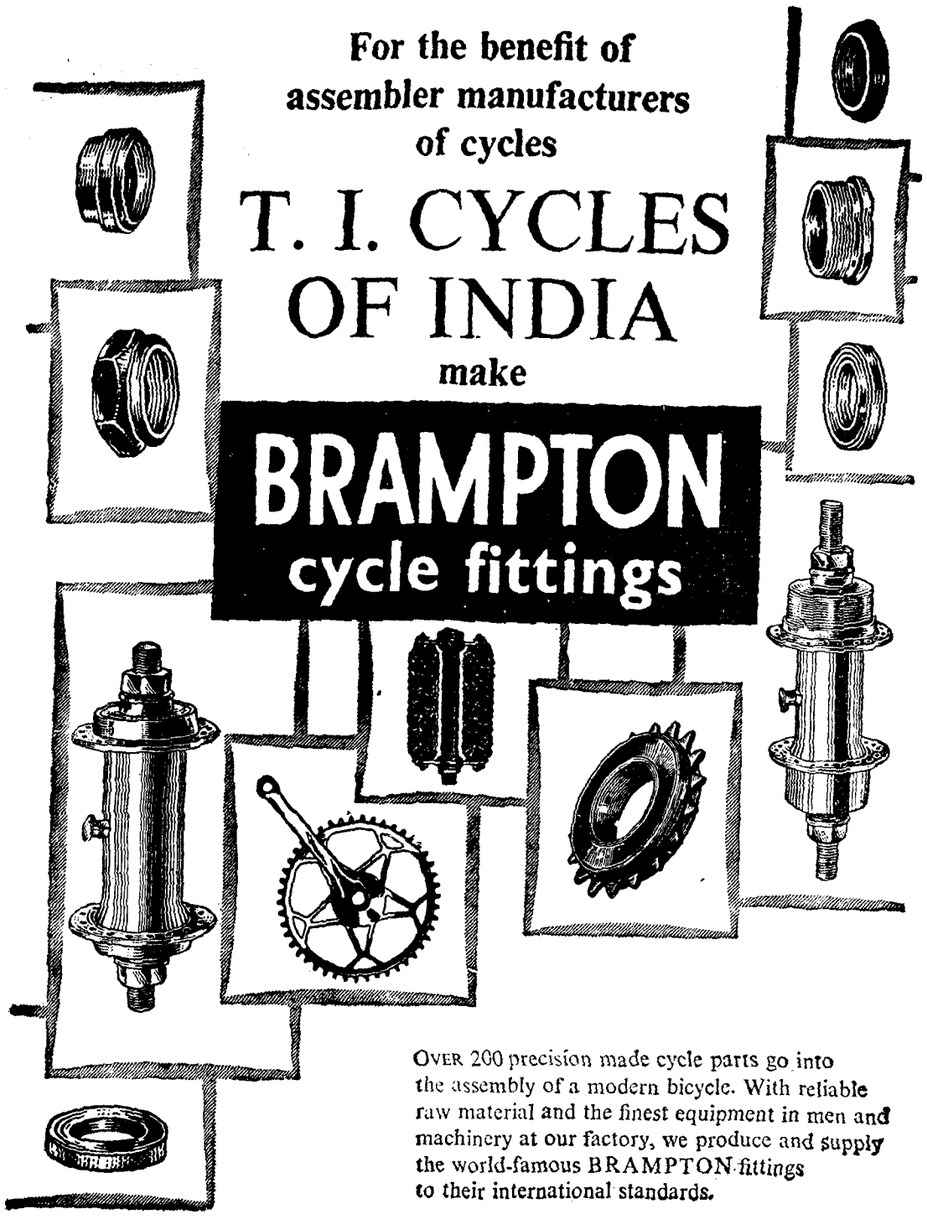
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Economic Report from the U.S.

INTERNATIONAL BALANCE-OF-PAYMENTS

By GUY SIMS FITCH

WASHINGTON, March 3.

THE latest official estimates of international balance of payments accounts placed the United States in a somewhat better position in 1959 than they had been assumed earlier. In its most recent report on the 1959 economic performance, the U.S. Department of Commerce notes that the U.S. international payments deficit for 1959 came to about $3,700 million—as indicated in this space a month ago—as against the first estimate of $4,000 million.

Actually, of course, the general movements making up this net deficit are reasonably well known. But the Department's new figures tell a revealing story nonetheless. A major feature of last year's foreign accounts was the decline in the U.S. trade surplus (the excess of commercial exports over imports) to less than $1,000 million from $3,300 million in 1958. This change was due chiefly to a spectacular rise in U.S. imports by $2,500 million to a record $15,300 million. Exports, on the other hand, remained virtually unchanged from 1958 at close to $16,300 million. As for the total balance-of-payments including capital movement other than trade, both expenditures and receipts were higher in 1959 than in 1958. Total U.S. outlays abroad rose from $27,600 million to $29,500 million, while total foreign outlays in the United States went from $24,200 million to $25,800 million.

On the payments side, the sharp rise in merchandise imports was partially offset by slight declines in other capital outflows, such as Government grants and certain types of private investment. The rise in U.S. receipts was due in large measure to advance repayments by foreign Governments—including the United Kingdom, the Federal Republic of Germany, France and Mexico—on their debts to the United States, and to higher foreign investments in the United States. Of particular interest is the fact that while U.S. net payments abroad in 1959 were larger than in 1958, transfers of gold were lower.

It is interesting to see, too, that the balance of U.S. international payments improved during the course of the year. The net deficit during the first half of 1959 came to about $2,100 million, and in second half to about $1,600 million. This improvement was due in part to changes in the merchandise trade. Exports reached the lowest point in several years during the first quarter of 1959, and then started upward, running at an annual rate of $16,900 million in the second half of the year as against $15,500 million in the first half. Imports, while buoyant throughout the year, did not rise as rapidly during the second half as during the first. As an important by-product of the 1958 and 1959 U.S. payments deficits, other countries (notably major industrial nations) registered relatively large gains in their gold and dollar reserves, and were able to continue dismantling the restrictions on their foreign transactions, particularly with the dollar area.

Looking ahead, Commerce Department officials see economic expansion abroad as well as in the United States as promising greater American exports this year, and hence a tendency to better U.S. trade and payments balances. As another optimistic factor, they cite the stepped-up efforts of American businessmen, with the encouragement of the U.S. Government, to expand U.S. foreign trade. U.S. commercial exports for 1960 seem to be off to a reasonably good start, with the January total up 15 per cent over that of January 1959 even though imports also are expected to rise to another new record, the hope now is that the year will end with a considerably better trade surplus than in 1959.

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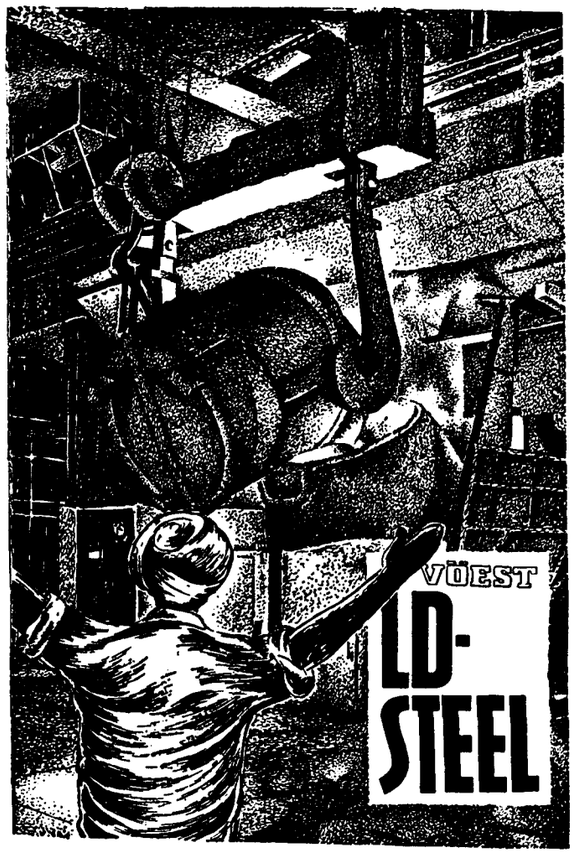
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Special Article

THE BUDGET DEFICITS AND CREATED MONEY 1956—60

An Analysis of Deficit Financing and Money Supply

SINCE the beginning of the Second Five-Year Plan, the Government of India has mainly relied on short term treasury bills in order to cover its budget deficits. According to the figures available till the 5th February, 1960, the total sum of money raised in this manner, including the funding of treasury bills worth Rs 450 crores in 1958-59, was of the order of Rs 1,086 crores. In view of the method of marketing these bills in India, there is a general but mistaken belief that the total deficits in the budgets raise the money supply to the full extent of the deficits. This is not the case. The object of this Special Article is to explain why the money supply rose by 422 crores of rupees, though the treasury bills were marketed to the tune of Rs 1,086 crores and formal budget deficits were of the order of Rs 620 crores over the Second Plan period (up to 5th February, 1960). This analysis assumes importance in view of the rising prices over the Second Plan period. Hence this article is concerned not only with the movement in the behaviour of outstanding treasury bills, but also the decline in sterling balances, the movement in money supply (currency with the public and demand deposit money) and the impact of increase in money supply on investments by the banks in rupee securities.

The rise in rupee investments (including Government of India's rupee securities) of the Reserve Bank of India since April 1956 till the first week of February 1960, was of the order of Rs 884 crores. An obvious deduction from this would be that the Reserve Bank of India added to the currency with the public to the tune of the same sum. But this did not occur because of the heavy draft on India's sterling balances. Till the 5th February, 1960, the total withdrawal from India's sterling balances amounted to Rs 539 crores. This stupendous decline in our foreign exchange reserves was largely because of liberalisation of imports in this period. Out of the possible increase of Rs 884 crores in currency with the public, the Reserve Bank of India drew back rupee equivalent of Rs. 539 crores in order to release sterling balances for imports of goods both on public and private accounts. In other words, over the Second Five-Year Plan period, the overall increase in currency with the public should be Rs 345 crores (Rs 884 crores minus Rs. 539 crores). This corresponds with the facts; the actual rise in currency with the public, which since the beginning of the Second Plan has advanced by Rs. 351 crores. If we add to this figure Rs 71 crores, being the rise in demand deposit money with the scheduled banks over the same period, we obtain a net rise of 422 crores of rupees in the money supply with the public over the Plan period.

Before we go into the question of the impact of this large increase in money supply—slightly less than 20%—it is pertinent to find out who purchased the treasury bills (including the funded ones). From April 1956, to 5th February, 1960, the Reserve Bank of India, as mentioned earlier, raised its investments in Government rupee securities to the extent of Rs. 884 crores. Could it be that the Reserve Bank purchased a part of these from the scheduled banks? The answer is in the negative. The explanation is simple. Over the same period, the scheduled banks also added to their stock of Government securities to the tune of 424 crores of rupees. When the ratio of advances to deposit was fast slumping—from 70% to 44%—, when time deposits had registered a tremendous rise of Rs 692 crores, (as compared to Rs 71 crores in demand deposits) when easiness prevailed in the money market, the scheduled banks could ill afford to keep their funds idle. This huge investment of the order of Rs 424 crores in Government securities, primarily financed out of the time deposits, made a major part of the time deposit money "alive" and this money in the hands of the Government definitely unleashed powerful inflationary pressures on the already inflation-ridden economy.

Large-scale spending by the Government was not cushioned by the moderate increase in production, espe-

Last Friday	Currency with the Public	Demand Deposit Money	Money supply with the public (1) + (2)	Outstanding Treasury Bills	Govt. Securities held by the scheduled banks	Rupee† Investment of the Reserve Bank of India	Time Deposits of Scheduled Banks	Outstanding Sterling Balances
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1955-56	1505	679	2184	595	360	726	451	746
5th Feb. 1960	1856*	750*	2606*	1231	784	1610	1143	207
Variation Increase (+) Decrease (—)	+351	+71	+422	+636	+424	+884	+692	—539

* As estimated by the Eastern Economist's Research section.
† Includes investment in Government of India's securities.

cially consumer goods like sugar, textiles, spices, milk, tea, coffee etc. The import of wheat from Canada (worth Rs 15 crores) and P. L. 480 (worth Rs 287 crores) enabled the Government to mitigate the inflationary pressures to some extent. Nevertheless, the wheat imports and the meagre increase in production of vital consumer goods were not capable of containing the pressure of rising prices. Again, the utilisation of foreign assistance over the Second Plan period (up to the end of October, 1959) was of the order of Rs 846 crores. Deducting from this 300 crores of rupees on account of wheat imports, the remaining 546 crores of rupees were utilised primarily for the import of capital equipment and machinery. When manufacturing plants are erected for the installation of this capital equipment, this is bound to generate effective additional demand for accessory materials and services for construction and production, thus affecting the general price level in the country. The Finance Minister has stipulated a deficit of Rs 153 crores for the fiscal year 1960-61. Thus total deficit financing in the Second Plan will be slightly higher than the figure of Rs 1,200 crores postulated in the Second Plan period by the planners. But the relevant question is: will the economy bear the burden when one quarter of the developmental expenditure is effected through means of deficit financing? Substantial imports of wheat under PL 480 and withdrawal from sterling balances to the tune of Rs 539 crores served to cushion inflationary pressures, released through deficit financing, to a great extent. Now, when our foreign reserves stand depleted at Rs 207 crores, we are in no position to fall back on them. The only sign of hope is the unutilised P.L. 480 funds, which are now exactly of the order of Rs. 153 crores. If the whole of this is utilised in the last year of the Second Plan, it will match the deficit financing in that period. Otherwise, the prices will be hard to check.

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THE BUSINESS WORLD

General Insurance: Nationalisation Bogey

By

CROESUS

URGING nationalisation of the General Insurance business in the Rajya Sabha recently, Mr. Bhupesh Gupta has made certain observations which are worth examining. Mr. Gupta contends that "the demand for nationalisation of General Insurance has become a national demand today." If Mr. Gupta and just a few friends of his want nationalization of General Insurance, it does not follow that the whole country has been demanding it.

Even as a source of finance for the Third Five-Year Plan, which he has pressed into service in justification of his demand, it is a moot point whether nationalisation of General Insurance will at all prove helpful. Considering the proposed size of the Plan and the detailed examination of the available resources by the Planning Commission, it should be evident that the resources arising from nationalisation of General Insurance would be but a drop in the ocean. On the other hand, more than any good that nationalization of General Insurance might yield, there would certainly be some serious repercussions, and it is a matter for deep deliberation whether, situated as we are today, we can embark on so unwise an experiment.

In support of his demand for nationalisation of General Insurance, Mr. Gupta has also argued that this should be looked upon "as a source of revenue or as a source of resources for the country." The far fetched reason behind this conclusion apparently is that General Insurance opens up a hitherto untapped source of unlimited resources. Characteristic of this reasoning is his statement, "whereas life insurance premia are returnable, General Insurance premia are not returnable". Does he then assume that the business of General Insurance companies is only to collect premia and not to meet any claims?

In trying to make out that the control of foreign elements in General Insurance is considerable and with the avowed view of exaggerating its implications, Mr. Gupta alleges that a "major portion of the net premium earnings is taken by the foreign companies under General Insurance", and that a "considerable portion" thereof is taken out of the country. Actually, according to the latest Indian Insurance Year Book, the net premium income in India of foreign insurers amounted to only Rs. 7.16 crores as compared to Rs. 10.96 crores earned by Indian insurers, which straightaway demolishes the argument that "a major portion" of the net premium earning is appropriated by foreign companies. He is also not correct in saying that a considerable portion of the premium is shipped out of this country. According to the official figures, again, out of the total net premium income of Rs. 7.16 crores, the foreign insurers could not have taken more than Rs. 30 lakhs at the most. This sum can certainly not be described as "considerable portion" of the net premium income.

In his enthusiasm to make out a case for nationalisation undoubtedly, Mr. Gupta has referred to the control — direct and indirect — by "foreign elements." Evidently, he wishes to get rid of these "foreign elements", because they don't hail, in the main, from the land that is the source of his inspiration—the Communist countries. Before we think of getting rid of these "foreign elements," we should pause to think of the probable repercussions. Today, with these foreign companies operating in this country, we have not only an out-let, right at our doors, to spread our reinsurance risk, but also the concomitant advantage of treaties with them. But this is not all. If we should do away with these "foreign elements" in our country today, it would not be very long before the same happens to our companies in other countries. General Insurance is international in character, and it is a matter for serious consideration whether the steady headway that India has begun to make in underwriting insurance business in other countries — and there is enormous scope for increasing it—it should be allowed to be jeopardised by indulging in any purposeless pursuits. It may not be known to many that, out of the total net premium income of Rs. 22.55 crores earned by Indian insurers in 1957, the foreign business accounted for Rs. 11.59 crores or 51.4 per cent of business. As against this, the foreign insurers earned in India a total net premium income of only Rs. 7.16 crores.

One other reason that seems to have prompted Mr. Gupta to demand nationalisation of General Insurance is that only a handful of firms are controlling this business. Now, according to the Insurance Year Book, there are about 100 Indian Insurers, but the annual premium income commanded by nearly 80 of them is less than Rs. 25 lakhs each, which shows what an extremely specialised field General Insurance is and how only companies with large resources can successfully handle it. That only about 20 Indian insurers account for practically the entire Indian business shows that better service, assured security, and guaranteed satisfaction are the essential prerequisites, and these only well established general insurance companies can offer and not those mushroom weaklings which can only act as a drag on the market, besides denying the necessary protection to those who happen to be their unfortunate clients. Experience in other countries, both in the East (Japan) and the West (in the U.K.) has demonstrated that the latest trend is towards amalgamation of not only smaller units but even sizeable units with a view to securing the maximum advantages of efficiency and economy. Of course, to Mr. Gupta, the example of the U.K., where only recently huge units like the Commercial Union and North British and Mercantile, Royal Exchange and Atlas, the Alliance and the Sun have merged on the ground of being not sufficiently large to run their affairs economically and efficiently (notwithstanding the fact that the combined General Insurance premium income of the Commercial Union and North British and Mercantile amounted to about £102 million in the year 1958, nearly 5½ times the combined general premium income of all insurers in India!) may not appeal. But let him turn to Japan and see what has

happened there. In the post-war years, the domestic market for General Insurance in that country found that too many small insurance units did not promote the vitality and the strength of the market; it realised that a large number of such units, too ill-organised to qualify at any time to grow and become a source of strength to the industry, only served as a millstone round the neck of the insurance market as a whole. Within a few years, in the wake of this realisation, the prudent Japanese insurers transformed themselves into a dynamic market by a series of amalgamations, integrations and groupings. As a result, we have in Japan today only 20 domestic units writing non-life business with a total net premium income exceeding Rs. 92 crores.

India need not be ashamed, therefore, if the trend in this country too should gradually tend towards integrations of smaller units to bring about a fewer but more efficient and economic ones. This, however, is not happening yet. But saying this is not to mean that India should march towards an unwieldy State monopoly through the backdoor of nationalisation as Mr. Gupta wants. Moreover, it does not follow that, by creating such a monopoly, better security and more efficient service will follow automatically. Only healthy rivalry among a few sound and well estabished companies can make for adequate security and assured service. Competition, as has been rightly said, is a guarantee of efficiency and progress.

Mr. Gupta proceeds next to make the somewhat fantastic charge that the General Insurance business is linked up with some business undertakings or concerns which are linked up with foreign shipping and that these business undertakings patronise the foreign shipping concerns to the detriment of our own shipping companies. Any one who has had anything to do with General Insurance will admit that competition in the field is so keen that no company is in a position to tell its clients what to do. Surely there is no Indian company transacting General Insurance which has been patronising foreign shipping companies in preference to our own shipping companies. But, granting for argument's sake, that what Mr. Gupta alleges is a fact, is the answer to it the nationalisation of General Insurance? What guarantee is there that, even when General Insurance in India is nationalised, the importing countries, being in the advantageous position in which they are, as they must be in a buyers' market, will not dictate their own terms?

When Mr. Gupta proceeded to refer to the accumulated assets of General Insurance business at Rs. 65 crores and the annual accretions at about Rs. 3-4 crores, probably he assumed facilely that the entire amount would be at the disposal of the Exchequer at any given time. Actually, out of the total amount of Rs. 60 crores, according to the latest Indian Insurance Year Book, nearly a third thereof constitutes provision for the unexpired portion of risks accepted during the year 1957. This sum, it should be noted, does not belong to the insurer, but represents, according to established practice, outstanding claims reserve, special capital reserve, etc.

Finally, there are two baseless allegations which Mr. Gupta has made to give a dog a bad name and hang it. First, he alleges that, after nationalisation of life insurance business, many of the General Insurance undertakings have become vindictive and that they have been carrying on a systematic campaign against the Life Insurance Corporation. His second and, perhaps, the most untenable charge relates to the terms and conditions of service of employees in the General Insurance companies. Seemingly at least his heart professes to go all out to the "deplorable lot" of these employees. All that can be said about this is that, if this is not shedding crocodile tears, it is absolutely unfounded, if reports that some who opted for the nationalised sector would fair return to the non-nationalised sector are to be believed. Moreover, how unrelated to facts these allegations are will be patent from a reference to the pay scales and conditions of service in some of the leading general insurance companies, vis-a-vis those in the public sector. It is, therefore, to be hoped that the public will not be carried away by such unwarranted distortion of the prevailing conditions. In any case, I feel, the Government has far too much on its hands already to be swept off its feet by the fanatastic statements and broad generalisations of Mr. Gupta and allow itself to become saddled with this avoidable additional responsibility.

ICICI: Steady Progress

ELSEWHERE in this issue is published the full statement of Mr. G. L. Mehta, Chairman of the Industrial Credit and Investment Corporation of India Ltd., which reviews the progress made by the Corporation during the last year. It indicates that the progress has been not only steady but even substantial. So far as the resources of the Corporation are concerned, the year 1959 was particularly favourable. On the one hand, the Corporation negotiated a second $10 million line of credit from the World Bank. On the other, it secured a second loan of Rs. 10 crores from the Government of India from funds accumulated out of the sale of surplus United States agricultural commodities in India. The result was the Corporation had resources available for investment of the order of more than Rs. 32 crores as compared to the figure of Rs. 17.3 crores in 1955.

While this has been heartening, from the point of view of lending and investing also, the past year has been notable for the Corporation. It approved Rs. 840 lakhs of new proposals which is three times the level of 1958. This brings the total during the last five years to about Rs. 25 crores. The Chairman here, however reminded that not all of this had resulted in contractual commitments. There were two loopholes. One was that proposals of more than Rs. 4 crores fell by the "wayside", as he put it, because the applicants subsequently withdrew the request or reduced the amounts sanctioned. For the ICICI, which has a reputation for a meticulous scrutiny of proposals, this figure seems to be rather on the high side. The other loophole relates to the substantial backlog of approved proposals because of the delay in getting Government consents and approvals. Mr. Mehta observed that "though our relations with the Government are close and cordial, we have not been able to make much headway in overcoming various impediments involved in departmental routines." However, industrial assistance sanctioned by the ICICI, as at the end of 1959, amounted to Rs. 20.40 crores to 59 companies.

In the list of the total operations sanctioned by the Corporation, an amount of Rs. 10.16 crores is given for underwritings of ordinary and preference shares and debentures and direct subscriptions to ordinary and preference shares. Actually, however, from the schedule of investment given in the annual report it can be seen effective assistance has fallen very much short. As regards loan assistance, loans in foreign currencies are substantially higher than rupee loans. Even here there is a gap between the sanctions and the actual disbursements.

Mr. Mehta pointed out, while looking to the future, that since the Third Plan would be a large one, there would be great opportunities for private as well as public enterprise. He had no doubt that the opportunities for private industrial expansion stimulated by the growing domestic market and facilitated by governmental activity in essential services and basic industries would be large. Hence, the demand on specialized financial institutions like the ICICI would also be correspondingly great. Apart from the delays caused by departmental routines, a matter of concern for the Corporation relates to the low level of its reserves. Mr. Mehta particularly pleaded that the Government should revise its tax policy relating to development banks so that they might be able to build up adequate reserves, especially when one of the main objects of these institutions was industrial risk taking. The taxation of capital gains of the Corporation which are allocated to reserves, at full rates naturally has imposed an unduly heavy burden on it.

The Corporation can take legitimate credit on the expansion of its activities which was facilitated not only because of the improved climate for private investment which prevailed during the last year but also because of the efforts they have made to attract more business. Applications from industries seeking financial assistance during the last year included aluminium, electrical and mechanical engineering, glass, chemicals, paper, rayon, rubber, sugar, shipping etc. The Corporation has made considerable progress in training their staff and has begun to expand it during last year both on the engineering and financial sides to meet the increasing demands upon it. It is to be hoped that in the coming years, it will widen its activities to cover regions not hitherto explored. The proposal for the formation of an investment centre for attracting private capital especially from the United States is now under the consideration of the Government and it is already on the cards that the responsibility for running such a centre will devolve on the Corporation.

Taxation of Electricity

ALTHOUGH the Union Deputy Minister for Irrigation and Power, Mr Jaisukhlal Hathi, conceded that the Electricity Supply Industry occupied a very important position in the economic life of the country and added that the Government was aware that the problem of financing the industry was very important from the point of view of licensees' undertakings, it is a pity that he did not hold out any hope to the industry even in respect of the "hard core" of its difficulty, namely, the question of ensuring a free-from-all-taxes return as laid down in the Electricity (Supply) Act to the investors. True, the Deputy Minister stated that this matter was continually under the examination of Government, but he also added: "In the context of the changing financial and economic conditions, their (Government's) endea vour was to evolve a policy fair to the licensees as well as consumers." It is this changing pattern of the tax laws of the country, on the one hand, and the more or less "strait-jacket" of the Financial Code under which the licencees' undertakings have to operate that have been responsible for the difficult predicament of the industry. But one thought that, when the Electricity (Supply) Act was finally enacted, all aspects of the question bearing on the return to the investor in the electricity supply industry had been thoroughly thrashed out. For the law as it finally emerged clearly laid down that "all taxes on income and profits" as well as "rents, rates and taxes other than all taxes of income and profits" shall be to the consumer's account. In other words, investors in this industry felt that the return finally determined thus albeit reduced would be free from all forms of taxation. Unfortunately for them, however, this was not to be the final meaning of the concept.

The first shock was when such of the undertakings as were faced with deferred tax liability consequent on accelerated depreciation allowances of new assets were not permitted to pitch their earnings at levels that would enable them both to earn the prescribed reasonable returns and to create a reserve to meet future deferred tax liability. The effect of this has been that, while electricity undertakings have not been able to create the necessary tax reserve to take care of the day when the deferred tax liability would hit them, the investors in electricity undertakings have been denied relief by way of appropriate tax rebate. Presumably, in taking up this attitude, the Government has been influenced by the idea that, once new assets come into productive use, enough revenue will automatically be earned by the undertakings concerned to enable them to meet their obligations both in respect of the prescribed reasonable return and the enhanced tax liability (previously deferred and subsequently maturing). No wonder, this strange official view has not so far been borne out in actual practice by the experience of electricity undertakings.

Again, last year, when the tax pattern was changed by the Finance Minister, the industry received a further shock, and it is surprising that, in spite of the best effort of the industry to convince the Government that the tax required to be passed on to the consumer, the Government has stuck to the view that tax deductable from dividend is not a tax falling within the ambit of the Sixth Schedule to the Electricity (Supply) Act and cannot therefore, be a valid charge on the consumer. The cavalier way in which the Government has turned down the request of the industry by saying that the new procedure applies to all industries only betrays the Government's failure to appreciate an essential difference between the Electricity Supply Industry and other industries, namely that, whereas, by virtue of the tax concession under the Finance Act 1959, other industries can use the gains for stepping up the dividends to shareholders, the Electricity Supply Industry is prevented from doing so as the benefits accruing are required to be passed on to the consumer. If fresh capital is to be raised—and there is no gainsaying this in the context of the targets proposed under the Third Five-Year Plan, viz. 12 million KW by 1965—there is a clear case for at least such tax reliefs being passed on to the investors. These are at best "fringe benefits" as Mr A. N. Haksar, Chairman of the Federation of Electricity Undertakings of India, described them and it should not cost the Government very much if this modest relief is made operative even in respect of dividend payable for the year ending 31st March, 1960. While this is the immediate need, a permanent relief to the industry will only follow a recognition here and now of the original concept of the legislature that the return fixed in the Electricity (Supply) Act to the investor should be free from all taxes, and its translation into practice. If, perchance the authorities are not prepared to do this for any reason, then they should at least retrieve the situation by agreeing to raising the Standard Rate from the present level, so as to enable a licensee "to raise funds in the market necessary for the proper continuity of his public duties." It should not be necessary to labour this point, if only because the operation of the Financial Code affecting the licensees under the Act has shown that, whether because of the rigidity of the Code itself or because of its rigid interpretation by the regulatory authorities, the licensees have been denied the benefit of concessions that should normally have been theirs.

A DELHI NOTEBOOK

AN UNUSUAL MEETING

PERHAPS for the first time in the history of the Reserve Bank of India, its Central Board last week held informal discussions with the Finance Minister, Mr. Morarji Desai, and two top officials of the Union Ministry of Finance, Mr. A. K. Roy and Mr. S. Jagannathan. The discussions presumably revolved round the causes of the uptrend in prices that has been witnessed during the past few years. The Governor of the Reserve Bank, Mr. H. V. R. Iengar, has recently given repeated warnings of the inflationary tendencies in the Indian economy and has advocated curbs on Government spending and further resort to deficit financing which, according to all indications, will exceed the target fixed under the Second Plan. Some of his colleagues, however, it is understood, do not fully subscribe to his view; they are reported to be warm supporters of deficit financing. At the meeting, this problem, it is learnt, was talked over. How far will this meeting influence the Government policy? The course of prices in the next six months or so should provide an answer.

THIRD PLAN

Further details are now available of the outlay envisaged during the Third Plan period. Total outlay in the public sector is expected to be to the tune of Rs. 7,000 crores, Rs. 6,000 crores forming the investment component. Outlay in the private sector will be of the order of Rs. 4,000 crores. The following are the tentative allocations for the developmental work in the public sector:

Railways	Rs. 1,200 crores
Social Services	Rs. 1,100 crores
Agriculture, Community Development and Co-operation	Rs. 1,000 crores
Industries	Rs. 900 crores
Power	Rs. 900 crores
Irrigation	Rs. 700 crores
Oil, Mines and Coal ..	Rs. 400 crores
Village and Small-scale Industries	Rs. 250 crores
Transport and Communications	Rs. 250 crores
Miscellaneous	Rs. 300 crores
Total ..	Rs. 7,000 crores

Final decision on these allocations will be taken in about a month's time.

The foreign exchange requirements of the Third Plan, as indicated earlier in this column, are estimated at Rs. 2,900 crores; Rs. 1,900 crores for capital equipment, Rs. 500 crores for raw materials etc. needed for the maintenance of economy and Rs. 500 crores for the repayment of debts falling due during the Third Plan period. Foreign exchange to the extent of Rs. 2,200 crores only will be available for budgetary resources for the public sector. The balance of Rs. 200 crores represents the allocations for the private sector and the reserves in Indian rupees out of the proceeds from the US PL 480 loan.

FALL IN RUPEE VALUE

The Indian rupee during the past nine months has gone down in value in several international exchange markets. In Singapore the decline since May 1959 has been to the extent of about 28 per cent. The quotation in Hong Kong in January last was about 32 per cent lower than in May 1959. In New York, however, the rate fell only nominally. In Ceylon and Burma the Indian currency depreciated to the tune of about 17 per cent and 13 per cent respectively, although in both these countries the unofficial rate was still well above the par value. Perhaps the only country where the Indian rupee gained in value was Nepal, the appreciation there being of the order of 2.3 per cent. The decline in free market rate, however, does not in any way affect the authorised transactions which form the overwhelmingly major component of our foriegn trade and other transactions.

SODIUM SULPHATE

The Hindustan Salt Co. Ltd. has under consideration a scheme for putting up a plant for the washing of 1,000 tons of salt every day and recovery of 10,000 tons of sodium sulphate per year from these washings and also from the bitterns at Sambhar Lake (Rajasthan). The Rajasthan Government has also decided to instal a sodium sulphate recovery plant at Didwana, at an estimated cost of Rs. 26 lakhs, with a production capacity of 5,000 tons per annum. The details of the cost of the Sambhar Lake plant and its foreign exchange component are not yet available. The foreign exchange component of the Didwana scheme is Rs. 9.90 lakhs, out of which a release order for Rs. 9.80 lakhs has been issued.

BUILDING OF SAILING VESSELS

The Government of India, in consultation with the Planning Commission, has earmarked a sum of Rs. 15 lakhs for the grant of financial assistance for the construction of new sailing vessels of suitable design to be built on scientific lines during the current Plan. The effective rate of interest to be charged on these loans will be 2½ per cent. The period of repayment ordinarily will be 5 to 6 years, but may be extended by one or two years if the circumstances of the loanees so justify. Nineteen applications have so far been received for loans under this scheme for an aggregate amount of Rs. 9 lakhs.

BRIEFS :

It has been decided to set up a body of consultants to advise the Government and Port Authorities on technical problems relating to port development and inland water transport. The details of the scheme are being worked out.

*

The proposal of the American firm, Dumex (Private) Ltd., to set up an antibiotics plant at Chandigarh has been approved and a licence has been granted to the party. The Pfizer Corporation is a major shareholder in Dumex. The new undertaking will manufacture tetracyclines.

*

The Government of India, it is understood, has approved the setting up of an aluminium smelter, having an annual production capacity of 20,000 tons, in the immediate vicinity of the Koyna Power House, in Bombay State. A licence for the purpose, it is learnt, will be issued in the near future. The project is likely to commence production early during the Third Plan.

*

The Government of India has decided to set up two bio-gas plants on experimental basis. The terms under which the Hungarian patents for such plants can be utilised will be incorporated in an agreement which may be finalised with the Hungarian technical consultants in the near future.

*

The repayment liability of foreign loans in the next five or six years being quite heavy, the Government of India, it is understood, is not anxious to add to it. A decision appears to have been taken that import of plant and machinery on deferred payment terms will be allowed only in cases where quick saving can be effected in foreign exchange or foreign exchange can be earned in a short period to enable payments to be made for the machinery.

a mason shows the way



In the steel-making furnaces at Jamshedpur, the temperature is around 3200°F. The brick-lined doors of the furnace required frequent repairs because the tremendous heat burnt out the lower part of the door lining and the frames.

It was left to Zahir Hussain, a 43-year old mason in the Brick Department, to devise a new method of lining which has increased the life of the furnace doors. Zahir Hussain's achievement won him acclaim and a cash reward of Rs. 5,000—one of the 435 suggestion awards made since 1945.

This is one of the many examples of initiative from the shop floor benefiting the whole enterprise—another industrial tradition being laid in Jamshedpur, where industry is not merely a source of livelihood but a way of life.

JAMSHEDPUR

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UNDER SECRETARY TO
16 MAR 1960
PUBLIC DEPARTMENT



WORLDGRAM

India

Production of Motor Vehicles: The production of motor vehicles during 1959 amounted to 36,468, the highest recorded so far. Production was expected to be nearly the level of second Plan targets by the end of 1960-61. The Minister of Industry, Mr Manubhai Shah, said recently that the targets laid down in the second Plan for production of motor vehicles and the estimated production at the end of the Plan period would be as follows:

	Plan Targets	Estimated production in 1960-61
Cars	20,000	20,000
Jeeps	5,000	7,000
Commercial vehicles	40,000	35,000
	65,000	62,000

Mr Shah added that the actual production figures for the last four years were as follows:

Year	Cars	Jeeps	Commercial Vehicles	Total
1956	13,666	4,329	14,143	32,138
1957	12,211	4,599	16,248	33,058
1958	8,113	4,118	14,557	26,788
1959	11,993	5,376	19,099	36,468

*

First India-made Electric Locomotive Next Year: The Deputy Railway Minister, Mr Shah Nawaz Khan, revealed in the Lok Sabha recently that arrangements to start manufacture of electric locomotives at Chittaranjan were in hand, and the first 1500V D.C. electric locomotive was expected to be manufactured by about the middle of 1961.

*

Plan Targets for Cycles and Sewing Machines: The Second Plan production target of bicycles and sewing machines has already been achieved—one year before the end of the Plan period. In the number of other light engineering industries, the additional capacity already licenced and under implementation indicates that the Plan target will be fully achieved, if not exceeded. The production of bicycles during 1959 in the large and small scale sectors has been estimated at about 13 lakhs, as against the Plan target of 12.5 lakhs. It is now expected that by the end of the Second Plan period, production of cycles in the country would go up to about 15 lakhs, i.e. 2.5 lakhs more than envisaged under the Plan. A striking feature of the bicycle industry in the last few years has been the steady decline in the use of imported components. According to latest information available production of sewing machines in 1959 totalled 3 lakhs, target envisaged under the Plan by 1960-61. Export of sewing machines has steadily increased and in 1958-59 was of the order of Rs 30 lakhs worth of machines, as compared to Rs. 6.5 lakhs in 1955-56. The Development Council has proposed a target of 6 lakhs of machines of all types for the Third Plan period.

*

High Tension Insulation Factory: The total amount of foreign exchange needed for the complete plant and equipment of a high tension insulator factory to be set up near Ranchi including the cost of the detailed Project Reports (Rs. 1.5 lakhs), is placed at Rs. 17,04,992.

The following terms of payment towards machinery and Plant etc. have been agreed to with Skodas:

i. 20 per cent of the purchase price on signing the Agreement;
ii. A further 30 per cent against each partial shipment on presentation of shipping documents; and
iii. the balance in 3 instalments before the end of June, 1960, December, 1960 and on completion of despatch.

United Kingdom

British-built Textile Mill for Sudan: A new textile mill which, when completed, will employ some 3,000 Sudanese workers is to be built by British companies in Khartoum, it was announced in London on February 25 by Platt Brithers & Co., well-known suppliers of textile machinery. The mill is to cost £ 6,000,000 and is being financed from both British and American sources. Construction work is to begin almost immediately, and the announcement said the mill would be running next year. The mill will be completed during 1962, by which time it will be turning out some 75,000,000 yards of cloth a year.

Austria

Further Development of the LD-Process: Dr. Trenkler, Professor of the University (Metallurgy) Leoben Austria in a lecture on the further development of the LD process stated in New York recently that it was now possible to use the LD process also for hot metal with high phosphorus and abnormal analysis. It is furthermore possible to produce high carbon steels and alloyed steels on a large scale. Special attention was paid to his announcement about the closing of tests bringing along a further simplification and extension of the LD process. The latest developments result in using iron ore in a high percentage directly during the process. General Manager Mr. Hitzinger pointed out that just recently new inventions have been made by Austrian Steel Engineers (of Messrs. Vereinigte Oesterreichische Eisen—Und Stahlwerke Aktiengesellschaft) which render possible a further mechanization of the LD-process on a large scale.

Ghana

Exploration for Minerals: The aerial geo-physical survey announced by the Ghana Government as part of their second development plan will play a major part in the investigations of the mineral resources of the country. The two areas concerned include most of the gold and manganese mines in Ghana and are known to be important mineralised zones. The project has been planned by the Ghana Government and the United States International Co-operation Administration, the cost being shared between them. International tenders were invited from companies with the necessary technical qualifications and equipment for the task, and, after careful consideration of all the tenders submitted, the contract was awarded to the Geo-Physical Division of Hunting Surveys Ltd., London.

U.S.S.R.

Aid to Indonesia for Economic Development: The Soviet Union have agreed to give substantial aid to Indonesia for the Republic's economic development during the next five years. The aid will be in the form of a loan for setting up a steel plant, non-ferrous metal and chemical factories, textile mills and agricultural projects.

France

Experimental Utilization of Natural Gas for Steel Production: The French metallurgical industry is undertaking large-scale trials of the utilization of natural gas in steel production which will be effected under the control of the Research institute of the Metallurgical Industry at the Boucau Plant in the Lower Pyrenees for a period of approximately two years.

NEWS IN BRIEF

INDIAN

The National Industrial Development Corporation has formulated a new scheme for granting loans up to Rs. 70 lakhs to cotton textile and jute mills for speedy modernisation and rehabilitation.

*

The Bhilai Steel Works produced 20,482 tons of steel ingots during February 1960, bringing the total steel ingot production to 70,686 tons.

*

The Government of India have issued a statutory order amending the Motor Cars (Distribution and Sale) Control Order 1959.

*

Production of iron and steel by the Tata Iron and Steel Company at their Jamshedpur works in February showed an all-round decline as compared to the previous month.

*

Proposals for amending the Indian Trade Unions Act, 1926, are being finalised. These include the proposal relating to membership fee for trade union members.

*

The yield rates of principal crops in Community Development Blocks have been higher than those in other areas during the last four years. This is clearly indicated by the sample surveys carried out under the technical direction of National Sample Survey from 1955-56 to 1958-59.

*

Two synthetic substitutes for musk, exaltone and exaltolide, have been developed at the National Chemical Laboratory, Poona.

*

A new Trade and Payments Agreement between India and Bulgaria was signed recently. The new Agreement will be valid from January 1, 1960 and will be in force for a period of three years. The Trade Agreement concluded on April 18, 1956 between the two countries had expired on December 31, last.

*

The Minister of Industry, Mr Manubhai Shah, told Mr T. B. Vittal Rao in the Lok Sabha that six firms in the country had already started manufacture of sugar plants. Four plants were expected to be delivered to co-operative sugar factories in time to enable them to start production during January next.

*

The Government of India have decided to introduce the metric system of weights and measures on the commercial side of shipping and at the major ports of Bombay, Calcutta, Madras, Cochin, Kandla, and Vizagapatnam from August 1960.

*

During the 11 months ended November 1959, India exported 4.68 lakh tons of cattle feed of the value of Rs 16.95 crores. This consisted of 4.47 tons (valued at Rs 16.52 crores) of oilcake meal and other vegetable oil residues and the balance other cattle feed like gram, pollard etc.

*

It is reported the Indian Railways are likely to receive a fresh World Bank loan of about $50m in the very near future. This will enable the Railways to complete their development programme envisaged in the Second Plan.

FOREIGN

Yugoslavia has become the thirty-fifth member of the Inter-governmental Maritime Consultative Organisation. IMCO came formally into existence as the twelfth UN Specialized Agency, and the first permanent inter-governmental organization in the field of shipping, in January 1959.

*

The establishment of a £4m cotton spinning, weaving and processing mill in Nelson on the South Island (New Zealand) was announced recently by Mr Walter Nash, the Prime Minister. It was expected to be in operation next year. The initial capital requirement will be £2m rising to £4m in eight years.

*

The Egyptian Government has paid Britain £24m in compensation for Egyptianised property and in respect of claims for damage to British properties sequestrated by the Egyptian authorities.

*

K. L. M. Royal Dutch Airlines will initiate a new service between Amsterdam and Monrovia, the capital of Liberia, via Frankfurt, Casablanca and Conakry (Guinea) subject to permission from the Governments concerned with which the Dutch Government is now negotiating for landing rights.

*

Poland is to build 122 ships for Russia under the largest single order ever given to Polish shipyards the news agency PAP reported. The vessels are to be delivered between 1961 and 1965.

*

It is reported the Soviet Union has given Indonesia a seven-year credit of $250m at an annual interest rate of 2½ per cent.

*

The first Japanese factory in Ireland, owned by Sony Radio opened recently. It is in the industrialized zone set up in the duty-free Shannon airport.

*

The British Government is to make a grant of nearly £1,500,000 towards the £10,500,000 four-year economic development plan for British Hunduras based on a comprehensive immigration programme, the Colonial Office announced in London on March 3.

*

It is reported the World Bank will probably make a loan of about £22m to Miferma in the near future. Miferma is a French-controlled international consortium, in which the British Iron and Steel Corporation has a 20 per cent interest.

*

The official Soviet News Agency 'Tass' reported that West Germany and the Soviet Union signed the protocol of an agreement for increased trade recently.

*

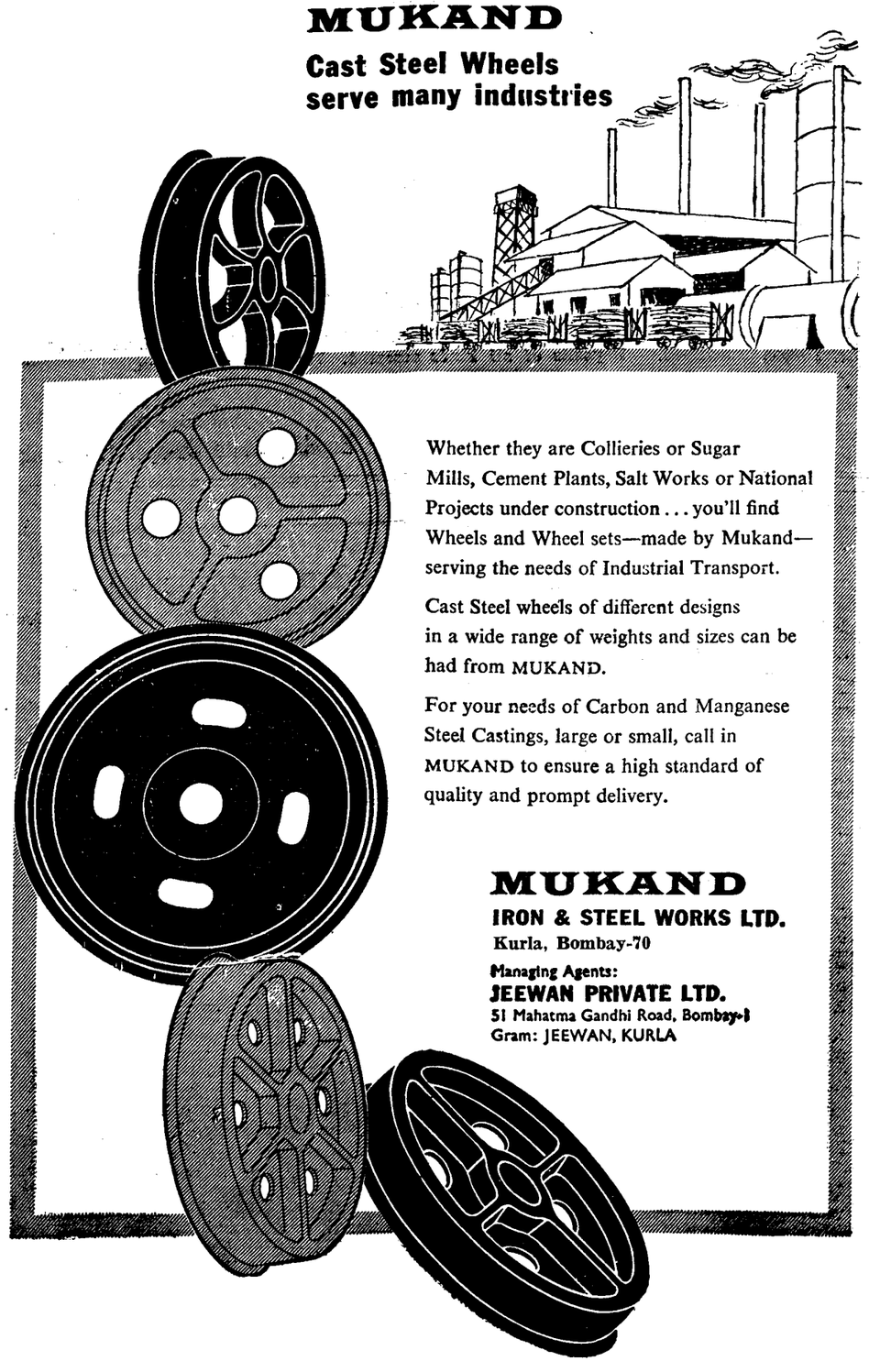
Swedish industrial output in 1957 was close on 3½ per cent up on 1958, according to the Federation of Swedish Industries. The entire increase was accounted for by an improvement in the latter half of the year.

*

The French turbo-rock-drill "Neyrfor," first drill of this type designed for petroleum prospecting in Western Europe, has completed more than 150 wells with a total depth of over 328,000 feet in 10 different countries of Europe, Africa, North America and South America since January 1956.

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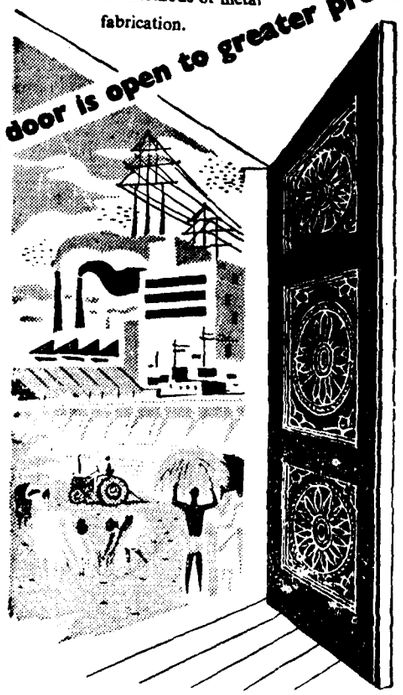
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108/749a

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Company Meeting

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

The Annual General Meeting of the Shareholders of the Corporation will be held at the Registered Office of the Corporation, Union Bank Building, Apollo Street, Fort, Bombay 1, on April 7, 1960, at 4 p.m. The following is the Statement by the Chairman, Mr. G. L. Mehta, circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1959.

I have the honour to place before the shareholders the Report of the Board of Directors of The Industrial Credit and Investment Corporation of India Limited for the year ending December 31, 1959—the fifth of the Corporation's life. I take particular pleasure in doing so because last year was a good one for India and hence for your Corporation.

2. By comparison with the year that preceded it, 1959 was a good year for India. All the important sectors of the nation's economy registered substantial increases in output. Favourable weather helped the country to achieve what appears to have been a record production of both foodstuffs and nonfood items. Since agriculture accounts for so large a proportion of the nation's output, this fact alone was sufficient to lift national income by an appreciable percentage. Similarly, industrial production increased almost all along the line despite persistent difficulty in some industries. Both exports and imports rose, the latter much more than the former. While the rapid increase in imports permitted an expansion of both industrial construction and production, too large a proportion of it, unfortunately, was due to wheat imports made necessary by the poor harvest of the preceding year.

3. The upswing in physical production induced, and was accompanied by a revival in business confidence, evidence of which already existed towards the end of the depressed year 1958. A good harvest, some improvement in the country's foreign exchange reserves, a more flexible policy of Government towards expansion of the private sector and mounting evidence that friendly countries were willing to assist us to the maximum of their capacity—all this contributed to a growing optimism with respect to our economic future. In addition to this, the cold wind that blew down on India from the Himalayas has been making us more conscious of the need for national security and has brought an air of realism which has not always been evident in national planning.

4. Against a background of expanding production and rising expectations in the country, it is but natural that the year 1959 was an unusually good one for your Corporation, too.

5. On the resources side, in 1959, your Corporation almost doubled the funds it had available for investment in Indian industry. A year ago, I reported that the loan made by the World Bank in 1955 had been nearly committed and that we proposed to apply to the Bank for a new foreign exchange loan as well as to the Government of India for a new loan in rupees. In July, 1959, your Corporation negotiated a second $10 million line of credit from the World Bank; and in October, for a second loan of Rs 10 crores from the Government of India from funds accumulated out of the sale of surplus United States agricultural commodities in India. The Rs 17.3 crores we had available for investment in 1955 has thus increased to more than Rs 32 crores. I am sure you will agree with me that we have reasons to be gratified by these developments not merely because they augment our financial resources but also because they reflect the continued confidence of the Government of India and the World Bank as also the United States authorities in the management, operations and prospects of your Corporation. I should like to take this opportunity of conveying our sense of gratitude to all of them for their co-operation. I might add that during the year under review, we had also the benefit of the association of Mr. William Diamond whose services were generously made available to us by the World Bank and whose assistance was invaluable to this institution.

6. On the other side of our activity, namely lending and investing, 1959 has been a good year. We received more applications, approved more of them, and sanctioned more loans and investments than in any preceding year. Your Board of Directors approved Rs. 840 lacs of new proposals, nearly three times the level of 1958, bringing the total, over our 5-year life, to about Rs. 25 crores. Not all of these have resulted in contractual commitments. More than Rs. 4 crores have fallen by the wayside, mostly in the earlier years, because the applicants subsequently withdrew their requests or reduced the amount sanctioned. And a similar amount is in respect of projects which still await Government consents. Nevertheless, contractual commitments in 1959 were higher than before, and so were the actual disbursements.

7. I hope you will not consider the financial results of 1959 as unsatisfactory. Income and net profits were about the same as in 1958. However, the Corporation, in accordance with its avowed objectives has begun to place some of its investments on the market. Capital gains from these sales amounted to Rs. 24 lacs, nearly half as much as the profits from current income. In accordance with our present practice, these gains from the sale of securities have been placed in Reserve and are not available for distribution as dividends. What is particularly gratifying in this development is the evidence that your Corporation's investments are proving sound ones, although I should add that we have also benfited by the upward trend in the stock market. This source of income will, I trust, gradually become an important factor in building up our reserves.

8. It is particularly gratifying to note the expansion in the Corporation's activity since it reflects the improved climate for private investment which prevailed in 1959. What is more, it is also the result of the efforts we are making to attract more business rather than

simply wait for it to come. Our teething troubles such as every new institution faces and particularly a new one of this kind, are, I believe, over. We have made much progress in training our staff and have begun in 1959 to expand it both on engineering and financial side to meet the increasing demands upon us. The experience we have gained in the past has become a valuable foundation for the future. We have learned more about how to appraise a proposal which comes to us, and our clients have become increasingly familiar with the rigorous financial discipline appropriate to modern industry, to which we try to accustom them. This experience coupled with the spirit of optimism prevailing in the industrial community may well give hope in the continued growth of your Corporation and in its ability to make the contribution to development of Indian industry which its promoters and shareholders expect of it.

9. I would not like to give you the impression, however, that your Corporation does not face some difficult problems. It does do so, and I should like to review them here despite the fact that none is new and all have been referred to frequently in the past. For instance, I have already referred to the fact that there is a substantial backlog of approved proposals which still require a variety of government consents and approvals. The need for these consents and approvals is the principal reason for the long delay, usually of several months, between the time we agree to assist a client and the time we can actually do so. Our relations with Government are close and cordial but we have not yet been able to make much headway in overcoming various impediments involved in departmental routines.

10. Another matter of concern is the low level of your Corporation's reserves. In five years, we have been able to set aside only Rs. 24 lacs from net profits. This sum is woefully inadequate for a Corporation which is expected and is, indeed, presumed to take substantial risks in financing and establishment of new enterprises and has beee set up not only to make secured loans but to provide risk capital. The situation will be even more difficult from 1960 onwards because we are required, beginning with this year, to set aside 25 per cent of net profits to reserves. The problem of inadequate reserves is common to other similar institutions such as the Industrial Finance Corporation and the State Finance Corporations and deserves the earnest consideration of the authorities.

11. The shareholders will have noticed that while our profits this year are nearly the same as last year and while we have provided a larger amount for dividend to shareholders, the net dividend in the hands of the shareholders will be less than what they received last year. As a result of the coming into operation of the new scheme of company taxation, the shareholders who received a dividend of 4 per cent tax-free last year will receive this year a taxable dividend of 5 per cent, which is well below the last year's net dividend. This is unsatisfactory to the shareholders but, I regret to say, we can do little in the matter. We on our part do realise how essential it is to pay a modest dividend to our shareholders and at the same time to build up reserves.

12. Yet another problem closely related with the question of reserves concerns capital gains which from 1959 onwards may loom large in the annual accounts of your Corporation. These gains are being directly allocated to reserves. The tax authorities, however, are not treating these as capital gains and are taxing the Corporation at full rates. This imposes an unduly heavy burden on the Corporation and is a matter of serious concern. Necessary representations have been made to appropriate authorities in this connection and no effort is being spared to obtain proper redress.

13. I trust Government will see their way to revise the tax policy relating to development banks generally with a view to enable them, by building up adequate reserves, to be increasingly self-reliant. This is essential to enable such institutions to fulfil the purpose of industrial risk-taking for which they have been set up. An objectve analysis would show that taxation of development finance corporations which operate on a very narrow margin of profits while assuming large risks should not be on the same level as full corporate taxation applicable to industrial and trading concerns. When new industries are sought to be promoted by means of substantial tax relief, there is surely a case for special consideration of the problems of financing institutions with a view to fostering their rapid and healthy development. Mobilization of resources is a key to the success of all our plans and such mobilization would be possible by encouraging various forms of financing agencies which function in a modern economy. One may turn to the Radcliff Committee's Report to see the important role such agencies play in resource mobilization in the United Kingdom.

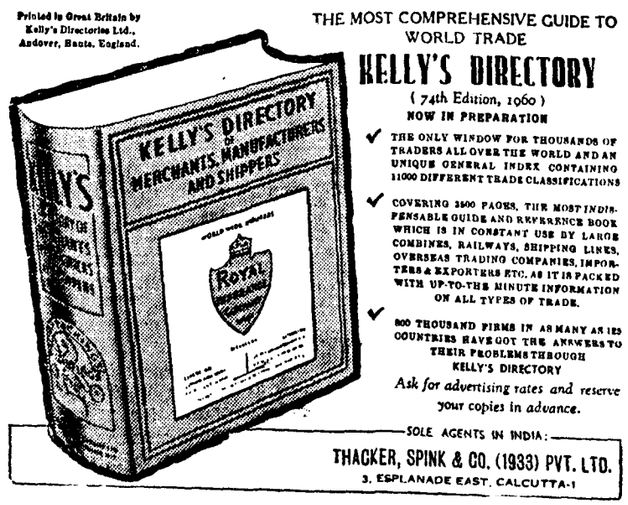
14. I am fully aware of the fact that, quantitatively speaking, ICICI has as yet made a small impact on indstrial finance in the country. The same might, indeed, be said of other specialized industrial finance institutions. At the same time, however, the importance of these institutions, and their contribution, should not be measured in quantitative terms alone. What is more important is the nature of their operations and whether they fill a need not met by the conventional sources of finance. I should like in this context to call your attention to the underwriting done by your Corporation. In a mere five years of life, ICICI has emerged as the most important underwriting institution in India, and in fact, almost the only underwriter of ordinary shares. Its underwriting operations amount to about Rs. 830 lacs of which nearly half have been in ordinary shares. It will be appreciated that in this sphere, your Corporation has already made a significant contribution.

15. In this field as also in lending transactions, the policy of this Corporation is to work in co-operation with other institutions. I am glad to state that we have been steadily building up close contacts with the Industrial Finance Corporation of India, Commercial Banks, State Bank of India, Life Insurance Corporation, Refinance Corporation as well as the State Finance Corporations. We discuss with them schemes of common interest, we exchange information, we seek their participation in loans and underwritings and are thereby able to assist our borrowers in raising the required capital as well as in distributing a given risk as widely as possible. In addition, we also endeavour to broaden the capital market by encouraging stockbrokers to underwrite or sub-underwrite. We are also building up contacts abroad. We are in continuous touch with the International Finance Corporation in Washington and have been developing closer relations with the Commonwealth Development Finance Company in London, as also with some leading investment concerns and banks in the United States, United Kingdom and West Germany. We hope to expand and consolidate these activities in future.

16. Our Government is at the moment in the process of formulating a Third Plan. Although the shape of the Plan is not yet clear, there is little doubt that subject to considerations of national security and within the framework of sound finance, the Plan will be a large one. And it will be large for private as well as for public enterprise. The opportunities for private industrial expansion, stimulated by the growing domestic market and facilitated by governmental activity in essential services and basic industries, will be large. And the demands on the specialized financial institutions will be correspondingly great.

17. During the last year, discussions have been going on between Government, officials of the Technical Co-operation Mission of the U.S.A., ourselves and some specialists about the establishment of an institution to promote foreign private investment. Several countries have set up such Centres and some of them have been remarkably successful in attracting private capital especially from the United States. These discussions have advanced to a stage where concrete proposals for an Investment Centre have been formulated. This scheme is now under the consideration of the Government. If the responsibility for running such a Centre is entrusted to your Corporation, we would be agreeable to undertake it. It would be a matter of public service which this Corporation would be prepared to render in accordance with the basic objective set forth in its Memorandum of Association: to encourage and promote participation of private capital, both internal and external, in the creation, expansion and modernization of industrial enterprises in the private sector.

18. I should like to express my sense of appreciation for the Staff for their efficient services. During the last one year of my association with the Corporation, I found that they are discharging their duties with competence and sustained interest.



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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays			Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures			All Commodities
							Intermediate Products	Finished Products	Total	
1953-54		..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55		..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56		..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57		..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58		..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59		..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
November	1958	..	118.0	96.0	114.5*	113.2	110.0	108.6	108.8	114.0
December	,,	..	113.3	96.4	115.1*	112.5*	110.3	108.0	108.3	111.4
January	1959	..	114.3	103.6	115.1	114.1	110.5	108.4	108.4	112.4
November	,,	..	121.4	104.6	116.6	122.5	116.0	110.9	111.6	117.9
December	,,	..	118.2	103.7	117.0	127.2	118.0	112.6	113.4	118.9
January	1960	..	117.7	100.9	117.1	131.0	121.1	115.1	116.0	118.0
16-1-1960		..	118.4	101.0	117.0	131.0	122.2	115.6	116.6	119.4
23-1-1960		..	118.2	100.5	117.1	131.5	121.3	115.4	116.2	119.3
30-1-1960		..	117.7*	98.2	117.3	132.7	121.0	115.6	116.4	119.2*
6-2-1960		..	118.3	96.4	117.4	132.4	120.8	115.5	116.2	119.4
13-2-1960		..	119.6	95.8	117.4	131.5	120.4	115.5	116.2	119.9

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—		105	104		106			—
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
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	—	—	498	—	—	—	173*	168*
1959 April	381	400	296	156	364	454	489	157	414	169	167	161
May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	162	179*	173*
October	408	427	324	158	406	470	510	166*	441	162	179*	174*
November	405	424	322	158	399	475	511	—	449	—	177*	174*
December	401	420	311	157	—	—	511*	—	—	—	175*	171*
1960 January	403	422	304	159	—	—	509	—	—	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	26-2-1960			19-2-1960			12-2-1960			5-2-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	132 31	130.53	131.49	132.81	131.25	132.11	132.94	130 06	131.89	131.69	128.75	130.16
Silver (per 100 fine tolas)	215.56	214.50	214.95	215.44	212.94	214.33	213.56	212 69	213 15	213.44	211.19	212.34

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
1953-54* ..	1,133 95	23,03	1,156,97	40,02	594,02	634,04	54 80	92,83	430,11	1,156,97
1954-55* ..	1,196.19	22,98	1,219.18	40,02	648,81	688,83	56.68	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	100,87	553,06	1,256,47
1956-57* ..	1,475,77	18,75	1,494,52	40,02 (117,76)	545,61	595,63 (603,37)	39.95 (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
1958-59* ..	1,593,88	19.34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
Average of Fridays										
November 1958 ..	1 569 09	22,76	1,591,84	117,76	166,68	284,44	17.74	137,18	1,172,23	1,600,90
December ,, ..	1 589,09	11,82	1,600,90	117,76	164,68	282,44	17.64	136,22	1,182.25	1,556,01
January 1959 ..	1 621,47	10.46	1,631,93	117,76	164,68	282,44	17.31	134,70	1,214,80	1,631,93
November 1959 ..	1 690,84	20.51	1,711.35	117,76	163,01	280,77	16 41	133,89	1,296,68	1,711,35
December ,, ..	1,725,18	11.46	1,736,64	117,76	163 01	280,77	16.17	132,74	1,323,13	1,736,64
January 1960 ..	1,766 07	14 42	1,780,49	117,76	163,01	280,77	15.77	130,31	1,369,42	1,780,49
Week-Ending										
22-1-1960 ..	1,767 32	20,68	1,788,00	117,76	163,01	280,77	15.70	129,49	1,377,43	1,787,69
29-1-1960 ..	1,767,44	20,67	1,788,12	117,76	163,01	280,77	15.70	129,99	1,377,36	1,788,12
5-2-1960 ..	1,796,80	18.51	1,815,31	117,76	163,01	280,77	15 47	127.20	1,407 34	1,815,31
12-2-1960 ..	1,8 1,94	12,44	1,824,38	117,76	163,01	280,77	15.39	162,55	1,417,32	1,824 38
19-2-1960 ..	1,806,56	18,06	1,824,62	117,76	163,01	280,77	15.39	126,55	1,417,30	1,824,62

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									
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	286,72	23,22	9,46	123,31	1,78	19,84	81,68	7,51
1954-55* ..	89,13	20,66	45,20	36,29	201,28	23,62	234,90	23,24	6,19	87,53	1,14	26,55	80,52	9,82
1955-56* ..	60,11	19,65	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	5,89	84,77	4,89	85,34	51,82	13,60
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
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
Avr. of Fridays														
November 1958 ..	59,29	21,55	88,21	115,15	284 20	63,44	432,64	22,82	3,48	21,61	21,34	55,92	302 51	10,24
December ,, ..	60,44	14,40	76,33	116,55	267,72	69,19	421,91	11,88	9,57	13,91	24,31	62,45	281,37	10,73
January 1959 ..	56,88	29,42	72,41	116,16	274,88	80,27	440,15	10,52	12,68	28,85	26,49	88,18	262,21	11,20
November ,, ..	50,55	20,41	81 23	119,16	271,35	78,47	434,83	20,60	13 19	39,88	23,77	83 31	243,33	10,76
December ,, ..	55,33	18,55	73,42	117,60	264,98	83,86	433,84	11,52	15,82	44,83	83,80	90,67	235,92	11,29
January 1960 ..	54,26	23,94	91,53	120,76	280,49	86,67	452,19	14,48	39,44	46,55	21,53	106,74	210 48	12,93
Week-Ending														
22-1-1960 ..	52,20	24,76	78,36	123,40	278,71	90,27	453,98	20,75	36,37	44,02	22,12	104,94	212,83	12,9
29-1-1960 ..	49,78	21,27	73,75	119,66	264,45	88,68	438,13	20,74	14,69	43,98	20,27	107,80	217,33	13,3
5-2-1960 ..	49 25	25,74	66,29	119 36	260,84	88,64	434 29	18,59	12,80	44 34	21,75	121 04	202,40	13,3
12-2-1960 ..	66,96	20,65	81,20	108,51	277,52	91,73	454,24	12,52	37,18	44,34	23,50	130,25	192,99	13 4
19-2-1960 ..	50,75	26,47	75,59	108,52	261 33	95,05	441,39	18,14	21,28	39,84	24,63	121,23	202,80	13,4

* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up ...67 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term ... crores from July 6, 1956, and of Rs. 20 crores from July 5, 1957 and of Rs. 25 crores ...ural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and ...July 4, 1958. § Includes cash and short-term securities.

INDIA'S TRADE WITH U.K. : 1956-59

EXPORTS

(£ '000)

	1956	1957	1958	1959
Tea	68,879	84,344	74,121	65,127
Tobacco and tobacco manufactures	8,178	7,141	9,266	8,118
Leather, leather manufactures and dressed furs ..	11,475	13,343	9,675	13,662
Wool and other animal hair and tops	4,080	4,564	2,598	2,882
Crude fertilizers and crude minerals, excluding fuels ..	1,735	2,237	1,914	1,764
Metalliferous ores and metal scrap	2,493	4,523	2,966	2,450
Miscellaneous animal and vegetable crude materials ..	4,018	4,368	3,098	3,397
Animal and vegetable oils, fats, greases and derivatives	7,889	3,733	2,489	1,954
Cotton yarns and woven fabrics	7,467	9,964	7,585	10,669
Miscellaneous textile manufactures	11,727	12,102	11,428	11,349
TOTAL EXPORTS	141,353	157,480	139,402	142,625

IMPORTS

(£ '000)

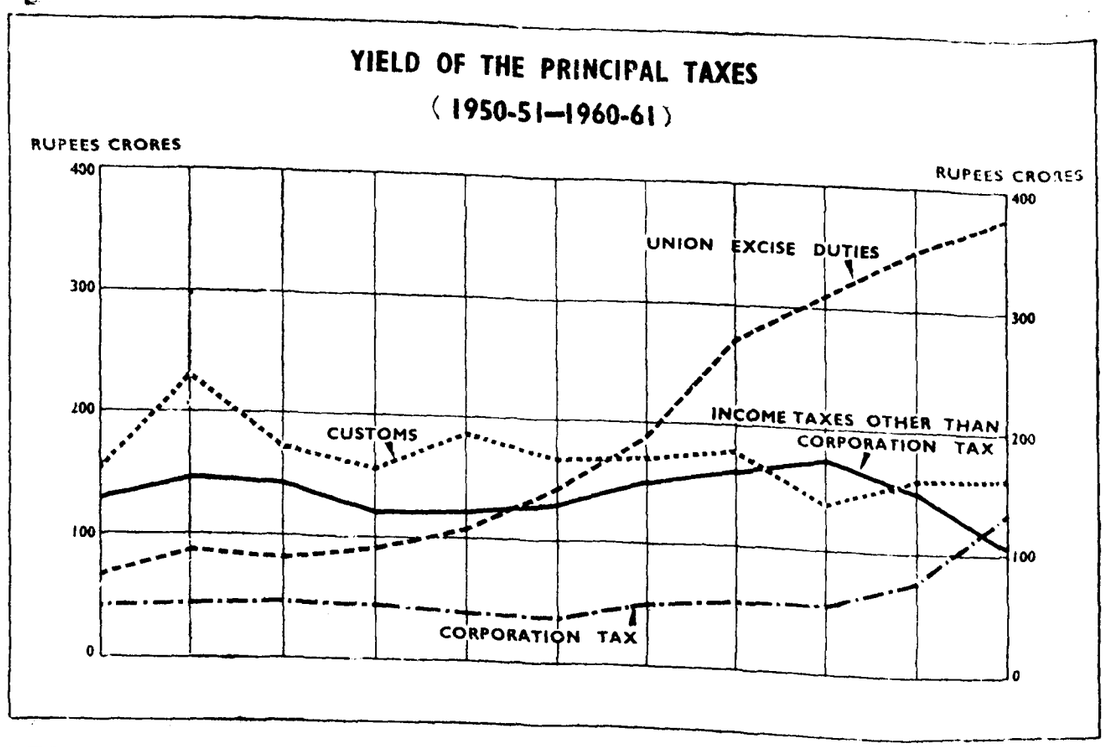
	1956	1957	1958	1959
Machinery other than electric	45,259	45,429	45,094	54,358
Electric machinery, apparatus and appliances	21,215	21,955	18,659	20,669
Wool and other animal hair and tops	5,365	6,086	5,061	3,838
Petroleum and petroleum products	2,385	2,266	1,971	2,329
Chemicals	18,265	16,561	12,289	15,674
Iron and steel	15,907	13,261	11,673	12,732
Non-ferrous base metals	4,017	3,009	2,425	2,834
Manufactures of metals	13,498	17,464	14,217	9,852
Railway vehicles	6,441	5,581	3,224	3,745
Road vehicles and aircraft	11,936	21,034	26,639	26,732
Scientific instruments; photographic and optical goods; watches and clocks	2,940	2,850	2,041	2,944
TOTAL IMPORTS	167,864	176,414	160,305	171,272

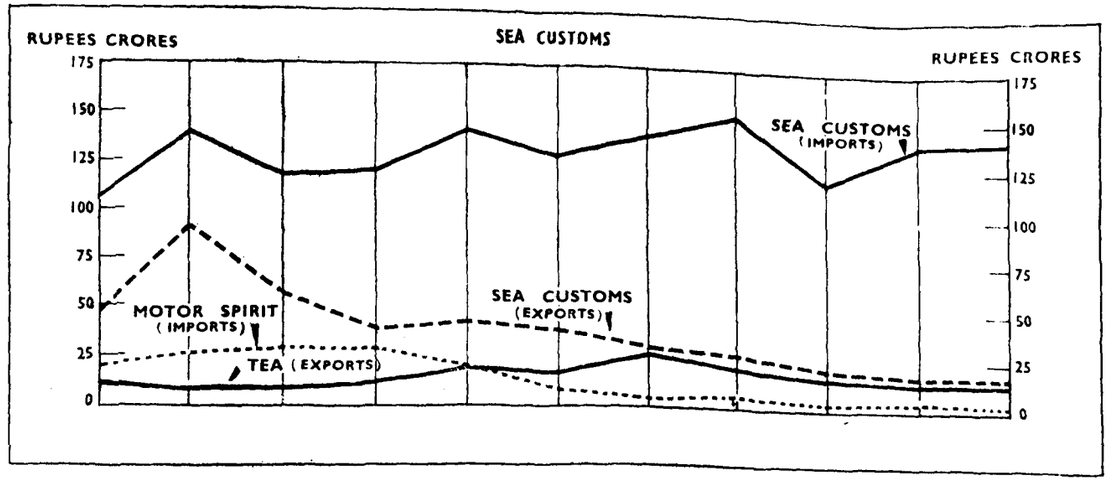
IMPORTS OF MACHINERY FROM U.K.

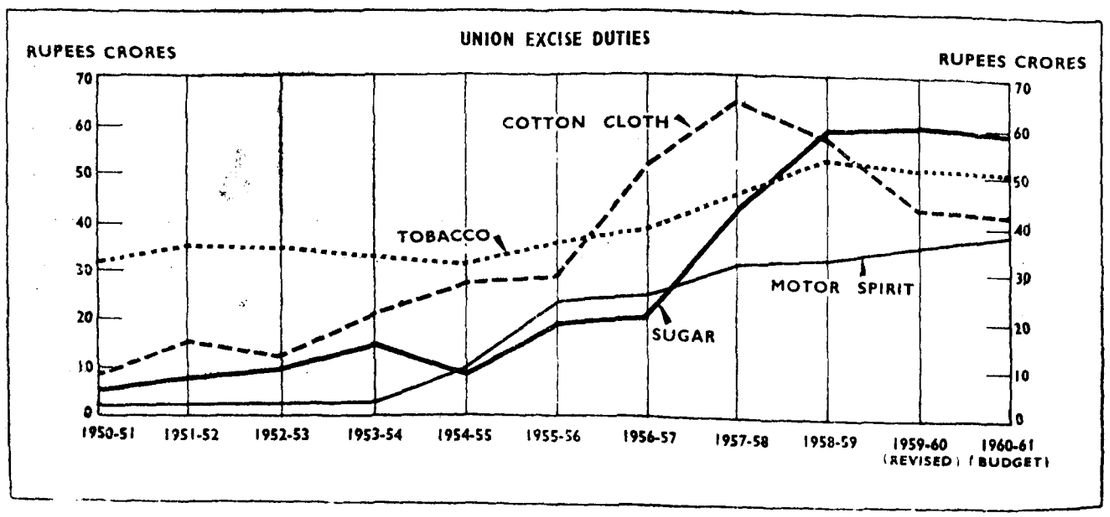
(£ '000)

	1956	1957	1958	1959
Boilers and boiler-house plant	2,327	2,752	4,011	1,642
Internal combustion engines	2,182	2,386	1,323	1,806
Machine tools (excluding portable power tools) ..	2,650	3,353	4,025	3,034
Pumps	1,008	836	680	1,003
Industrial and works trucks and tractor and mechanical handling equipment	2,251	3,187	3,640	5,699
Excavating and earth-moving machinery and road rollers	2,288 567	1,866 549	1,359 893	637 1,512
Mining and well drilling machinery	9,857	6,945	3,549	3,963
Textile machinery	3,552	3,801	3,783	4,083
Generating sets, generators and motors	4,804	6,416	4,882	5,146
Converting machinery, transformers, switch gear and switch boards	1,846	1,647	1,481	3,301
Electronic valves, and radio, television, radar and sound reproducing apparatus	5,405	5,413	3,955	2,911
Electric cables, wires, strips and strands, insulated ..				
TOTAL MACHINERY	66,474	67,384	63,753	75,027

Source: Trade and navigation accounts of the U.K. (H.M.S.O.).







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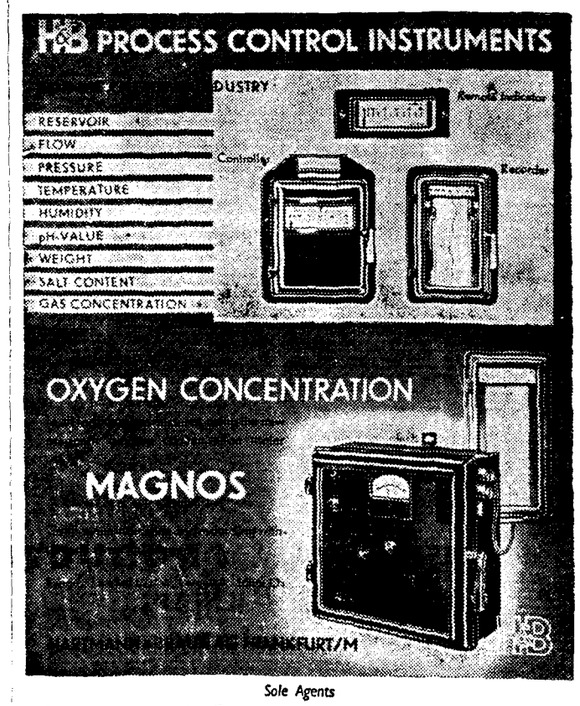
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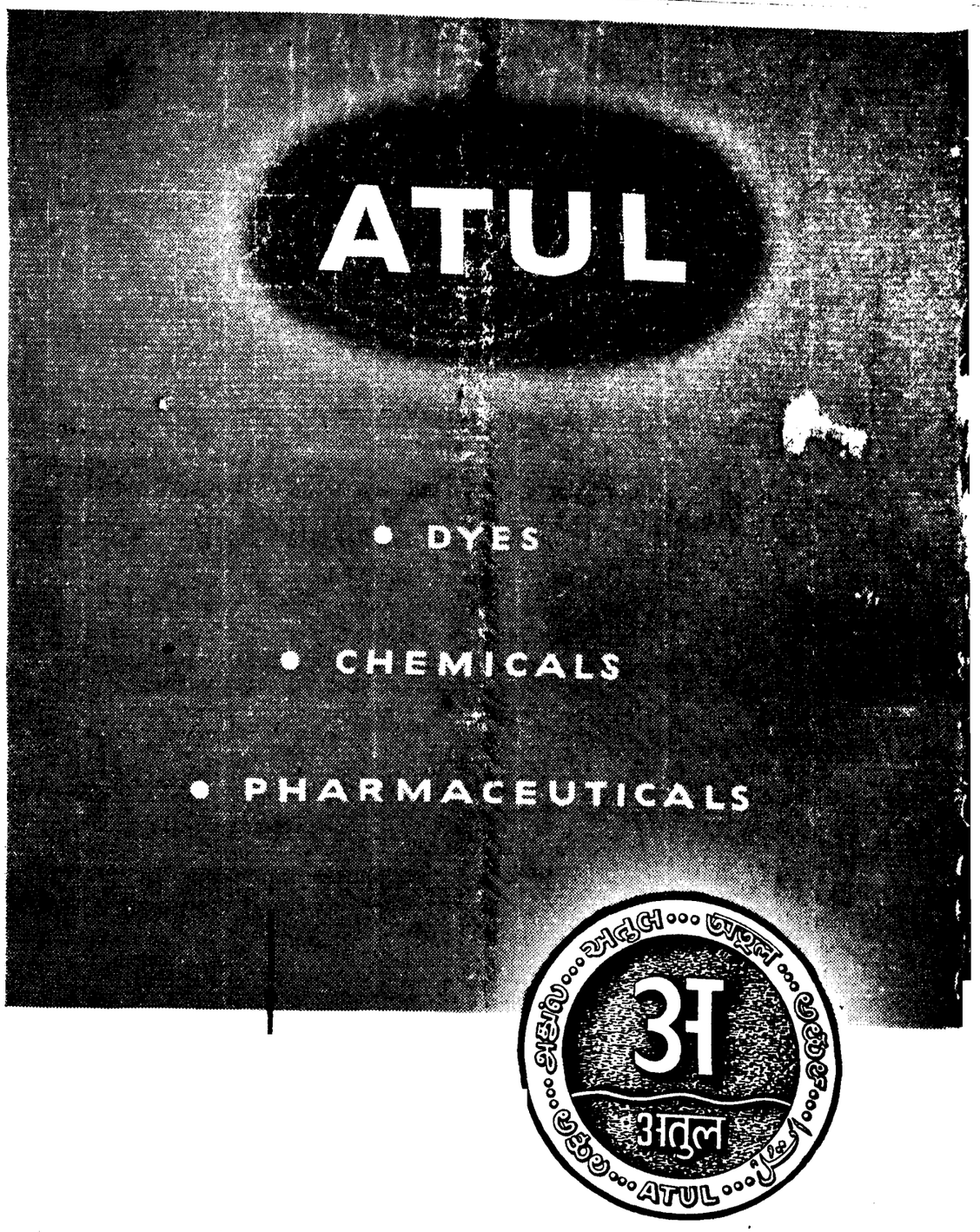


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CONTENTS

	Page
Leading Articles:	
THE MONOLITHIC EXECUTIVE	669
FROM SQUEEZE TO STRINGENCY	670
THE SMALL CAR: HAIL AND FARE-WELL?	671
DELHI DIARY	672
THE WEEK'S NOTES — Swatantra; Universities; Kerala; Punjab; Agriculture.	673
WINDOW ON THE WORLD: Odysseus on "Capital Imports into Sterling Countries: II"	675
THE EUROPEAN SCENE: After the German Miracle	679
ECONOMIC REPORT FROM THE U.S.: Views of Democrats and Republicans	683
Special Article:	
THE END OF EASY MONEY?	685
The Business World:	
ENCOURAGING PERFORMANCE OF THE EXPORT RISKS INSURANCE CORPORATION	687
STATE BANK'S VARIED ACTIVITY	688
BUSINESS NOTES — Taxation; Banking; Industry; Road Transport; Employment.	689
CURRENT TOPICS: Industrial Relations and Third Plan	693
Foreign Exchange Assistance	693
A DELHI NOTEBOOK	694
WORLDGRAM AND NEWS IN BRIEF	695
COMMODITY NEWS AND NOTES	698
COMPANY AFFAIRS	700
CURRENT STATISTICS	717

The Monolithic Executive

HIS week has produced a sensation all its own. The Nanavati affair—as it has come to be called as taken on a new dimension in unreason. The ence of transportation passed by the Bombay h Court was suspended by the Governor of nbay acting under Article 161 of the Consti- on subject, meanwhile, to the condition that shall be detained in naval custody. While the e is *sub judice*, it is not possible nor is it in the t our intention to argue the legal merits of case. But by the testimony of expert legal nion which has been reported in the Press, cation of these powers in this case is unpre- ented and an issue raised is whether they e been reasonably exercised in the circums- es of the case. The alternative (if protection really necessary) was simply to adjust the Rules so as to allow Commander Nanavati emain in service while there was at least a nce of his acquittal in appeal. Surely, the Exe- ve having this alternative, could have decided less disturbing course, unless its outlook was cally monolithic and impatient of public opi- . How else can one explain that, even before High Court warrant had been issued, the els of the Governor's intervention had been n motion by action in New Delhi?

A conspiracy of silence has kept Mr. V. K. shna Menon out of questions in the Lok Sabha, Prime Minister's Press Conference on Wednes- and from the Press. It is not, however, in public interest to fail to recognise that the tral spring in this action has in fact been Mr. Krishna Menon. It is under his authority that the Defence Ministry has advanced sums for Commander Nanavati's defence, and it is widely known in Delhi that the Defence Minister has been anxious to go to some lengths to assist him in the ordeal through which he is passing. The financial assistance extended in this case, however, has the support of precedents and it involves no obligation on the public exchequer. But in point of fact, the Prime Minister himself and the Government have now been driven out on a limb; they are likely to lose both prestige and the authority, raising doubt as to whether or not their interference in the ordinary processes of law has not been under a strong personal equation.

It is this fact that the operation of an Executive normally slow in dealing with all issues can be rapid and drastic when it desires immediate action for personal reasons that has caused grave disquiet. If an issue of this kind is not put to the Central Cabinet, but is rushed on the basis of a submission of the Chief of the Naval Staff—who could not possibly be operating except with the approval of the Minister of Defence—one wonders what will happen to joint Cabinet responsibility; precedents for dangerous inroads into the Constitution which might be conceived by a single mind bent on totalitarian action, are being created. In this particular case the Rule of Law is not apparently undermined, since the Prime Minister has argued (technically) in his Press Conference that the action is based on powers granted by the Constitution. But there is no doubt that

the spirit of Article 161, when it was originally drafted, did not envisage action until the processes of the law were complete. The Rule of Law may be safe so long as the Prime Minister holds his current view, namely, that the Supreme Court's authority will never be ultimately contested by the Executive. But is there no other disquieting moral to be drawn?

Surely, the moral to be drawn is that the Prime Minister at the present point is unduly under the influence of the Defence Minister, Mr. V. K. Krishna Menon. The deliberate exclusion of his name, when it is known that the inspiration of action in the present case has been the Defence Minister—without whose authority the Chief of the Naval Staff could not have approached the Prime Minister directly—is merely underlining the current belief in Delhi, as well as elsewhere, that the Prime Minister is throwing his ample mantle over the Defence Minister precisely because he recognises that the country resents the Defence Minister's undue influence in the conduct of many matters of large consequence to the country. The cry for Mr. Menon's resignation as Defence Minister can only grow hoarser and become more frustrated when the Prime Minister refuses to face this criticism, which is both just and reasonable.

In the present case it was, to say the leas improper that the Governor's action should hav been prompted from Delhi. But this is a min disaster compared to the growing belief that t power and prestige of India's Prime Minister c be invoked by the Defence Minister almost whe ever he feels that action in haste is deemed b him to be necessary. Those who guard jealous the Prime Minister's honour in this country w greatly regret the extent to which he succum to a single man's influence, and mistakenly sumes that attacks on the Defence Minister directed against him. This is not the case; m of those who demand the Defence Minister's signation are passionately eager to support Prime Minister elsewhere.

From Squeeze to Stringency

THE credit squeeze, which the Reserve Bank of India enforced last week-end, has caused a flutter in the dovecotes because of its unexpectedness. This time the Reserve Bank has acted with greater firmness than it usually does; and the suddenness of the curb after the licence of the Budget naturally added to the jolt. It has supplemented its conventional policy of selective or qualitative controls by the application of a strong measure of quantitative control. That the Reserve Bank would need to be armed with powers to clamp quantitative controls was keenly recognized in 1956 and it was in pursuance of this recognition that Section 42(2) of the Reserve Bank of India Act was amended in that year, empowering the Reserve Bank to direct the commercial banks to keep with it as extra cash reserves any proportion of the additional deposits received by them after a prescribed base date, subject, however, to the limitation that the quantum of the total cash reserves should not exceed 8 per cent of the aggregate time deposits and 20 per cent of the aggregate demand deposits. For the first time since this weapon was forged it is being brought into use.

Is the Reserve Bank justified in coming down with a heavy hand on the expansion of bank credit as it did? An explanation has been provided in the Press Communique issued by the Bank in this behalf and it should satisfy those who would be inclined to question the propriety of the firmness with which the squeeze is being carried out. The Communique says in part: "The trend of activity in the stock markets in recent months has also been a source of some concern to the Bank. In this respect, the growth in bank credit in respect of advances against stocks and shares in recent months has been high, and the situation calls for a measure of caution on the part of banks in extending credit against stocks and shares". The mainspring behind this squeeze, therefore, is the determination to prevent diversion of bank resources for expansion of credit into unhealthy channels. Whether and how far bank advances are being employed for stock exchange transactions need not be examined in statistical detail. One reason is that advances of this type may be used to finance non-speculative activity as well as speculative activity. It is hardly possible for the agency advancing credit to keep vigilance on the actual utilization of advances. But the recent buoyancy in the stock markets, which receiv an additional spurt immediately in the wake this year's Budget, ought to be taken as sufficie proof of the Reserve Bank's contention.

No exception can be taken at all to the b which has now been put on bank advances "badla". Default on the part of parties liable outstanding purchases or sales at the fortnigh settlements generates a volume of carry-over "badla", the bulk of which involves serious r for the agency financing it. It is no part of normal business of banks to venture into th field. Ceilings have now been imposed on cle advances corresponding with the levels of su advances in the identical months of 1959. It wo be stretching the argument too far to contend t these ceilings will hamper advances for genu credit demand. If anything, they would elimi the use of clean advances to stock market tra actions. Nor can objection be raised against clamping of a restriction of a margin of 50 cent on advances against stocks and shares. It been the convention of banks to observe a vo tary margin which they considered reasona with reference to the scrip and the credit of client. The raising of the margin limit for time being need not cause hardship, the assu tion being that diversion of bank funds in st market activities will be discouraged and cr expansion will be confined to healthy dimensi

In the Special Article elsewhere in this iss estimates have been made of the repercussions the Reserve Bank's directive impounding 25 cent of the additional deposits flowing into banking system after March 11. It should clear from those estimates and the analysis of o relevant trends that this application of quant tive restriction would not reduce the volume bank resources in a large degree. For over years now there has been an overload of fu with the banks, which created a continuing blem of its remunerative employment in absence of a fillip to the demand for bank cr The investment portfolios of banks have gon inflating with a pronounced emphasis on Gov ment securities. If bank deposits are now pounded and a doze of stringency applied, it not stand to reason how credit for normal developmental requirements will be hampere

What will undoubtedly happen is that c

mercial bank funds channelled into the Reserve Bank via cash reserves could be utilized for public sector requirements of outlay on development projects. The problem of market loans as a resource for the Plan will be eased. The qualitative controls, coupled with the quantitative squeeze, should assist in restoring a rational balance between bank resources and the pressure of demand for credit. The Reserve Bank's firmness in applying monetary controls in the manner it has done on this occasion comes as a corrective to the helplessness betrayed in the Budget to curb inflation. It is unwise to be dogmatic on any issue of this kind. The line of demarcation between adequacy of bank resources and shortages is thin. The Reserve Bank having gone a considerable way in halting inflation, care must be exercised to ensure that the wheels of production are fully greased. In the sphere of production, the niggardly treatment meted out to consumer goods must be rectified. That done, stringency which is now in the offing, need not cause any alarm. It is the essence of the plan not only that it fulfils plan targets; it also refuses to be distracted into other fields.

The Small Car: Hail and Farewell?

THE competent and informative report of the Jha Committee on the Automobile Industry must be read in the context of the great expectations it had raised. Rightly or wrongly, the small car became a low-income middle-class dream. Reality may have more substance but, after all, it is dreams which will make the future. The result is, when opinion crystallises, the verdict will be that the Committee has let slip a golden opportunity. In fact, except for a few doubting Thomases and incorrigible sceptics, never was the atmosphere so propitious for a committee to start on a spirit of daring adventure. This is what it has precisely failed to do. Thus, in spite of arduous labour over many months, the Committee, torn by ambivalence, has failed to face squarely one of its important terms of reference.

This relates to the small car, whose concomitant attribute is its relative cheapness. The Committee itself has cogently reasoned out the considerations which favour the introduction of a new car. One is that there is no prospect of the price of any of the cars now being manufactured coming down to the Rs. 5,000-7,000 range. Secondly, the existing production of the industry for the manufacture of passenger cars is unable to cope even with the present demand. Finally, the increase in demand is much more likely if cars were available at substantially cheaper prices. The Committee has also been wise in uttering a note of caution in two vital respects. One relates to the measures that should be taken to ensure that the production of the new car is economic. These have relevance to the question of supply of spare parts and Government's formulation of taxation policy in such a way as to promote increased sales of vehicles rather than inhibiting it. The second relates to the need for ensuring that no damage is done to the existing industry from the point of view of its development and expansion.

But, then, where does the Committee go? It is so much torn by hesitation and doubts that it has nothing positive to contribute except a series of *obiter dicta*. The Committee does not seem to have made any specific estimate of the likely demand for a small car. It just says in one place that the target of capacity for the Third Plan for passenger cars should be 30,000 Nos. It goes on to say if a cheaper car is introduced, the demand of the existing cars is likely to go down to some extent, but there will also be an overall increase in demand to 40,000 Nos. The implication is that the demand for a small car is just likely to be around 10,000 Nos. by the end of the Third Plan. This seems to be an under-estimate, judging by the growing volume of white-collared urban population whose consumption pattern, consequent on an increased standard of living, will have a decisive effect on the future demand for a small car.

That apart, it is on the crucial question of choosing a suitable car and the agency for its manufacture that the Committee has expressed its helplessness. Its difficulties are perhaps understandable. But these cannot absolve it of its responsibility to make some positive recommendations. The reasons advanced for its inability to do so are not quite convincing. For example, it says that it refrains from making a specific recommendation in favour of a particular vehicle in the absence of the necessary tests of the vehicles which will take some time. Granting this, why should not the Committee have taken some more time in studying the results which nobody would surely have grudged? Its apologia that "we do not wish to delay our report until such tests have been carried out though, we could, if called upon to do, offer our further comments after such tests have been completed" appears to be a bit naive.

Similar is its approach to the question of the agency for the manufacture of an economic car. It lists the various alternatives here. It can be entrusted, it says, to one of the existing firms, to an altogether new firm, to a consortium to be set up by the automobile industry or the public sector. It rules out the second alternative as undesirable on cogent grounds. It has a partiality for the third though it finds it unworkable in practice. This narrows down the choice to leaving it either to one of the existing firms or the public sector. This vagueness has left the impression that the Committee has subscribed to the latter alternative. As a matter of fact, in an earlier chapter, it has argued why it would be undesirable for the public sector to take on the production of automobiles. It has pointed out with a good deal of justification that it would be a wastage of national assets if the public sector were to create any capacity which would render the existing installed capacity in the country idle. Then, why any equivocation?

The Committee says that it has received 21 proposals relating to the manufacture of a baby car, but in the absence of details, the field of choice is restricted to only five. But even here, it has expressed the view that as between the different proposals received, there were no overwhelming reasons for choosing one vehicle as against the other. By its terms of reference, the Committee was asked "to examine the feasibility of producing a low-cost passenger car" and "suggest ways and means of manufacturing such a car in the country". It is difficult to believe that the Committee's contribution here has been substantial; it has merely added one more solid and substantial essay to the compendious automobile literature of the country. And the Government has promptly discarded its most solid base for a small car by demolishing even the existing price structure with an *ad valorem* excise. The country would have welcomed a decision on a small car without an enquiry and the unfeeling dig in the ribs which is being practised on it by the Ministries of Commerce and Finance separately.

A DELHI DIARY

THE ETERNAL TRIANGLE

THE normal "eternal triangle" consists of two women and a man or may it also be two men and a woman? But a new eternal triangle seems to be arising in regard to India's rupee oil imports. Not a little excitement has been caused as a result of a deal which took Mr. K. D. Malaviya by unpleasant surprise as the cartoon below properly (or improperly?) suggests. In actual fact Mr. Malaviya, or at least some of his officers should not have been unaware of the fact that Mr. K. K. Roy, Managing Director of Hindustan Organisers (Private) Ltd., had concluded an agreement with Sojuznefte Export — a Russian export agency. Rumour has it that drinks and a dinner were arranged to celebrate the signing of the agreement by this private firm of Bombay at which were present the representatives of the Soviet Government and, at least for a portion of the time, some officers of the Ministry of Fuel and Oil. Only, unlike the story of the man who stayed to dinner, there is the case of a man who is said not to have stayed to dinner. In the net result the Minister both knew, and did not know, of an agreement which the Soviet Union export agency had concluded with the private firm. He was of the opinion that oil imports were to be on a Government-to-Government basis and Wednesday, March 9, was a very disquieting day.

On Wednesday, March 16, Mr. Malaviya told Parliament that this was the result of a "misunderstanding". The misunderstanding is apparently of larger dimensions than was expected. A question arises how the Russian Government could have signed an agreement with a private party, unless they were assured in some form or another of his capacity to obtain an import licence. It is widely believed that Mr. Roy has in fact the necessary authority from the Ministry of Commerce to conclude the agreement in consonance with our 1958 trade agreement with the USSR. On the other hand, it might reasonably be contended, on behalf of Mr. Malaviya, that this is a policy matter and the Ministry of Commerce and Industry could not act on its own in this regard, whatever the 1958 agreement.

However, this new triangle—like all eternal triangles—is fairly complicated and the question arises as to whose contract is going to be performed at whose expense? I am not very clear in my own mind how eternal triangles get solved in real life, but, at least in France, somebody shoots somebody else generally with impunity. I expect, when you have two public sectors and a private sector, some shooting on a limited scale of the private sector is permissible; nobody in the socialist pattern of society could dream that either public sector could be easily dismissed in this manner. I, therefore, argue that, somehow or another, Mr. Malaviya has found himself on a winning wicket, slippery as it was in the first instance. I expect the Government-to-Government import basis will be "re-established" and Mr. K. K. Roy consoled in some suitable way. Which way?



"... And don't EVER forget the Oil Minister's house—he specially depends on you!"

y: The Hindustan Times

CURIOUSER AND CURIOUSER

Commander Nanavati has stepped into the breach and become the central figure in the week's news, thus (temporarily) displacing Mr. Chou En-lai. Unhappily, now it seems to be the lot of central figures in the news that they become central by arousing controversy. There is a pro-China and an anti-China lobby and there is pro-Nanavati and anti-Nanavati school. 'The Indian Institute of Public Opinion' has not yet, to my knowledge, attempted sample surveys of the areas of each lobby or school, but I understand that they have established co-existence in both fields. In this particular case, co-existence looks to me as if it is physically peaceful, but mentally extremely agitated. I cannot remember Delhi exercised about anything so much as on the Prime Minister's action in having advised the Bombay Governor to invoke Article 161 of the Indian Constitution in the Nanavati case. There is no doubt that the Prime Minister's Press Conference last Wednesday was filled to the point of overflowing largely because it was hoped that we would discover how this came about and why the Prime Minister allowed himself to be so influenced.

THE PERFECT ALIBI?

So far as the Press Conference is concerned, it did not produce the desired result. The Prime Minister slid skillfully over the surface, and even got over an awkward hump when a Press Correspondent asked him whether or not the decision had been taken on the night of Thursday, March 10. It transpires Admiral Katari, Chief of the Naval Staff, saw the Prime Minister on the 11th — at least so all official press reports say. If the decision was taken on the 10th evening and the Admiral saw the Prime Minister for the first time on the 11th, can it be said that the initiative so far as the Prime Minister was concerned, came from the Admiral and the Admiral only? This problem of timing is always exciting in establishing an alibi. It may well be the point on which the Government's version will stumble. The Government's view is quite simple that the Flag Officer Commanding in Bombay communicated with the Admiral who communicated with the Prime Minister. The suggestion that the Admiral communicated with the Prime Minister without the Defence Minister's instructions has not been positively made, but has been allowed to be created and the Prime Minister did nothing to dispel it. This has been made to look as though it were a matter in which the Defence Minister was disinterested. If so, every one is asking how can it be that the Law Minister on Thursday night before the Admiral saw the Prime Minister was called out of a dinner party to advise on the problem of the legality of invoking Article 161? The perfect alibi probably exists, but has not, as far as I can see, been produced in this case. Where, in any case, is the corpse?

ARGUS

THE WEEK'S NOTES

Swatantra

POLICIES AND PROBLEMS

THE NATIONAL CONVENTION of the Swatantra Party, which is meeting during the week-end at Patna, will take the Party to a further stage in its growth since it was born in June last. Severe critics of the Party would themselves concede that even during this short period, it has made a strong impact in the body-politic of this country. What its future is going to be, only time can say. This will obviously depend upon the programme it has to offer and the adherents it is able to claim on this basis. Whether it is called a rightist or a middle-of-the-road party, it has a Liberal-Conservative character and its main justification is the challenge it has offered to the ruling party in the pursuit of its present policies. Whether these are, as alleged, leading to 'statism' and if so, how they should be reversed, without prejudice to the tempo of economic development are obviously matters of controversy. But the virtue of the draft statement of the Party entitled "To prosperity through freedom", lies in the fact that it will open a grand debate which cannot but be productive of much good. By a coincidence, even in the ranks of the British Labour Party, an acute controversy has arisen over the nationalisation issue which goes to show that in socialist ranks also, the emotional bias in favour of nationalisation is wearing thin.

On the merits of the draft statement itself, there is room for differences of opinion. For example, while there may be some substance in the argument that the Fundamental Rights in the form in which they were guaranteed by the Constitution as it was originally adopted, but later modified, should be restored, it is an extreme view to take that the Planning Commission itself should be disbanded as totalitarian in conception. The Party, it says, is not opposed to planning as such. But, how is this to be done without a central body to co-ordinate, let alone initiate, the different aspects of planning? Again, in respect of agriculture, while the party's contribution has been substantial in providing a corrective to the excessive zeal for co-operative farming and State trading in foodgrains (in fact, it can take legitimate credit for the gradual retracing of the steps in both these respects) the contention of the draft statement that the agriculturists are bearing a heavy burden of taxation has an element of exaggeration. In fact, from the point of view of developmental planning, the attempt in future has to be to get something more substantial for the Exchequer from this source since a considerable section has benefited by the fruits of the development plans. As regards industry, the draft statement says that it believes in a balanced development of capital goods industries, organised consumer goods industries and rural industries. Theoretically, this is attractive, but in practice it will be found that this "balance" may lead to any amount of distortion. These are all matters of detail, and their implications have to be carefully worked out. What is, however, puzzling is some of the references to abstractions like "fostering and strengthening spiritual values", which tend to cause only confusion when taken up by political parties. Similar is its claim that it adheres to the principle of trusteeship enunciated by Gandhiji. The conception of trusteeship that Gandhiji had has a relevance for a particular milieu and order of society. It will be a travesty of fact to claim that it can be practised in its spirit in a modern industrial society.

Universities

AUTONOMY BOGEY

THERE WAS an air of self-righteousness in the statement of Dr. K. L. Shrimali in the Lok Sabha this week on the question of the medium of instruction in universities. Theoretically, the Union Education Minister is right when he avows that the Central Government has no powers to interfere with the plans of the various universities to change over the medium of instruction to Indian languages. What then? Does it mean that there is no obligation on its part to see that university education is not reduced to a state of chaos by the universities so jealous in safeguarding their "autonomy?" Obviously the Minister does not feel so, since he himself has stated that "Government are fully conscious of their responsibility for the maintenance of high academic standards in the universities". How then do they intend to discharge this responsibility? The "autonomous" character of the universities is a double-edged weapon and it will be unsafe to follow the policy of running with the hare and hunting with the hounds. The record of some at least of the State Governments, on independent testimony, will show that they are not so keen on preserving this "autonomy" whenever it does not suit them, and it is notorious that many universities are fast losing their academic independence. As for the Centre itself, according to the latest report of the University Grants Commission, much remains to be done over "removing the uncertainty about areas and extent of jurisdiction between the Commission and the Ministries of the Government of India," before the Commission could feel confident of exercising its powers and functions. It is no use on this crucial question of university medium the Government adopting a non-possumus attitude and pleading that the University Grants Commission is already seized with it. Will they also heed its salutary advice "that the medium of instruction is an academic and not a political question and that any change that may be considered necessary should be introduced only after full accord on the matter with the universities"? This applies not only to the Centre, but also the State Governments. If this advice were followed in its spirit, there will not be this indecent haste in the replacement of English when no one has any adequate and sensible programme to fill the vacuum.

Kerala

THE LEAGUE'S CATCH

THE ELECTION of Speaker of a State Assembly is not normally a subject for comment, but in the case of Kerala, it is. It is not because the individual merits of Mr. K. M. Seethi Sahib are doubted. They are beyond question. What is relevant here is that he has been elected unopposed as the Muslim League nominee. The League, as one of the three parties of the Alliance, was undoubtedly justified in asking for a place in the Ministry and here it was supported by the P.S.P. throughout the tortuous processes of negotiation preceding the ministry-formation. The Congress, however, took the stand that it had entered into no commitment whatsoever and it cannot countenance an alliance with the Muslim League in running the administration. On the other hand, it offered the Speakership as a sop to

Cerberus. The attitude of the Congress is perhaps understandable though it seemed to lack any logic. In this conflict of the Kerala triangle, it looked at one time as though the deadlock would never be broken. But, then, during the last minute, thanks to the gesture of the League to give its co-operation to the Coalition Ministry without insisting on a seat, an awkward situation was averted. By this one act, the League emerged with greater stature and it was assumed that its offer was unconditional. But now it looks as though this is not the case. In politics after all, one does not want to be a back-number and the old adage 'something is better than nothing' seems to be particularly appropriate. The result is everybody is happy, since everyone has got something or the other. But, then what happens to "principles"?

Punjab

NEW INDUSTRIAL POLICY

MR. MOHAN LAL, the Punjab Industries Minister, sprang a pleasant surprise on the Members of the Vidhan Sabha on Friday last when in the course of winding up the debate on grants for his portfolio for the year 1960-61, he unfolded the new industrial policy for the State; there was no indication of this either in the Governor's inaugural address or in the speeches and the statements made by the Finance Minister and the Industries Minister earlier in the House. The Minister announced three measures the Government proposed to take to encourage the establishment of large-scale industries in Punjab. Firstly, he said, the Government had planned to give a no-tax guarantee to new entrepreneurs for ten years on self-generated electricity and raw material. Secondly, it would take the responsibility of providing land anywhere in the State on negotiated basis for location of any heavy industry. It would also try to arrange for electricity and transport. Lastly, the Government would render financial assistance to any industrial project, if deemed necessary, on negotiated terms in the form of State participation in capital or collaboration. Besides, Mr. Mohan Lal hinted at the possibility of a reconsideration of the electricity duty. The concessions obviously are wholesome and should go a long way in attracting private capital for the establishment of large-scale and heavy industries in Punjab.

The State Government has done well in abolishing purchase tax on iron, steel, coal, lubricants and timber; this tax during its one-year operation had adversely affected the competitive position of various industries of Punjab in comparison with those in the neighbouring States where no such tax exists. It was only proper that purchase tax on these essential raw materials should have been abolished when the Government intends to make concerted efforts to step up the tempo of industrialisation in the State. It is, however, intriguing why this tax exemption has not been granted in the case of some other raw materials like oilseeds and yarn. It is a strange case of the small-scale manufacturer who has to buy these raw materials locally being made to pay a tax which the large-scale manufacturers can easily avoid by importing them from outside the State.

Mr. Mohan Lal's announcement that the Punjab Government is actively considering proposals of industrialising rural areas is equally heartening. The need for building up an industrial ladder between the countryside and cities can hardly be over-emphasised in a country where agriculture provides employment only for four or five months in a year. The Punjab Government, therefore, should not only encourage the establishment of large-scale industries at sub-divisional headquarters where it is found feasible, but should give adequate incentives to the small-scale manufacturers to set up their units in areas where they can provide avenues of employment for the peasantry in the off-season of agriculture. During the past decade and a half, the truncated Punjab has emerged as a leading State in India in regard to agricultural production. If the new industrial policy, as enunciated by Mr. Mohan Lal, is pursued vigorously and in right earnest, the day is not far off when it can claim to be one of the highly industrialised States in the country.

Agriculture

FOOD PRODUCTION TARGET CONTROVERSY

THE DOUBTS expressed in these columns last week that the ambitious agricultural targets desired to be achieved under the Third Five-Year Plan are not likely to be accomplished by an allocation of only Rs. 640 crores proposed by the Planning Commission, against Rs. 1,092 crores asked for by Mr. S. K. Patil, the Union Food and Agriculture Minister, it appears, are shared by many. Even the Planning Commission seems to have veered around this view; reports suggest that it now favours a foodgrains production target of 105 million tons instead of the 110 million tons originally contemplated. This fact should lend support to the contention that the Planing Commission has been unduly harsh in scaling down the outlay proposed by the Food and Agriculture Ministry; not only the plans for setting up of new agricultural universities and institutes have been rejected on transport, buildings and expansion of staff has been disapproved by the Commission, but some schemes directly aiding production have been adversely affected by the drastic cut effected by it.

The new target, of course, provides for the absolute minimum requirements of 100.6 million tons of grains for a population of 480 million in 1965-66 and the normal stock needs around 4 million tons as estimated by the Ford Foundation's Agricultural Production Team. It, however, does not allow for any safety margin for adverse weather and other emergency conditions. This means that a substantial quantity of grains will continue to be imported even after the Third Plan period, involving a heavy drain on our foreign exchange resources. Not only that. The new target implies that the Government will have to keep in trim an elaborate distribution machinery to avoid any undue rise in prices if there is a slight upset in production. This will surely involve a good deal of avoidable expenditure which can be better utilised for raising food producton itself. And is the Planning Commission confident that the Government will be able to handle the situation arising out of shortfall in production by means of proper distribution of grains? Perhaps it is too optimistic about it; the past experience in this regard has been none-too-happy.

Food and agriculture have proved to be the Achilles heels of the Indian economy. It goes without saying that an all-out effort has to be made to make the country self-sufficient in food at the earliest. It is unrealistic to scale down the target of 110 million tons of grains production by 1965-66; this target has to be stuck to if the Third Plan is to be made a success. Will the National Development Council which is meeting this week-end to have its say on the matter face the problem squarely and advise the Union Government and the Planning Commission to make available to Mr Patil additional funds so that he may go about enthusiastically to achieve the necessary, though ambitious, target of 110 million tons of grains output by the end of the Third Plan?

A Window on the World

CAPITAL IMPORTS INTO STERLING COUNTRIES: II

By

ODYSSEUS

IS FOREIGN CAPITAL A BOON? Or ought a developing country to try to pull itself up by its own bootstraps (i.e. its own internal savings, voluntary, or compulsory through taxation and possibly the depreciation of the currency)? Is equity capital to be preferred to government loans? How do the sources of foreign capital in the 1960's differ from the classical sources described in the text books? Why has India succeeded in attracting less U.K. capital than Australia, S. Africa, New Zealand and Rhodesia? What do these countries offer that India does not?

The answers to these questions are to be found, briefly and clearly outlined, in an important book, "Capital Imports Into Sterling Countries," by A. R. Conan, just published by Macmillans at 18 sh. All those responsible for the conduct of India's public finances, particularly the Honourable Minister and his advisers in the Finance Ministry and in the Reserve Bank of India, and all those executives in private enterprise who wish to attract foreign capital, should immediately drop anything that they are doing at this moment and telephone their nearest bookseller to order a copy. What follows does not pretend to be a summary of a book of 110 pages. I have only space to glance at one or two points which seem to me to be of special interest to India.

Mr Conan establishes that the U.K.'s contribution of long-term overseas investment to all countries is substantially higher than official figures have hitherto conceded. Officially, the U.K. is estimated to have contributed £ 1,700 m., which is nearly 1¼ per cent of the U.K.'s national income. But this figure covers only the surpluses on current account in the balance of payments and ignores re-invested profits. Since retained profits are nowadays a major source of direct investment, the official figures are misleading. Mr Conan reckons that the U.K.'s total overseas investment since the war is £ 2,500 m., or as much as 2.8 per cent of the national income, an amusing comment on the Labour party's demand that the U.K. should contribute 1 per cent of its income to overseas development. This total shows a rate of capital export higher than that attained by the U.K. in the palmiest days of the 19th century. Of the £ 2,500 m., £ 2,000 m. have gone to Commonwealth countries. The U.S.A. has by contrast contributed £ 1,100 m. (in dollars) to the Commonwealth, according to Mr. Conan's calculation.

INDIA'S RECORD

Although India has secured £ 500 m. worth of public, and £ 200 m. of private, foreign capital from all sources since the war, other Commonwealth countries have secured respectively £ 860 m. worth of public, and no less than £ 2,225 m. of private, foreign capital.

Excluding dollar aid, India's dollar external debt now amounts to $800 m. from the U.S. Government, $ 500 m. from the World Bank, and $200 m. from the I.M.F., a total of $1,500 m., which is a formidable debt for a country with a chronic dollar deficit.

Thus from being a country which on the eve of independence had no external debt and was a sterling creditor to the extent of Rs. 13,840 m., India has within a few years spent virtually the whole of its sterling balances amounting to Rs. 15,660 m., and has become a dollar debtor to the tune of $ 1,500 m., with a further debt of Rs. 2,000 m. for credits granted by the U.K., Germany, and the U.S.S.R., and prospects are that this debt will rise rather than fall in the immediate future.

Why has India not been more successful in attracting private U.K. investment?

The outstanding factor which has made foreign private investors nervous about India has, of course, been the Government of India's industrial policy, which has insisted on reserving certain profitable fields to the public sector, has restricted the level of royalties payable, has maintained a very high level of taxation, has not yet provided a double taxation agreement, and has insisted that every individual project must run the administrative gauntlet. Even though approval may be granted, busy executives do not like having their schemes scrutinised by government departments, nor look forward to the necessary negotiations which use up valuable time and costly personnel who could be profitably employed elsewhere. Finally, rules about the participation of Indian nationals must also be mentioned.

No one disputes India's absolute right to impose all these conditions, but she must not be surprised if foreign investors multiply their investments in countries whch see no reason to impose them. Last, but not least, the criticisms of capitalists as wicked men who persist in producing for profit, the exuberant praise of the Socialist pattern, and obvious preference for the development of state industries, which rise so easily to the lips of some politicians in India, induce many (very many!) foreign investors to give India a miss. It is merely human nature that investors should go where they are made welcome rather than appear to defy those who express doubts about their purposes and integrity.

But, providing that India gets foreign capital, does it matter that she has to rely so heavily on government and institutional loans (particularly in dollars)?

DISADVANTAGES OF LOANS

The first point to note is that a country which imposes few, or no, restrictions can, even in this capital-hungry world, be reasonably certain of a steady inflow. On the other hand, one which has to go hat in hand to foreign governments and institutions is dependent on the state of public opinion in the lending country which may create difficulties for the government which is being asked for aid. These transactions are often carried through for political rather than for economic reasons and the capital inflow is therefore less a stream than a series of jerks as the credit taps are, amidst tiresome delays, turned on and off, and the outcome is often unpredictable. Secondly, government loans, unlike those raised in the market, are not easily re-financed on expiry. In pre-war days, when a foreign government loan became due in London, it was hardly ever repaid, but was converted. The more efficiently that a foreign government managed its domestic finances, the better was its credit, and the easier conversion terms it got. Thirdly, India has often proclaimed that she will not accept loans with strings attached. But foreign governments are apt to attach conditions, such as that the loan must

be spent in the currency (dollars or roubles etc.) in which it is made, and loans from the World Bank are subject to stringent previous investigation of the projects for which they are intended, and the rights of the borrower to spend the money as he likes are severely restricted. Finally, the cost of government and institutional capital often differs appreciably from market rates. This may not be appreciable to the eye, as emerged from an analysis of Indo-Soviet trade published in the "Eastern Economist" of October 23, 1959, which showed that in a wide variety of exports the U.S.S.R. charges non-Communist countries prices substantially higher than the world market. So if you are spending your roubles on expensive imports the cheap rate at which you borrowed those roubles may be more than counteracted.

Mr. Conan points out that, by comparison with the facilities formerly offered by the London market it is not easy to borrow in the U.S.A. At earlier stages of their development, Commonwealth countries constantly borrowed in London. They were well known to the banks which specialised in this type of business and were familiar to the investing public. They also had good credit records. On the other hand, the limited contacts of New York banks with the governments concerned necessitates lengthy discussions of each individual request, while U.S. experience of lending to European and South American countries with dubious credit records reacts unfavourably on those who should be treated as good creditors. Nor are the conditions proposed always acceptable. In 1949, South Africa refused the offer of a U.S. loan because she was required to deposit gold as a security and to allow U.S. supervision of the loan expenditure. In 1958, New Zealand was able to borrow in New York only by pledging her gold reserves, a condition which no one in London would have thought of. I have already pointed out that World Bank loans require preliminary investigations, usually by a mission sent to report on the economy. Moreover, such loans are usually granted only for specific self-liquidating projects. Export-Import Bank loans are tied to U.S. exports.

Then, again, dollar capital, whether public or private, is expensive. In 1958, for example, when interest rates in the U.S.A. were lower by at least 2 per cent than in London, South Africa borrowed in New York at over 5½ per cent. U.S. private enterprise also normally expects a higher rate of return. In Australia, the returns from U.S. capital in 1956/57 amounted to £A32 m., while returns from U.K. capital, which was at least double the U.S. investment, were no more than £A44 m. The same is true of New Zealand, and the Indian Reserve Bank Bulletin for May, 1958, shows that for manufacturing industry profits of U.S. companies were double those of U.K. companies.

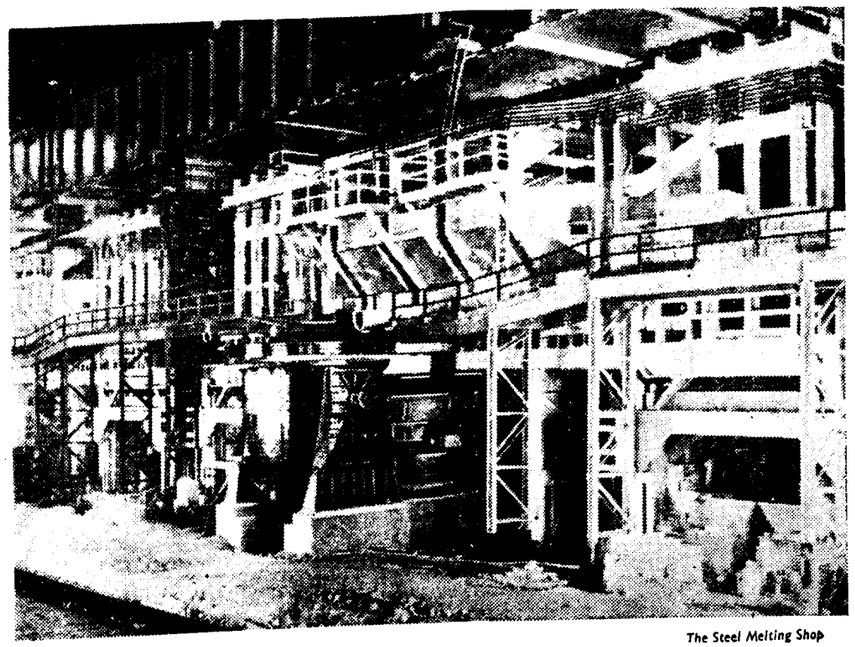
Finally, dollar capital should be considered in relation to the balance of payments. The benefits from the inflow must be set against the obligations created. In the first place, the capital receipts will swell dollar reserves, although, in view of the strings attached, they may be an uncertain source of foreign exchange. Thereafter you have to provide for the service of the debt. This may create no difficulties if your exports are big—and expanding — dollar earners. But what if they are not? What about the day when the bill comes in and the loans are due to be repaid? In 1955, Australia had to redeem $ 50 m.

It is true that debtor countries have not always been able to find the exchange needed for the service of sterling debt, but in such cases there was usually only a temporary disequilibrium in the balance of payments. A point to bear in mind about dollar investment is that some countries may be unable to service it even when their balance of payments is favourable.

Next week, we will consider the actual experience of three countries in importing foreign capital.

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The European Scene

AFTER THE GERMAN MIRACLE

From Our Special West European Correspondent

PARIS, March 13.

AS was universally forecast throughout 1959, the year 1960 marks a turning point in the evolution of West Germany's economy; so much so that the London 'Economist' lately discussed this question under the sensationalist heading "End of the German Miracle". What is true and what was foreseen by everyone is that in 1960 one of the most powerful factors in that miracle ceases to operate: the constant source of surplus, trained labour provided by migration from East Germany. The drying up of this stream coincides with the entry on to the labour market of the depleted generation that results from the fall in the birth rate just after the war. It is too early to say that there is a labour shortage in West Germany, because whether labour is short or surplus depends on the rate of economic expansion, on productivity, etc. But it is obvious that the bargaining position of the labour unions is increased so that, if the national product continues to expand, labour might be able to claim a larger slice of it, with a consequent fall in profit margins, hence in investments both at home and abroad. Parallel to that, the inflationary pressure thus set up (or simply feared) could—in fact is already doing so—lead to restrictive monetary and fiscal policies, which would again limit investment at home and abroad. Then, either additionally or alternatively, the same circumstances could lead to increased imports and perhaps diminished exports (because of prices), thus to a reduced or negative balance of payments, and thus again to limited investments abroad.

The end of each chain is thus the possibility of lower West German capital exports, and this is naturally the aspect of the situation that most interests India and all the other developing countries who were hoping that U.S. pressure would lead, on the contrary, to an increase in German investment abroad. Those hopes will not necessarily be disappointed. There is nothing rigid or fatal about the progression from a labour shortage to reduced capital exports, by any of the three avenues by which we have just said this might occur. The German labour unions are not aggressive and they are economically highly sophisticated; they are acutely conscious of the dangers of inflation thanks to past experience, and well aware of their country's exposed position on the eastern front of the democratic world. They are perfectly capable of pressing their demands for a fairer share of the national product with moderation and without resort to strikes or bluff. For example, Dr. Adenauer asked the central bank to prepare a report on the possibility of wage increases in 1960 and the unions not only accepted this report as a basis for discussion (indeed it is a model of clarity and impartiality), but continued the discussion with the employers in an atmosphere of serenity unknown in many other countries outside academic circles.

Secondly, as we have said on this page in all recent references to West Germany's economy, the impact of the stabilisation of the labour force on production is being muted by the substantial increases in productivity. Last year the West German labour force was 7,285,000 or barely more than the 7,273,000 of 1958, and in fact the number of man-hours worked actually fell by 1.7 per cent. And yet each month from October onwards the economy set new records for production, the value of which was about three times as high at the end of the year as in 1950. According to provisional figures just available, the gross national product at current prices increased by 7.5 per cent in 1959, against an increase of 6.4 per cent in 1958; in constant 1954 prices, the increase was 5.7 per cent against only 2.8 per cent in 1958. Increased output with a stable labour force means of course higher general productivity, of which the rate of increase improved to 4.2 per cent in 1959 against only 1.8 per cent in 1958. The improvement in productivity was much more notable in industry, and touched 5 per cent last year, the best result achieved since 1955.

This is the result of a development which we described here when West Germany was suffering the effects of the transient recession: the considerable investment made by German industry in rationalisation, automation and concentration. The fruits of that investment are not all collected yet, and the central bank is confident that during 1960 productivity will increase by another 4 or 5 per cent; the prospect of a labour shortage and competition for workers will further stimulate investment in the same direction. This will leave room for moderate wage increases without any adverse effects on the economy general enough to cause a reduction in investments abroad. The rate of economic growth in West Germany will have to be slower in the 1960's than during the era of the 'miracle', and safeguards against inflationary pressure will have to be a constant pre-occupation of the authorities as well as of labour and the employers. But there is no reason to suppose that the "end of the miracle" will mean that the Federal Republic must fall at once into a wages-prices spiral such as will limit her capital exports. Moreover, free movement of labour within the Common Market (which means essentially migration of Italy's unemployed) should become a reality within a few years.

The question that particularly interests us here, the possible effect of the new situation on the country's capital exports, has been dealt with lately by several authorities. The Deutsches Institut fur Wirtschaftsforschung has pointed out that in 1959 West Germany managed to do what she was urgently being asked to do three years ago: she neutralised her favourable trade balance by capital exports. Long-term private investments abroad were not much lower than in 1958, while the export of long-term public funds more than doubled. It was the capital exports that increased, not the trade balance that fell: last year's trade surplus was the highest ever, at DM 6,037 million. Some of the capital exports had special causes: the return of the Saar from France, reparations payments, etc. Can West Germany export so much capital in future years? This question is answered by Herr Karl Biessing, president of the Bundesbank, when he writes (my comments in brackets):

"The rise in interest rates (this has gone further since he wrote) will not of course help capital exports, and a foreign exchange surplus could once again begin to give us headaches. It is possible that German banks will repatriate part of their short-term investments abroad (i.e. to benefit from higher interest rates in Germany; this has already happened). Long-term capital exports, also, will be restricted by the fact that the placing of foreign loans in the German market has become harder. (The Federal Government has to offer 6.36 per cent, a rate foreigners cannot compete with.)

"However, the situation today differs in many ways from that of 1955-57. (He recalls that German imports have started increasing and that inflation in neighbouring countries has been controlled, limiting the demand

for German exports). Besides, since there is no reason to think that the German economy will cease to be fully employed, imports will remain high, our restrictive measures being aimed simply at avoiding excess pressure. The tourist balance is now negative (Germans are travelling abroad more) and the deficit in the public capital account is not temporary but structural (i.e. Bonn will continue to make gifts, grants and reparations to foreign countries). So it is improbable that we will again see payments surpluses of the size of those of 1955-57.

"It would be quite wrong to think that capital exports are ceasing. The German public has regained the taste for acquiring foreign holdings and will probably buy more in future. Private capital exports in the shape of participations taken by German companies in foreign enterprises will probably go on increasing at an even faster rate. Capital exports towards developing countries are being encouraged by the State and are largely independent of German interest rates; they will become more and more substantial. In sum, German capital exports will stay in the future at a relatively high level and will help neutralise the surpluses achieved on current account".

This forecast by Germany's chief financier is encouraging. The capital-hungry developing countries would have been very disappointed if, after being told for years that they could not get money from Germany because the "miracle" was working so well (i.e. investment within Germany was more attractive than investment abroad), they were now told that they could not expect money from Germany because the "miracle" was finished. The miracle is finished in that Germany has now lost the privileged position it enjoyed because of its unique labour supply, and now finds itself in an economic situation not very different from that of Britain or of France since the reform. But this leaves scope for a substantial flow of capital abroad, and Bonn may be relied upon to direct some of this toward the developing countries. The meeting in Washington this week between the USA and certain members of the Common Market and Little Free Trade Area is concerned with exactly this question. Germany's partners, rivals and allies are all equally anxious that she go on increasing the volume of her capital exports to the developing countries. Fortunately, both the German trade unions and the international capital centre of Frankfurt are as conscious of their obligations in this matter as is the Federal Government itself.

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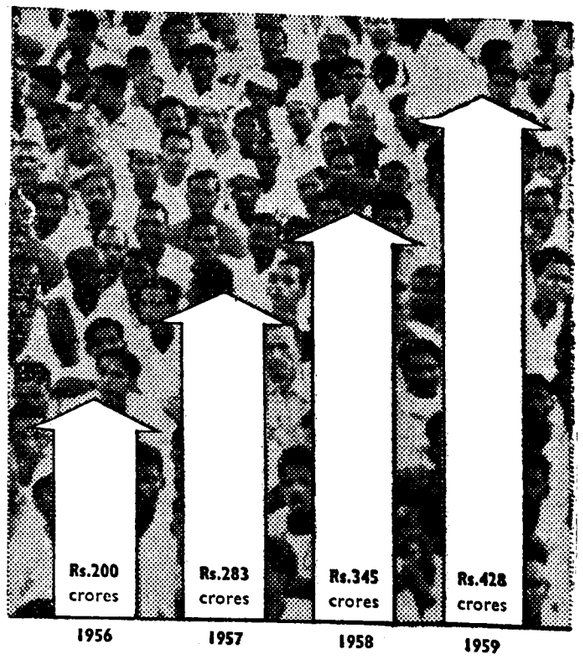
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Economic Report from the U.S.

VIEWS OF DEMOCRATS AND REPUBLICANS

By GUY SIMS FITCH

WASHINGTON, March 8.

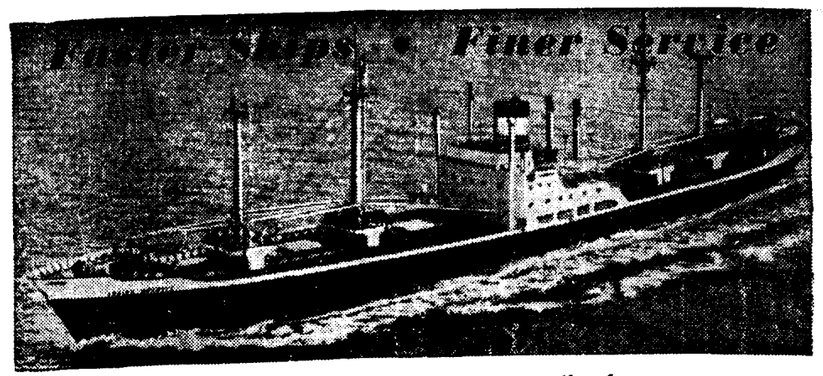
AS might well have been expected, particularly in a national election year, Democrats and Republicans on the Joint Economic Committee of Congress have split sharply in their appraisals of the nation's economic requirements. This split, made public in a rumour issued last week, bears a striking resemblance to differences contained in an earlier, special, report by the same committee last January on long-term policies regarding prices, employment and economic growth. Yet, just as did that earlier report, the new report also reveals some significant points of agreement between the two parties. In January, the agreement concerned support for the foreign economic policies of the United States, particularly the government's traditionally liberal aid, trade and investment programmes. Now the main point of agreement centres on the domestic economic outlook for 1960 which legislators on both sides of the political fence find is highly favourable.

This latest Congressional appraisal, required by the Employment Act of 1946, consists basically of an analysis of the President's Economic Report which is required by the same act and goes to Congress each year in January. That 1946 legislation is a formal policy declaration of the Government's responsibility to help create conditions in which high levels of employment, production and incomes can be maintained under the American free enterprise system. Since the inter-party controversy has captured most of the headlines, it is in order to examine the principal points at issue between the Democratic majority and the Republican minority on the Committee. Essentially, the issues can be reduced to one sentence: the Democrats say the economic programme of the Republican Administration will not achieve the objectives of the Employment Act, the Republicans say it will.

More specifically, the Democrats repeat their oft-stated arguments against high interest rates and "tight money" and their stand in favour of Federal spending for such purposes as schools, water development and housing. To help pay for such projects, they suggest revision to the tax laws and reduction of "subsidies" for business and agriculture. They also say the Administration has been placing too much stress on the dangers of inflation, too little on the need for economic growth. For their part, the Republicans describe the proposals of their Democratic colleagues as unrealistic, take a firm stand against a "clean money" policy, and point to the stability of prices as proof that the Administration deserves credit for halting inflation through its monetary and fiscal policies.

In an examination of the key issue of U.S. economic prospects, however, there is virtually no argument between the two groups. Both sides agree that the Gross National Product (G.N.P.) — the total output of goods and services—should total $ 510,000 million this year. This figure, projected by the Administration at the beginning of the year, would represent a substantial gain of better than 6 per cent over the record 1959 total. Moreover, since both sides also believe that prices will remain relatively stable this year, with a rise of only one per cent or so in sight, the GNP gain would reflect a sizeable real advance in the nation's economic activity. It is interesting to note, too, that both Republicans and Democrats on the Committee agree with the Administration's appraisal that the nation's buoyant economy will contribute to a marked rise in Government tax receipts this year and hence to a substantial surplus in the Federal Budget. And while they obviously differ on some of the ways in which the Government might use its money, they are in accord in saying that it should use the surplus to reduce the public debt.

This bipartisan confidence in the U.S. economic outlook reflects the general equanimity with which Government officials and economic experts are viewing the current decline in stock market values and the apparent disinclination of business activity to live up to the more spectacular forecasts. These are subjects which may deserve more detailed analysis at some later date. Suffice it to say at this time, that if this year's economic expansion is turning out to be a little less sensational than some of the more optimistic experts were predicting a few months ago, it still is quite considerable.



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Special Article

THE END OF EASY MONEY?

THE notification issued by the Reserve Bank of India on March 11, 1960, presages a rigorous monetary discipline on the Indian money market. Almost immediate were the repercussions on the stock exchanges. The question that has been repeatedly asked during the last few days is: "What will be the cumulative effect of this four-pronged attack by the Reserve Bank on bank credit?" An attempt is made here to estimate the overall impact of the new monetary policy adopted by the Reserve Bank.

During the last two years, the scheduled banks have passed through a period of "easy money" very different from the two years preceding. This is amply reflected in the declining ratio of bank advances to deposits. As against the all time peak level of 76 per cent in the Month of March, 1956, it has currently been ruling around 55 per cent. This easiness is accounted for by the swell in bank (time) deposits — largely due to the new money created through deficit financing, a stringent import policy at least for the private sector and the increasing proceeds from P.L. 480 transactions. The prevalent controls further accentuated the situation and did not allow the rate of expansion in bank credit to keep pace with the rising deposits.

Because of lack of corresponding opportunities for bank advances in the private sector, the banks had to divert funds to Government securities. That is why the investments of scheduled banks in Government investments have shown a very steep rise. As against the total investments of scheduled banks in Government securities at Rs. 360 crores on the last Friday of March 1956, the current level rules at more than double at Rs. 757 crores. This means a rise of about 25 per cent per annum.

The latest notification restricts the scheduled banks in making advances against shares and stocks upto 50 per cent of their market value. It is possible to assess the impact of this regulation on bank advances against shares.

According to the figures available upto January 15, 1960, all bank advances against stocks and shares were of the order of Rs. 91.05 crores. The percentage of these advances to total advances was 10.8. On March 4, 1960, — the latest date for which overall figures are available — total bank advances rose to Rs. 909.50 crores. On 'pro rata' basis, it may be estimated that the advances against stocks and shares would be of the order of Rs. 98.22 crores. It is possible to justify this figure even on the basis of the rising secular trend which has been witnessed since September last year. Since the new directive does not apply to advances made against preference shares and debentures, it is necessary that suitable adjustments should be made. Estimates have been made in regard to the share of debentures and preference shares in the total of advances made by the scheduled banks. The total value of advances made against debentures and preference shares would not exceed Rs. 18 crores. In other words, advances made against stocks and shares valued at about Rs. 80 crores come under the purview of the new directive.

The Reserve Bank directive has exempted all small investors who have drawn upto Rs. 5,000 against shares. The table below shows that the average amount per account ruled around Rs. 54,000. These figures, however, relate to the analysis of figures furnished by the banks in the four big cities of Bombay, Calcutta, Madras and Delhi. Also, it has been customary for Indian banks to advance upto 70 per cent of the market value of the shares. The new restrictions take this limit to 50 per cent and will thus force a recall of two-sevenths of the total advances made against shares. This works out to be about Rs. 22 crores. Leaving out the small investor in the smaller towns, it may safely be estimated that the total amount to be recalled would be around Rs. 20 crores.

TABLE I.

AVERAGE AMOUNT PER ACCOUNT OF ADVANCES AGAINST SHARES TO PARTIES OTHER THAN STOCK AND SHARE BROKERS AS ON JUNE 26, 1959 — BY GROUP

(Amount in lakhs)

Groups	No. of Accounts	Aggregate Amount	Percentage of (2) to the total amount	Average amount per account
	(1)	(2)	(3)	(4)
1. Managing Agency concerns	99	727	15.4	7.34
2. Manufacturing concerns	104	308	6.5	2.96
3. Trading concerns	1099	1463	30.9	1.33
4. Individuals	6904	1714	36.2	0.25
5. Others	591	522	11.0	0.88
TOTAL	8797	4734	100.0	0.54

The other important restrictive measure relates to the compulsory impounding of 25 per cent of the increase in scheduled bank deposits with the Reserve Bank. What will be the volume of this forced impounding of bank deposits with the Reserve Bank? On the basis of historical trends in expansion of bank deposits, it is computed that the bank deposits during the next twelve months would go up by Rs. 250 crores. One-fourth of this increase according to the latest directive in bank deposits, namely, Rs. 62.5 crores will be siphoned off to the Reserve Bank by the end of 12 months. On this assumption, while there will be a recall of Rs. 20 crores from investments made against stocks and shares, a sum of Rs. 62.5 crores would be compulsorily impounded by the Reserve Bank. Will this net impact of Rs. 42.5 crores create stringent conditions. The answer is probably "yes". The ratio of advances and bills discounted to deposits is already (March 4, 1960) 56.93. With an impounding of one-fourth of additional deposits and advances rising at the same rate as before (about 9 per cent per year), the ratio might be up to 65 per cent this time next year.

TABLE II.

SCHEDULED BANKS

(In crores of Rupees)

Last Friday	Demand Deposits	Time Deposits	Total Deposits	Investment in Govt. Securities	Total Bank Credit	Ratio of (5) to (3)
	(1)	(2)	(3)	(4)	(5)	(6)
1955-56	631	412	1043	360	761	72.9
1956-57	704	471	1175	347	909	76.6
1957-58	731	720	1451	440	963	66.3
1958-59	722	913	1635	613	1014	62.0
4th March, 1960	739	1137	1876	757	1068	56.9

POPULATION REVIEW

A JOURNAL OF ASIAN DEMOGRAPHY

January 1960 **Vol. 4 No. 1.**

CONTENTS

Utopia by Sterilization	H. L. Mencken
Cultural Factors in Economic Development	Professor Reuben E. Slesinger
Cultural Aspects of Indonesia's Demographic Problem	Professor Justus Van der Kroef
A Note on Demographic Statistics in India	Professor S. Chandrasekhar
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THE BUSINESS WORLD

Encouraging Performance of the Export Risks Insurance Corporation

'THE Eastern Economist' reviewed the working of the Export Risks Insurance Corporation in a Special Article in the issue dated July 17, 1959. Then we had before us only a brief report of the Corporation's working for a period of nine months. We have now received the second annual report of the Corporation which discloses remarkable progress.

In the earlier review, it was urged that the Directors should make a positive approach with respect to the complaint of the exporters generally and exporters of traditional goods particularly that the premium rates of the Corporation were on the high side. This has been accepted by the Directors and the rates have on the average been reduced by about 10 per cent. In certain instances, the new rates are about 20 per cent lower than the old rates. Now that the premium rates have been reduced, an increasing number of exporters will have the advantage of the service which the Corporation offers. If, as a result of this step, there is some financial strain, the Government should view this as part of the export promotion drive and should give the requisite moral and financial support.

It is also noticed that the Corporation has further enlarged the scope of its services by:

(a) agreeing in the case of D.P. transactions to give relief subject to certain limitations even when documents are not accepted by the buyers,

(b) deciding to make advances on bank guarantees against claims before the expiry of the stipulated period at a prescribed rate of interest,

(c) reducing the fee for credit exports by 50 per cent where application for approval of credit limits does not exceed Rs. 20,000. This has been done to assist the exporters who make shipments for small amounts.

These are proper decisions. At the same time it is to be hoped that the Directors will not reduce the value of these benefits by charging a rate of interest higher than that usually charged by the banks when they negotiate documents.

The Directors have also relaxed the conditions governing the whole turnover. The Corporation now offers to entertain proposals from exporters of traditional goods for insurance of exports to selected markets. This decision, strictly speaking, is not in accordance with the recommendations of the Export Credit Guarantee Committee. It is feared that this relaxation may place some extra financial strain on the Corporation. One can, however, reconcile to this decision because it is expected to assist the exporters in raising their exports.

The second accounting period of the Corporation was for 15 months. During this period, the Corporation issued 302 policies against 146 in the previous year. The aggregate of the maximum liability of these 302 policies was Rs. 9.87 crores. The policy holders declared contracts and shipments of Rs. 13.79 crores as against Rs. 2.21 crores in the previous year. Out of the contracts and shipments declared, those on credit terms were for Rs. 7.35 crores as against 1.30 crores in the previous year.

Total exports from India in 1958 were of the order of Rs. 577 crores. Of these, insurable exports are estimated to be of the value of Rs. 200 crores. Exports insured with the Corporation work to about 1.5 per cent of the total exports and 3.67 per cent of insurable exports.

Insured exports related to 67 commodities going to 94 countries. In the case of 18 countries insured exports ranged from about 5 per cent to 33 per cent of the total exports to these countries. The following figures given in the Directors' Report are illuminating:

(A)

Percentage of insured exports to total exports from India	No. of countries	Total value of exports
Over 20%	2	Rs. 4.68 lakhs
Over 15% but less than 20%	4	Rs. 398.99 lakhs
Over 10% but less than 15%	4	Rs. 161.36 lakhs
Over 5% but less than 10%	8	Rs. 1192.52 lakhs

(B)

Commodity	Country's exports (In lakhs of Rs.)	Insurance with Corporation as % of Col. 2
(1)	(2)	(3)
A	89	6%
B	46,46	7%
C	74	13%
D	9	16%
E	410	23%
F	28	25%
G	94	26%
H	21	28%
I	11	91%

Premium income was Rs. 2,65,427 as against Rs. 43,109 in the previous year. Investment income amounted to Rs. 2,41,478. After meeting the expenses and providing for claims, the Corporation has carried to Underwriting Reserve Rs. 2,60,117. After deducting the loss of the previous year, the Under-writing Reserve stood at Rs. 2,43,695. It is very satisfactory that the Corporation should carry to reserve not only the whole of its investment income but also a small portion of the premium income.

Coverage of the risks incidental to exports on credit terms encourages exports to new markets and to new buyers. Exporters can compete with exporters from other countries on equal basis in respect of payment terms. Financial facilities become generally available more readily. The additional benefits assist the exporters to increase their exports to their full potential. The exporters who made intelligent use of the policise have increased their business substantially.

It is reported that the banks have been more liberal in the matter of extending financial facilities to the insured exporters. Seventy policy holders obtained financial facilities in respect of 2,437 shipments of Rs. 2.43 crores. Out of this, exchange banks offered financial facilities in respect of the shipments of Rs. 1.61 crores and Indian banks Rs. 81 lakhs. It is a matter of great satisfaction that the expectations of the Export Credit Guarantee Committee have been realised and their recommendation has been proved to be justified.

State Bank's Varied Activity

THE Presidential address of Mr P. C. Battacharyya to the sixth annual general meeting of the shareholders of the State Bank of India, the text of which appears elsewhere in this issue, highlights the fact that the diversification of the activities of the Bank, particularly in the rural and semi-urban areas, has begun to take place in a marked degree, as provided by the statute. The Bank's programme for branch expansion is now nearing completion. As on December 31, 1959, 359 new branches were opened. The deposits received in these branches rose to Rs. 28.29 crores. This is a measure of the extent to which rural savings have been mobilized and impounded in these branches. The advances made by these branches to the tune of Rs. 11.96 crores indicate the encouraging start made in providing credit on easier terms than traditionally available in the areas. The population-wise distribution of the branches, described in detail in the speech, shows that in serving new areas concentration in thickly populated regions has been eschewed by and large. The particulars of areas which were not at all served by banks or where access to banks was remote constitute an interesting feature of this branch expansion programme.

The State Bank has now outgrown the pilot stage in the scheme of financing small-scale industries. Finance for small-scale industries is now a normal function of the Bank. The total credit limits sanctioned to small-scale industries increased from Rs. 2.37 crores in 1958 to Rs. 4.62 crores in 1959. Similarly, the resources of the State Bank are being increasingly used to provide finance to co-operative societies. The Chairman speaks in a tone of confidence that the original apprehensions about this sphere of activity have proved groundless. How the lending activities and policies of the State Bank in relation to co-operative societies are being co-ordinated with those of the conventional co-operative financing agencies.

The State-associated banks which are subsidiaries of the State Bank of India function as autonomous bodies, but under the overall supervision of the State Bank. Here again, the progress is satisfactory and a policy of co-ordination is being followed. It is noticeable particularly in the sphere of branch expansion. These developmental activities of the State Bank are proceeding satisfactorily and they are justifying the complex character which the statute has given to the Bank's function.

In the sphere of traditional business, however there is evidence some set-back. Compared to the corresponding months of 1958, the trends in advances in the different months of 1959 show some decline. The Bank's net profit available for distribution was slightly lower in 1959 at Rs. 1.87 crores than the figures of Rs. 1.90 crores for 1958. The Chairman has pointed out that in considering the level of this net profit, one constituent of its deposit resources should be given separate attention and treatment. That constituent is the P.L. 480 Fund deposits of the United States lying with the Bank. These deposits do not compete with the resources of other scheduled banks in the money market. They are invested in government securities. The implication is that earnings of interest and payments of interest in respect of these P.L.480 Fund deposits are practically in balance.

The Chairman suggests that the proper year of comparison would be 1956 when this element of P.L.480 deposits was absent. On this basis, the net profit available for distribution in 1959 at Rs. 1.87 crores compares with the profit of Rs. 1.56 crores in 1956. The Bank's establishment expenses are mounting at a rapid rate. Two important factors need to be noted in this context. The first is that expenditure on salaries, allowances and provident fund of employees increased by Rs. 2.60 crores in 1959 as compared to 1956. The second factor is that out of the 359 branches which have been opened, as many as 315 are run at a loss. The dividend declared is of the order of Rs 20 per share for 1959. After deduction of income-tax the net return would be below the dividend of Rs 16 per share, free of income-tax, paid in 1958. In view of the incidence of the new system of taxation introduced by the Finance Act, 1959, and the probable increase in the expenditure in the near future, the Board of Directors have arrived at the conclusion that dividend should be maintained in the coming years at the rate of Rs. 20 per share.

It was only to be expected that the Chairman should make a pointed reference to the demand put forward for higher emoluments by the Staff Federation and at the same time make a fervent appeal to the staff for a realistic approach for a reasonable and practical settlement. Since then the Government's decision to appoint a tribunal to consider the demands of the employees of all the scheduled banks, including the State Bank, has given a new turn to this question. One observation made by the Chairman, however, is revealing.If the demands, as put forward by the Staff Federation, are conceded in full, the current cost per employee would be doubled. What its impact on the expenditure side would be is not difficult to appreciate.

Business Notes

Taxation

CONFUSION WORSE CONFOUNDED

A REALLY piquant situation has been created by the deletion of sub-sec. 3(E) of Sec. 18 of the Income-tax Act and the amendment of sub-sec. 3(D) of the said section so as to make all dividends, including a tax-free preference dividend, taxable. For the purpose of deduction at source, all these dividends have been placed on a par. Before these far-reaching changes were initiated by the Finance Act 1959, a shareholder used to get the benefit of the tax paid by a company on its profits and, in the case of a tax-free preference dividend, the amount was grossed up by a sum equal to the tax borne by the company, so that, if a company declared a six per cent tax-free dividend on its preference shares, the shareholder got credit for the tax of Rs. 2.57 paid on this amount or, in other words, he got a gross dividend of Rs. 8.57 or a net dividend of Rs. 6. This position was sought to be continued under the Finance Act of 1959 by the introduction of sub-sec. 3(E) of Sec. 18. Notwithstanding this, the position was far from clear even under the Finance Act of 1959. Accordingly several representations were made by commercial bodies to the Government of India urging that the position be properly clarified. All the confusion arose by reason of the fact that, according to legal experts, since the fiction of the shareholder deeming to have paid the tax paid by the company was abolished, a tax-free preference dividend meant that, from the nominal amount of the dividend, the company would not deduct its own tax but would deduct the shareholder's tax. Some legal experts further opined that, in the case of a taxable dividend, a company deducted its own tax in addition to the tax payable by the shareholder.

Far from clarifying the position, as it obviously set out to do, the Finance Bill 1960 has made confusion worse confounded. The irony of it is that the question of a tax-free preference dividend is now sought to be treated as the domestic concern of each company! If it is to be the domestic concern of each company to decide the quantum of dividend to be paid to tax-free preference shareholders, the company concerned would be perfectly justified in deducting from the dividend the shareholder's tax without grossing the dividend. In the case of a "less tax" or "taxable" preference dividend, again, the company would be perfectly justified in first deducting its own tax and then the shareholder's tax also and paying only the balance to the shareholder, although, for his part, the shareholder will merely get credit for his own tax deducted at source by the company.

If a company decides that its preference shareholders should get the same net dividend as they got before the Finance Act of 1959, it will have to declare a gross dividend, which, after deduction of 30 per cent at source, would yield the net dividend required. But, to do this, it would be necessary to have an alteration in its articles by means of a special resolution of the ordinary shareholders. In how many cases is this possible is anybody's guess. Meanwhile, preference share values have slumped, thanks to this imported air of uncertainty. In the process, a very important source of corporation finance has received a jolt from which recovery may not be possible unless the Government steps in to mend the matter by a suitable amendment of the Indian Companies Act and/or the Income-tax Act before this year's new Finance Bill is passed.

Banking

THE BANK OF INDIA

SIR COWASJEE JEHANGIR, Chairman, The Bank of India, at its Annual General Meeting held recently at Bombay discussed at length the general improvement recorded in the various sectors of the economy. It was a good year for agriculture and the situation in respect of foreign trade also improved significantly, mainly due to larger exports. He added that a generally sound progress presented by industry naturally diminished the pessimism as to the future of private enterprise in India. During the year there were a large number of new issues of shares by companies — a number of which were oversubscribed. Then the issues of loans by the Centre and the State Governments were also a success. As a result of all these the share market remained comparatively buoyant. He expressed satisfaction that though the transactions in the shares of the Bank of India were comparatively few, still the number of shareholders of the bank passed the 10,000 mark, which shows the broad-based nature of the Bank.

This general progress in the economy was not all to the advantage of the Bank. The Chairman referred to the fact that the Bank's profits were modified by easy money and the increasingly high operating costs. The demand for advances was comparatively lesser and one reason for the aggravation of this trend was the late starting of the busy season. The result naturally was that against higher deposits the profits of the Bank were lower by about Rs. 3 lakhs against Rs. 82.5 lakhs recorded last year. This, nevertheless, cannot be understood to mean that the Bank in any way receded in its working. In fact a number of new branches and additional safe deposits vaults were opened by the Bank. The results of its expansion and consolidation are bound to be reflected in its progressive working in the years to come.

A BANKER FROM BRAZIL

MR. H. BORGES DA FONSECA, Economic Adviser to the President of Brazil and Head of the Central Banking Authority for Brazil (Economic Department of SUMCO) was on a visit to India in connection with the Third "Seanza" Central Banking Course at Bombay, sponsored this time by the Reserve Bank of India. He was invited as a Specialist on "Exchange Restrictions and Multiple Practices", though Brazil is not a member country. Commenting in Delhi on inflation, he said it was inevitable in a developing economy of an underdeveloped nation. His experience of monetary measures to control inflation in Brazil was not happy, though he did not deny their effectiveness. He was of the opinion that control of inflation was much more successful in India, when compared to other underdeveloped countries. In his own country prices had risen at an annual average rate of 20 per cent over the last ten years. Phenomenal rise in exports during the War, large credit expansion after the War and excessive budget deficits led to this stupendous rise in the price level. But he observed, "2 to 3 per cent annual rise is good in a way for the businessmen, for they are not optimistic, when they see dark clouds of falling prices".

Mr. Fonseca was highly averse to the idea of State Trading. "State is a very bad businessman; it buys at high price and sells at a low price." He abhorred the idea of nationalisation of banks. "Please don't nationalise your banks. If you nationalise banks, in the long run, everything is nationalised. I don't like that because, apart from leading to corruption, you lose the typical things of democracy. Our progress is made for man, not for the State."

Industry

THE ALKALI AND CHEMICAL CORPORATION

FROM THE speech of Mr J. M. Lall, Chairman, the Alkali and Chemical Corporation of India Ltd., published elsewhere in this issue, it is obvious that the company is progressing well. The increase in sales by 31 per cent compared to the previous year is no mean achievement. It was pointed out by Mr Lall at the twenty-third ordinary general meeting that the Polythene Plant commenced production in May 1959 and polythene sales were mainly responsible for the increase in turnover. There was also an appreciable increase in the turnover of paints. The trading profits showed satisfactory increases of over 30 per cent. The main thing to record is that production in all units of the factory is maintained at a satisfactory level. To the range of products manufactured at Rishra, "Alkathene" brand of polythene granules and "Alfloc" Water Treatment Powders were added during the year. And in the latter part of the year extensions to the caustic chlorine plant were substantially completed and the plant is working at an increased capacity from September, 1959. As regards the expansion programme, it is to be noted that a phased programme has been worked out to extend the paints plant at Rishra. Expectations are that during the current year increased production will be achieved.

Concerning the future plans of the company, it was pointed out by Mr Lall that a plant for the manufacture of various chemicals used in the Rubber Industry will be constructed at Rishra at a cost of Rs. 2 crores. Construction work is likely to begin shortly as plans have been finalised. The unit will be erected under an agreement with the Company's technical advisers, Imperial Chemical Industries Limited, London, who will provide the know-how and the sterling loan finance required to cover the cost of machinery to be imported. This is not all. A clue to Company's further plans would probably be available later in the year.

Road Transport

NEED FOR MORE SPARE PARTS

A RECENT observation of the Union Minister of Railways to the effect that it is not possible to increase the capacity of passenger transport by more than 3 per cent per year is a meaningful admission of the fact that the railways are unable to cope with the mounting traffic. As over-crowding is increasing, it is natural that road transport should be prepared to provide additional transport facilities. Roadways can certainly be depended upon to carry short distance passengers. This is even more true because over 70 per cent of the people in India live in villages and largely roadways can serve them. Naturally, therefore, the road transport industry needs a fair deal, if not a favoured treatment like the railways, from the State so that it can grow up to face the challenge.

Road transport alone, through 215,000 buses and trucks, provides employment to over 3 million people directly or indirectly and involves an investment of over Rs. 400 crores. Besides, there are the 300,000 passenger cars and motor vehicles of all other types. According to the Minister for Transport, there are a large number of commercial vehicles of 10 years and more. For their effective functioning it is necessary that proper facilities for repairs and spare parts are provided. It has been estimated that there is a demand for spare parts worth Rs 36 crores every year. Against this, imports have been procured to the extent of Rs. 12 crores. Taking into account indigenous production, estimated around Rs 8 crores, there is a gap of Rs 16 crores. Mr T. S. Santhanam, who is prominently associated with the motor transport industry in the South in a variety of responsible positions, advocated strongly, at a Press Conference at Madras recently, the need for the imports of essential spare parts and garage equipment tools.

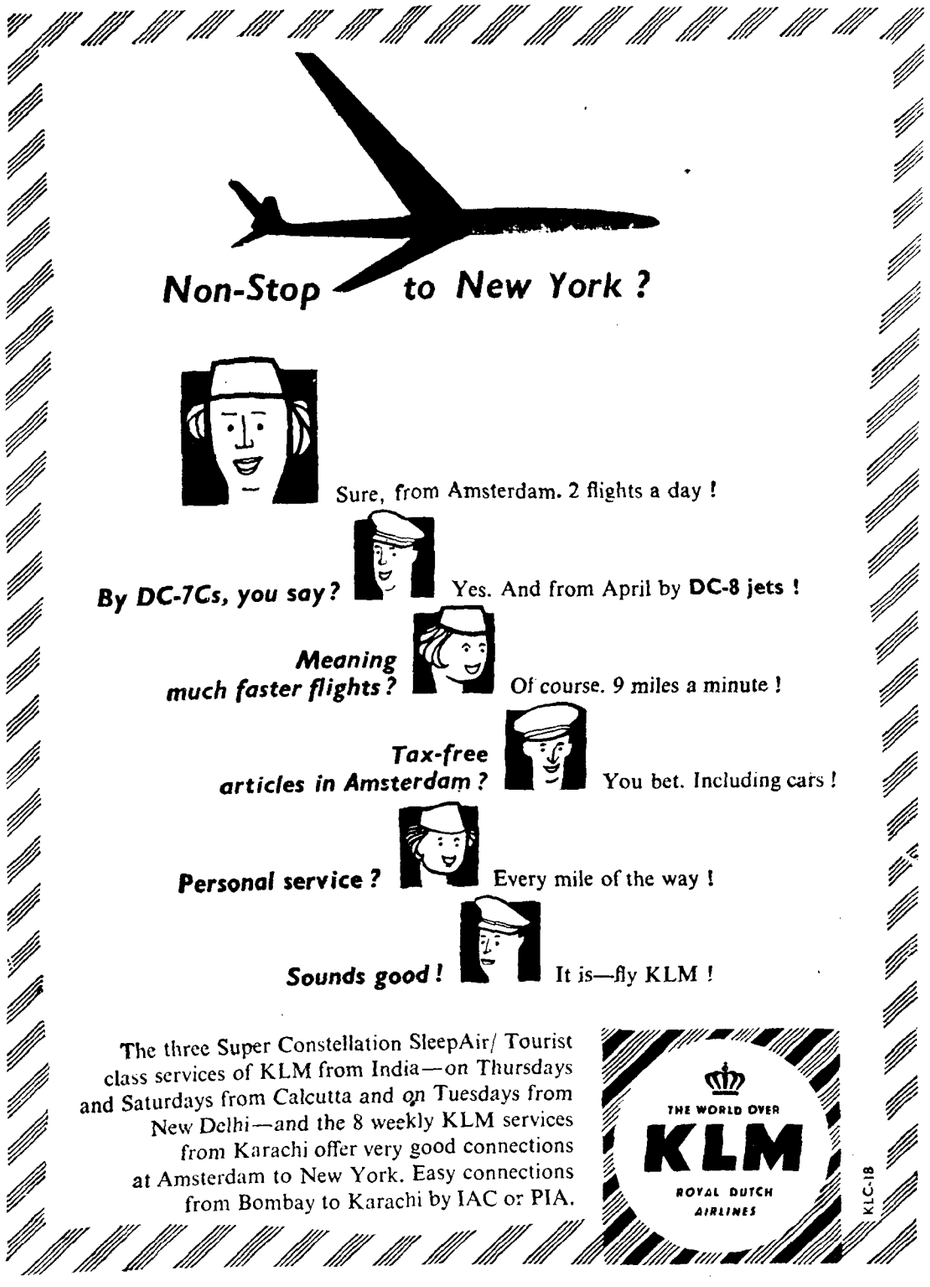
The Union Minister for Commerce and Industry pointed out at the Import Advisory Council meeting that spare parts were being sold at high premiums. He stressed that they should be made available to the consumers at reasonable rates. It is quite obvious that dealers should not take unfair advantage of the prevailing scarcity. This apart, the Minister should consider seriously if scarcity which is at the root of the prevailing prices cannot be mitigated by some lenient view allowing import of more spare parts. His suggestion that the coming in of the State Trading Corporation will ease the problem does not provide the correct answer; for it does not touch the problem of parsimonious allocation for imports. It is essentially the shortage of spare parts that has to be improved as early as possible. Unless this simple fact is recognised and action taken promptly, remedies like the entry of the State Trading Corporation can prove no more than mere palliatives and those, too, on the fringe.

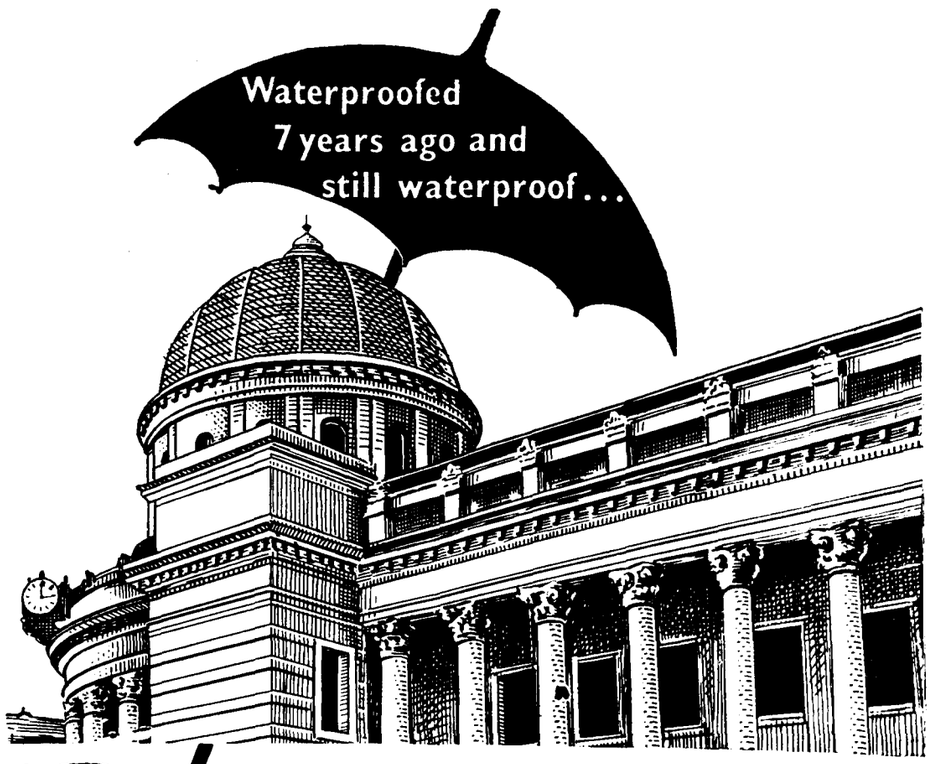
Employment

TRENDS IN THE TEA PLANTATIONS

MR. D. L. BETTS, Chairman, Indian Tea Association, at the Annual General Meeting held recently at Calcutta reviewed the fortunes of the industry during the last decade. During this eventful period the industry underwent a number of far reaching changes — one being in respect of employment. With the rising production of an order around 25 per cent during the last ten years, the quantum of employment has increased so that today the members of the Association alone employ nearly three-quarters of a million men, women and minors. The quality of employment too has improved significantly as a result of welfare measures like the provision of housing, medical aid, provident fund and leave facilities to the labour. This in turn has been particularly helpful because the relations between labour and employers have been quite cordial. Cne marked benefit of this has been that during the decade on an average every worker remained on strike for only one day in every four years. This seems to be a commendable record.

Along with this good relationship, recruitment for senior jobs also has increased, particularly the number of Indians holding comparatively important and well-paid jobs. A five-year plan was drawn up aiming at the increased Indianisation of the tea gardens staff. In January 1955, when this plan was inaugurated, only 16 per cent of these posts were filled by Indian nationals. It was provided that this percentage was to be raised to 28 by the end of 1959. As a result of the efforts that followed to bring in as many capable personnel as possible, this percentage has risen to 36. Mr. Betts has pointed out that another five-year plan has been approved by the Government of India which will increase the Indian element still further. It has rightly been recognized that there will be no premature retirements. The terms and prospects of the new recruits have, however, been assured to be the same, irrespective of nationality. This evidently is a step in the right direction and the Association deserves a word of praise for its genuine effort towards this end which will provide an abiding basis for collaboration.







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IWTSTP. 47

Current Topics

INDUSTRIAL RELATIONS AND THIRD PLAN

Some modification in the approach to industrial relations in the Third Five-Year Plan in order to encourage greater recourse to voluntary arbitration to settle disputes has been suggested by the Tripartite Standing Labour Committee.

THE Committee has emphasised that strong trade unions, understanding and responsive employers and minimum intervention by Government constitute the basic elements of sound industrial relations. Although the policy laid down in the Second Plan provided adequate scope for the parties to come together on their own initiative to settle their differences, intensive efforts, it says, are necessary to achieve wider application of the principle of voluntary arbitration. Some changes, therefore, are necessary in the policy relating to industrial relations.

At present, an agreement reached through voluntary arbitration is not binding on workers who do not belong to the trade union which enter into the agreement with its employers. The Committee, therefore, has suggested that the relevant Act might be amended with a view to giving decisions reached through voluntary arbitration the same status and force as awards of Industrial Tribunals. Specifically, these decisions should be binding on all employees, whether they belong to a union or not. In this connection, it is felt that the implications of the recent Supreme Court judgment that a minority union could repudiate an agreement reached by the majority union with its employer required to be examined while drawing up the proposed legislation.

In order to facilitate voluntary arbitration, the Committee has suggested that the Central and the State Governments should prepare in consultation with the employers' and workers' organisations, lists of arbitrators who would inspire confidence in the parties. The lists might be compiled on regional or industrywise basis. It should be open to the parties to select an arbitrator from these lists or even from outside the lists.

The Committee has expressed its view that the conciliation machinery needs to be strengthened if conciliation were to be effective. The calibre of the conciliation officers should be improved and arrangements should be made for providing them training on the job as well as refresher training. In all cases, conciliation should begin as soon as a dispute is referred to a Conciliation Officer by either party. While reaffirming the policy evolved by the Indian Labour Conference on rationalisation, the Committee has felt that Technical Committees should be set up at the Centre as well as in States to ensure that rationalisation schemes are sound and are implemented according to agreed principles.

On the question of bonus, it has expressed the view that though it constitutes an uncertain element in the wage structure, it could not be completely done away with. In view of the importance attached to bonus in the wage structure and its repercussions on industrial relations, it has been agreed that a commission should be set up to examine the various aspects of the bonus issue. In particular, it should evolve norms for payment of bonus and examine the feasibility of paying bonus to workers in the form of shares. The Committee is of the view that while reduction of disparity in wages is a desirable objective, the question of wage differentials should be looked at from the point of view of providing necessary incentive to workers to acquire higher skills and thus earn higher wages. It has also welcomed the suggestion that wages should be linked with productivity. It has been agreed that productivity studies should be undertaken for this purpose. Since measurement of productivity and its allocation to different factors of production is a highly technical matter, the assistance of I.L.O. might be sought for carrying out these studies.

FOREIGN EXCHANGE ASSISTANCE

The following is the list of names of concerns in India which have obtained foreign exchange assistance by way of loans or otherwise from the U.S. Import Export Bank and the Industrial Credit and Investment Corporation of India during 1959 and the first two months of this year:—

Foreign Exchange Assistance Granted to Indian firms by the U.S. Export-Import Bank

Name of Firm	Amount of Loan ($ million)
National Rayon Corporation Ltd., Bombay	1.8
Hindustan Aluminium Corpn. Ltd., Bombay	13.5

Foreign Exchange Assistance Authorised to Indian Firms by ICICI from World Bank Loan

Name of Firm	Amount of Loan ($ million)
Indian Oxygen Ltd., Calcutta	0.95
Scindia Steam Navigation Co. Ltd., Bombay	2.10
Hind Lamps Ltd., Shikohabad (UP)	0.625
Atul Products Ltd., Ahmedabad	0.58
National Paroxide Ltd., Bombay	0.32
Mysore Commercial Union, Bangalore	0.12

This does not include the firms to whom cash licences for import of machinery and equipment from the United States have been granted and to whom the Government of India have authorised the release of foreign exchange available under the loan of $150 million granted by the U.S. Export-Import Bank to the Government of India. Since the loan is to the Government of India, only foreign exchange is made available to firms who place orders in the normal way and make payments to suppliers through normal banking channels. The question of any negotiations by the firms with the U.S. Export-Import Bank does not arise.

The value of licences thus issued so far for various industries amounts to Rs. 30 crores as follows:

	Value of Licensing (Rs. crores)
Equipment for Textile Industry	8.52
Equipment for Engineering Industry	3.29
Equipment for Chemical Industry	6.90
Equipment for Automobile Industry	4.82
Equipment for Aluminium Industry	3.81
Equipment for Small Scale Industry	0.14
Equipment for Private Manganese and Iron Ore Mines	0.41
Equipment for Private Coal Mines	0.04
Machine Tools required by various Industries	2.09
Total	**30.02**

A DELHI NOTEBOOK

MANUFACTURE OF CABLES

ATTEMPTS, it is understood, are being made to set up a tele-communication cable factory in the private sector in collaboration with a Japanese firm. There appears to be a difference of opinion in the Planning Commission on the estimated requirements of these cables during the Third Plan period. According to some, India will require 6,000 miles of tele-communication cables per year in the later stages of the next Plan. It is argued by them that the public sector enterprise, The Hindustan Cable Ltd., will not be able to cope with the demand fully and there is a cast iron case for establishing another manufacturing unit.

According to the another school of thought, the Third Plan requirements of the tele-communication cables would be much less and can be easily met by expansion of the existing public sector unit. The output of The Hindustan Cable factory, it is pointed out, is gradually improving and about 1,100 to 1,300 miles of these cables are expected to be produced during the current year, against the present requirements of 1,700 to 2,500 miles per year. Imports of cables at present are banned and only a small quantity of special cables is being imported.

OIL PRODUCTS FROM RUSSIA

A controversy is raging in New Delhi over the agency which should be allowed to import oil and oil products from Russia. All sorts of conflicting reports are current at present and some authentic information may be available next week. A private firm of Bombay, Hindustan Organizers (Private) Limited, last week signed an agreement with Sojuznefte Export, of Russia, to import oil products, especially high-speed diesel oil and kerosene, under the Indo-Soviet Trade Agreement of 1958. The Union Minister for Oil, Mr. K. D. Malaviya, however, has expressed complete surprise over this deal and told the Rajya Sabha on March 11 that the Government was contemplating import of "sizeable quantities" of petroleum products on its own account and their distribution through a network in the public sector.

NAHORKATIYA PIPELINE

According to the revised estimates, the cost of laying the pipeline from Nahorkatiya oilfields to the two refineries at Gauhati and Barauni will be around Rs. 44.6 crores, compared to Rs. 54 crores originally estimated. Following global tenders, orders for the supply of about 31,000 tons of pipe have been placed. The contract has been given to Stewarts and Lloyds of London, whose quotation was the lowest (£1,898,398). The tenderers were: Mannesmann and Hoesch (Germany) £60.00 per ton; Stahlumion (Germany) £69.54 per ton; Republic Steel Corporation, A. O. Smith, Bothlehem Steel, Kaiser Steel and U.S. Steel £79.50 per ton, and Stewarts and Lloyds (U.K.) £60.00 per ton.

TRADE WITH ITALY

The Managing Director of the Italian Consortium, Compagnia Generale Interscambia—Gogis, Mr. Dino Gentili, was here recently to finalise the trade arrangements made by the Lall Mission during its visit to Italy last autumn. The Consortium, amongst others, includes Fiat, Monticatini and Viscosa groups of companies. It exports goods manufactured or processed by its constituent companies and imports, in exchange, merchandise and products for the use of its constituents or for sale in Italy.

Mr. Dino Gentili expressed confidence that his company would be able to increase the demand for Indian goods in Italy and thereby correct the prevailing imbalance in trade between the two countries; theirs shall be balanced trade. His company would buy Indian merchandise at international prices and pay for them by exporting Italian goods to India.

Inter-bank arrangements between the two countries have already been made. Italy has agreed to import about fifty categories of Indian goods, including tea, coffee, tobacco, cigarettes, coal, hydrogenated oils, pig iron, mica, raw cotton, cotton waste and silk waste, raw wool, cotton textiles, jute goods, sports goods, lac and shellac and oilseeds.

INDO-PAKISTAN TRADE

Indo-Pakistan trade talks started here this week. They may usher in a new era in the relations between the two countries, if the hopes inspired by the statements made by the Pakistan leaders in the recent past are to be fulfilled. So far Pakistan has ignored both the history and the geography of this sub-continent and has tried to align itself with the countries of the Middle East; all efforts made by India to normalise pre-partitic trade relations have been cold shouldered by Pakistan. For the first time since 1947, Pakistan has recently unequivocally expressed its eagerness to develop and expand her trade with this country. This has evoked considerable anticipations in New Delhi for better trade relations between the two countries. If there could be a Common Market and an "Outer Seven" in Europe, it is pointed out by same circles, why could there not be at least normal trade between India and Pakistan? In many trade matters both the countries are complimentary to each other, it is argued here.

Implementation of the understanding, however, is more important than the agreement itself. The schedule "D" in the old Indo-Pakistan trade pact relating to border trade has not been properly implemented. Any reversal of the present policy of Pakistan with a view to develop trade with this country will be warmly welcomed here.

ELECTRIC LOCOMOTIVES

The Chittaranjan Locomotive Works will soon start manufacturing electric locomotives. The Railway Board has given a contract to the well-known British firm, English Electric Company Ltd., for the supply of electrical equipment for ten 3,600 h.p., 1500-volt D.C. type locomotives. All the mechanical parts will be manufactured at the Chittaranjan works and all the work of fitting, erection and testing will be carried out there in collaboration with the English Electric experts.

BRIEFS

An existing unit has been granted a licence for the expansion of its undertaking at Kusunda, in Bihar, for the manufacture of 24 coal cutting machines and spare parts per annum. The scheme involves technical collaboration with a West German firm. The necessary machinery has already been installed and production is expected to start in the next six months.

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A proposal for setting up an aluminium plant at Chiplun, Ratnagiri District, in the private sector with power supply from the Koyna Project has been approved. A technical committee is now examining the possibility of setting up a fertilizer factory in the public sector by utilizing the tail waters and energy from the Koyna Projects.

WORLDGRAM

India

Avoidance of Double Taxation Between India and Denmark: Instruments ratifying the Agreement for Avoidance of Double Taxation of income between India and Denmark, which had been signed at Governmental level at Copenhagen on September 16, 1959 were exchanged recently by Mr. Arne Bogh Andersen, Ambassador of Denmark and Mr. E. S. Krishnamoorti, Chairman of the Central Board of Revenue, Ministry of Finance. A notification under Section 49A of the Income Tax Act has also been issued in a 'Gazette of India, Extraordinary. With the completion of these formalities, the Agreement will come into force in both countries. The Agreement provides for taxation of industrial and commercial profits, dividends, interest, royalties and pensions only by the country in which the source of the income is located. Relief from double taxation is thus provided for by an 'ab initio' segregation of the areas of taxation. The agreement will be effective in India for and from the assessment year beginning on the 1st day of April, 1959.

*

Supply of Iron Ore to Japan: India-Japan agreement for the supply of four million tons of iron ore from Bailadila mines in Madhya Pradesh was signed recently. Under the agreement, in order to supply iron ore to Japan from this source, India will develop the mines, complete the construction of railway lines between the mines and the port of Vizagapatam and shall mechanise the facilities at the port for loading ore. India will provide all the necessary funds for the purchase of machinery, equipment and other materials and services in India. Japan will assist India in financing the purchase of machinery, equipment and incidential materials, which were not available in India; the maximum of Japan's financial commitment being $21,000,000. This amount which will carry 6 per cent interest will be repayable in 5 equal instalments, commencing after the first shipment of ore from India. The price of iron ore will be mutually settled year to year and payments shall be made in pounds sterling. Indian shipping will be utilised for the carriage of iron ore to the maximum extent practicable. It is an Rs. 80 crores project, including about Rs. 10 crores in foreign exchange. The period of contract is fifteen years. India is eligible to utilise additional ore from this source itself or sell it to foreign countries, including Japan.

China

Circulation and Distribution of Newspapers: In China the circulation of newspapers and periodicals does not depend on the taste of the public. It is planned and budgeted for, and the plans must be fulfilled. Subscriptions and distribution, officially handled by post-offices, are discussed at yearly conferences. At the last November conference figures achieved in 1958 were revealed in summary: there were 1,577 newspapers, including national, provincial and the insignificant country papers and 1,908 reviews. The circulation of the two jointly in 1957 was 4,600, million copies, in 1958 close on 5,500 million. It was probably announced that in 1958, the first year of the Second Five-Year Plan the final target of the Second Five-Year Plan had been fulfilled. The figures given would imply that each person in the country receives 9 copies (of newspapers and magazines combined), per year, a fact, which gives a clearer insight into standards of literacy than do some statistics on the success of the drive for the eradication of illiteracy. A continual effort is being made to increase the speed of distribution. At this same conference it was announced that on the very day of publication the national papers reach half of the provinces, the provincial paper reach 69 per cent of the counties, and the county papers reach 81 per cent of the communes—which give some material for speculation about facilities and difficulties of transport. The national papers go to important provinces by air and some of the provinces distribute their provincial papers to the counties by dropping them from aeroplanes. This is the practice in Szechuan province in which out of 184 countries 102 receive the paper, altogether 4,80,000 copies, on the very day of the publication.

U.S.S.R.

Trade Agreement With Poland: The conclusion of a new long-term agreement on reciprocal goods deliveries in 1961-65 between the Soviet Union and the Polish People's Republc has been officially announced. The volume of reciprocal deliveries during this period will equal about 22,000,000,000 roubles or be approximately 60 per cent more than in the previous 5 years. In 1965 the volume of trade between the two countries will exceed 5,000,000,000 roubles—more than twice the 1958 figure. During the next five years the Soviet Union and Poland will supply each other, proceeding from the international division of labour in the socialist camp, with the machinery, equipment and raw materials necessary for the development of their socialist economies. The Soviet Union will deliver, specifically power, metallurgical and drilling equipment, metal-cutting tools, textiles equipment, motor cars, tractors, and also iron ore, pig iron, manganese ore, some types of rolled stock, oil, and other goods. The commodities Poland will supply to the Soviet Union include sea-going ships, freight cars and passenger coaches, tank cars, machine-tools, coal and ferrous rolled stock. Provisions have been made for the further broad exchange of consumer goods. An agreement was also signed on Soviet technical aid in the construction of industrial undertakings in Poland.

United Kingdom

Industrial Expansion in 1959: Industrial expansion in the United Kingdom in 1959 was broadly based, and while in one or two industries there was no more than a recovery from 1958, in most of them new high levels were reached. The biggest increases were in chemicals and vehicles. In the third quarter, the chemicals and allied industries were turning out 13 per cent more than a year earlier, and 12 per cent more than two years earlier. At the beginning of the fourth quarter, the gain was even larger, both in general chemicals and in oil refineries, coke ovens, and so on. Over 10 per cent more vehicles were produced in the third quarter than a year earlier. The outstanding increase was in passenger cars, with a gain of 45 per cent in the fourth quarter on a year earlier. Big rises were also achieved by commercial vehicles and motor-and pedal-cycles. Output of engineering and electrical products, after registering no gain in 1958, increased rapidly in 1959, and by the third quarter was 9 per cent up on a year earlier.

Steel and Pig Iron Output: Both British steel and pig iron production reached record levels in February, according to figures issued by the Iron and Steel Board in London on March 10. Steel production was at an average weekly rate of 484,200 tons, compared with 471,400 tons in January and 347,400 tons in February 1959. Pig iron production was at an average weekly rate of 301,500 tons, as against 297,500 in January and 221,800 tons in February last year.

France

Atomic Installation Plant: Societe Technique pour l'Utilisation de la precontrainte (S.T.U.P.) has been charged by the Indian Atomic Energy Commission with the plans for construction of a spherical reservoir of prestressed concrete with a capacity of 176,575 cu. ft., to be erected at Trombay near Bombay. The reservoir will rest on a conical support and will have a diameter of 78¾ feet and a total height of 88½ feet. The walls of the reservoir will be 7 inches thick and will be prestressed horizentally and vertically by means of Freyssinet cables. This will be the first reservoir in India to be built of prestressed concrete although the Freyssinet process has already been widely applied here in construction of bridges, buildings and other civil engineering structures.

Japan

New Trade Agreement with the Federation of Rhodesia and Nyasaland: The Federation of Rhodesia and Nyasaland and Japan agreed and signed on February 15, 1960 a new trade arrangement as a provisional step leading towards realization of both countries' aspirations to improve the trade relations between them. A desire mutually expressed is that eventually complete most favoured-nation-treatment will be accorded to both parties to the trade arrangement. The two countries promise that they will further expand their trade volume and allow each other favourable treatment as much as possible in respect of customs duties and customs procedures. In addition, they will ease imports of such goods as are produced in the other party country. Although the period of validity is one year, one month at least before the expiry of the arrangement the two countries shall consult each other on the desirability of extending it or of entering into a new one.

Kenya

New Paint Factory: A new paint factory is to be established in Nairobi, Kenya's capital, by a well-known British Company, Walpamur, operating under the name of the Walpamur Company (East Africa) Limited. The factory, comprising a building of modern design, will be completed this year in Liverpool Road, in the Nairobi Industrial area. The African Mercantile Co., Ltd., official representatives of Walpamur in East Africa for many years, will be associated with the new development and will continue to act as distributors throughout East Africa. The Walpamur Company, formed in 1905, has its main factory in Lancashire, England, and wide ramifications extending to South Africa, Canada Australia and other parts of the Commonwealth.

Ghana

Machinery Imports from Japan: The Ministry of Trade, Ghana, has communicated the following information to the GATT secretariat: "By notice to Importers No. 141 dated January 21, 1960, the Controller of Imports and Exports announced that the control on the importation into Ghana of all types of machinery originating in and from Japan has been relaxed. The effect of this is that all types of machinery of Japanese origin are now placed on the "free list" and it is no longer necessary to obtain specific import licences for such imports.

Netherlands

Fisheries Research: The Netherlands Fisheries Research in the North Sea will be simplified in the near future by the introduction of X-ray apparatus, working at Ijmuidem. The Station has discovered that there are three different types of herring in the North Sea with completely different characteristics. As the type is established by the blood group and the number of vertebrae of the fish, the X-ray apparatus will speed up research considerably because it will no longer be necessary to cut the fish open. Marketing will thus be expedited.

Afghanistan

Agreement with UN Special Fund: The Afghanistan Government and the UN Special Fund have signed a basic agreement covering rights and obligations for the execution of Fund projects in Afghanistan. One Project has already been approved by the Governing Council of the Fund. This is a three-year programme designed to raise Afghanistan's level of agricultural production by surveys of land and water resources and by the establishment of an agricultural station to develop new methods and train workers. The Fund has allocated dollar $1,257,400 to the project. Afghanistan will contribute the equivalent of $727,000

Canada

Exports in 1959: With another substantial gain in December, Canada's total commodity exports in 1959 increased 5.1 per cent in value, to $5,179,600,000 from $4,928,300,000 in 1958 to reach a new record value for a year. The previous peak was $4,934,400,000 in 1957, only slightly above 1958 total. Most of the gain in 1959 total was owing to increased exports to the United States

Benelux Countries

New Import Tariff: As from 1st March, 1960 a new import tariff has been introduced for the Benelux countries (Belgium-Netherlands-Luxemburg). The three countries thus meet their obligations ensuing from International agreements concluded on a wider basis to apply the Brussels nomenclature. The new Benelux tariff does not involve any fundamental changes in the existing duties but in a few exceptional cases classification under the new definitions may result in a higher or lower import duty.

Libya

Petroleum Development: The Libyan Petroleum Commission has approved the plan of ESSO Standard (Libya) to construct a pipeline from its oilfield to the Mediterranean, and a contract has been placed with a British firm to supply the pipes and equipment for the project. This is the first step toward the commercial exploitation of the recently discovered oilfields in Libya. At present, there are 16 wells whose exploitation is worthwhile commercially. The oil companies are reported to have spent at least £10 million in 1957, £20 million in 1958, and over £25 million in 1959 prospecting for oil in Libya.

NEWS IN BRIEF

INDIAN

The Sulphuric Acid Plant which is a part of the By-Products Plant at Durgapur Steel Project, went into production recently. The plant is capable of producing 60 tons of sulphuric acid daily.

*

It is reported two schemes for the manufacture of newsprint based on imported mechanical pulp had been approved in principle. A final decision would be taken after examining the foreign exchange required in each case and the arrangements in respect of the same proposed by the parties concerned.

*

A water meter of an improved design has been developed at the Indian Institute of Science, Bangalore. The new water meter is quite sensitive so as to record even the very small flow of water.

*

The Indian Handicrafts Development Corporation has fixed a target of Rs. 10 crores for handicraft exports in 1960. Export of handicrafts in recent years has steadily been on the rise.

*

The US Technical Co-operation Mission have agreed to make available funds to the extent of $1,18,53,000 equivalent to Rs. 5.64 crores for procurement, through their organisation in the USA, of 17,560 tons of DDT required for spraying during 1960-61. The DDT is to be procured from the USA.

*

According to the Damle Committee, which met in New Delhi recently, two areas—one in Rajasthan and the other in Andhra Pradesh—appear to hold potentialities of development into large mechanised farms on the model of the Suratgarh Farm.

*

The National Industrial Development Corporation has formulated a new scheme for granting loans upto Rs. 10 lakhs to cotton textile and jute mills for speeding modernisation and rehabilitation.

*

A separate Division has been set up in the office of the Chief Controller of Imports and Exports, New Delhi, to expedite the disposal of applications for import licences for capital goods.

*

The Railway Testing and Research Sub-Centre at Chittaranjan has developed a new process for the manufacture of insecticidal coating compositions which can be used against household pests such as ants, moths, flies, bed bugs, mosquitoes and cockroaches.

*

The Government of India have set up a Committee on by-products of coal carbonisation to assess the potential availability of the principal by-products of coal carbonisation in the Third Plan.

FOREIGN

New salt deposits have been discovered in Yugoslav Republic of Bosnia and Herzegovina. At Tuzla, where the opening of a new salt mine is being completed the salt reserves are estimated at about 360 million tons. Last year 172,000 tons of every type of salt was produced in Yugoslavia.

*

Italy and the United Arab Republic signed a commercial agreement recently under which Italian concerns will aid UAR development projects.

*

Pakistan has ratified three further International Labour Conventions and the instruments of ratification have just been deposited at the I.L.O. This brings the total number of I.L.O. conventions ratified by Pakistan to 27.

*

Final details of the pooling agreement between British Overseas Airways Corporation, Air India International and Qantas Empire Airways have now been worked out. The three airlines joint schedules will come into effect, as already announced, on April 1.

*

A UK controlled company, Aladdin Industries, is building Iran's first ever portable oil heater factory in the outskirts of Tehran. It will cost £500,000 and will start production in August.

*

The second foreign loan to be floated on the Swiss capital market has been fully subscribed. This was a conversion of the 4 per cent 1948 loan to the Belgian Railways, which has matured.

*

It is reported the decimal coinage system will be introduced in Pakistan from January 1, 1961.

*

The New Zealand Government is inviting over 40 organizations to attend a national industrial development conference in June.

*

West Germany's steel production continues to rise. According to the Federal Statistics office, output in February was 2,773 million tons of crude steel as against 2,771 million tons in the previous and longer month. Output in the first two months of the year was almost 23 per cent higher than in the same period of 1959.

*

Canadian imports from Britain rose by 12 per cent in the first eleven months of last year to over $549 million, the Bureau of Statistics reported recently. Purchases from Japan, France, Belgium and West Germany also rose sharply.

*

French steel output last month amounted to 1,417,000 tons. This was slightly higher than the January figure, and almost exactly the same as the record output of October, 1959.

*

A one-year standby arrangement to make $7.5 million available to the Government of Honduras to support the Honduran lempira was announced recently by the International Monetary Fund.

*

Pakistan is to purchase nine second-hand ships from Britain. Payment for the ships will be made out of a £10 million credit granted to Pakistan by the UK.

COMMODITY NEWS AND NOTES

LEAD-ZINC ORE PRODUCTION

The production of lead-zinc ores in India during the year 1959 was 162,000 metric tons, according to the Indian Bureau of Mines. This represents an increase of about 38 per cent as compared to the production in the preceding year. The entire production was reported from the Zawar mines in Udaipur district of Rajasthan State.

The recovery of lead and zinc concentrates in 1959 was also substantially higher being 6,488 metric tons and 9,978 metric tons respectively as compared to 5,341 metric tons and 7,391 metric tons in the preceding year. Lead concentrates are sent to the smelter at Tundoo in Bihar State for extraction of lead while the zinc concentrates are shipped to Japan for smelting of zinc, as there is no zinc smelter in India at present. The production of refined lead during 1959 was 3,958 metric tons as against 3,387 metric tons in 1958, representing an increase of nearly 17 per cent.

ALL INDIA FINAL ESTIMATE OF KHARIF PULSES, 1959-60

The All-India Final Estimate of Kharif Pulses (other than Tur), 1959-60, puts the current year's area and production at 16,075,000 acres and 1,567,000 tons as against the Partially Revised Estimate of 15,597,000 acres and 1,559,000 tons for 1958-59 according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows an increase of 478,000 acres or 3.1 per cent in area and 8,000 tons or 0.5 per cent in production over last year. The overall increase in acreage during the current year is accounted for mainly by Rajasthan and to a lesser extent by Bihar, Madhya Pradesh, Andhra Pradesh and Madras 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 area registered in Punjab and Mysore State. The increase in production of other kharif pulses is mainly due to the increase in Bombay State which is attributed generally to favourable seasonal conditions during the growing period of the crops. As among different pulses an increase in production has been reported in the case of 'Mung' and 'other pulses' and a decrease in 'Moth'.

VEGETABLE NON-ESSENTIAL OILS

With a view to helping small-scale manufacturers producing vegetable non-essential oil, with the aid of power, Government had prescribed a Simplified Procedure Scheme for the control of, and realisation of duty from, such manufacturers. Also, these manufacturers were given the option to opt for a Compounded Levy Scheme under which the manufacturers were required to pay a composition fee on the rated capacity of the equipment employed, instead of following the normal procedure of paying the duty on actual production. Both these procedures were confined to units having an installed capacity of producing not more than 75 tons a year. It has now been decided to withdraw the Simplified Procedure Scheme and to enlarge the scope of the Compounded Levy Scheme so as to enable a large number of manufacturers, employing even expellers, to become eligible for working under the Scheme. The payment of composition fee has also been fixed at lower rates for small-scale manufacturers and the Scheme contemplates recovery on weekly basis instead of monthly, as was the case in the previous scheme. For full details of the Scheme, the categories of manufacturers eligible to opt for it, and the rates of composition fee etc., the trade can contact the local Central Excise Officers

EXPORT OF TOBACCO

Tobacco export in 1958 totalled 106 million pounds valued at about 14.7 crores of rupees, the highest recorded so far. During January-November, 1959, exports amounted to 80.3 million pounds of the value of about 12.75 crores of rupees.

The Deputy Minister of Commerce and Industry, Mr. Satish Chandra, gave this information in the Lok Sabha in reply to a question by Mr. D. C. Sharma and Mr. Raghunath Singh. Mr. Satish Chandra listed the steps taken by Government to maintain the upward trend of Indian tobacco exports. These included the supply of samples to Tobacco Monopolies and important cigarette manufacturers in foreign countries, display in international exhibitions and trade fairs and inclusion of tobacco in bilateral trade agreements. Besides, a tobacco growing project with the assistance of a German tobacco expert for producing tobacco suitable to the German taste had been undertaken. Priority for "programmed" movements of tobacco by rail from the producing centres to the ports was accorded. Mr. Satish Chandra stated that it was also proposed to intensify propaganda through the Tobacco Extension Service Organisation and various experimental farms and research stations, for improving the quality, reducing the cost and discouraging production of pale-faced tobacco.

VEGETABLE MILK FROM GROUNDNUTS

Experiments carried out at the Central Food Technological Research Institute, Mysore, have established the practical possibilities of preparing vegetable milk and curd from groundnut. Consumer trials conducted on an extensive scale have shown that the product is an attractive, palatable and easily digestible article of food. Vegetable curd offers a practicable possibility of fortifying diets with calcium, vitamins and other nutrients. Though the biological value of the vegetable curd protein is inferior to that of animal milk protein, the product is a good supplement to the rice diet. Pilot plant trials at the Institute have shown that one pound of decuticled groundnut yields eight pounds of curd. The cost of production is estimated at 13 nP. per pound. The equipment required for preparing vegetable curds can be fabricated in India.

SUGARCANE PRICE

The Sugarcane (Control) Order, 1955 as amended in 1958 provides that the sugarcane price paid by a producer of sugar (sugar factory) to sugarcane growers will consist of a minimum price and a deferred payment, if found due, in accordance with the provisions of the Schedule, commonly known as the Price Linking Formula, appended to the Order. With a view to maximising sugar production, the Central Government announced in the beginning of the current crushing season certain incentives namely, (1) concession for early start factories in U.P. and North Bihar and (ii) a 50 per cent rebate in the basic excise duty on sugar produced by factories during 1959-60 season in excess of their average production of the two seasons 1957-58 and 1958-59. The Price Linking Formula mentioned above did not, however, specifically cover these concessions nor did it take into account the extra cane price that might be paid by a factory to growers over the minimum price. In order to ensure that the cane growers get their appropriate share in the above concessions and the extra cane price if any paid by a producer of sugar is accounted for in the calculations of deferred payment, the Central Government has made suitable amendments in the Price Linking Formula, according to a gazette notification number G.S.R. 287/Ess. Com/Sugarcane dated March 2, 1960.

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Salted or plain, cashewnuts need to be sealed in a specially designed container in an inert atmosphere. This way they retain their freshness and flavour for long periods. Thanks to the container's protective qualities, India has been able to export large quantities of cashewnuts to distant lands and to earn valuable foreign exchange. The U.S.A. alone buys Rs 11 crores worth every year, making the humble cashewnut India's second largest dollar earner.

In the country's drive to expand the export of consumer goods, Metal Box, leaders in the packaging field, are playing an important role. Already, over Rs 30 crores worth of consumer goods — mostly perishables—are finding their way abroad in Metal Box containers. Scientifically designed for protection and superbly printed for sales appeal, Metal Box containers are showing how correct packaging helps to establish Indian goods in foreign markets.

Metal Box are also taking a direct part in the country's drive to earn foreign exchange by rapidly expanding the export of containers, closures, hardware and publicity media.

Over 1000 manufacturers in India are being supplied by Metal Box with scientifically designed containers and closures that go to pack Rs 100 crores worth of consumer goods every year.

OPEN TOP CANS for processed fruit, vegetables, fish and dairy products
GENERAL LINE CONTAINERS for confectionery, tea, biscuits, baby foods, edible oils, paints, insecticides, powders, etc.
COLLAPSIBLE TUBES for toothpaste, ointments and adhesives
CROWN CORKS for carbonated drinks
R. S. CLOSURES for bottled products
RIGID TUBES for pills
COMPONENTS for radio, automobile and electrical industries
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PLASTIC PRODUCTS including Diothene bags, foil laminate pockets and injection mouldings
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COMPANY AFFAIRS

J. K. STEEL LIMIED

J. K. Steel has shown a significant improvement in its working for the year to June 30, 1959. The sales have jumped to a new high of Rs. 94.95 lakhs against Rs. 56.21 lakhs last year. The profit has soared; after making provision for Directors' remuneration and Managing Agency Commission it comes to Rs. 16.88 lakhs as compared to Rs. 6.22 lakhs during the previous year. The Directors have recommended the payment of a dividend at the rate of 12½ per cent, subject to tax, on the increased ordinary share capital after making provision for dividend on preference shares. Although the new ordinary shares were subscribed during the second-half of the year under review, yet according to the terms of issue, the new subscribers rank 'pari passu' with the then existing shareholders. The Controller of Capital Issues gave his consent on July 26, 1958, to issue further Share Capital of Rs. 25 lakhs comprising 10,000, 7 per cent Income-tax free Cumulative Redeemable Preference Shares of Rs. 100 each and 15,000 Ordinary Shares of Rs. 100 each. These shares were issued during the year and were fully subscribed. It may be recalled that the Ordinary Shares of the Company, which were originally of Rs. 100 each, were subdivided into shares of Rs. 10 each vide a special resolution passed by the shareholders on June 29, 1959.

According to the Directors' report, the Company has obtained licences for the manufacture of electric hoists and chain pulley blocks. The Company has already entered into a technical collaboration with a leading Finish firm in this regard. It is hoped that the project will be completed shortly. The Company has also obtained Government's approval for installation of an electric furnace for production of steel. The completion of this project will, to a large extent, make the Company self-sufficient in its requirements of raw materials. At present the Company is finding it difficult to get enough of raw materials. The cold rolling mills of the Company, therefore, operated with restricted capacity. The wire rope plant also worked below the installed capacity during the year due to non-availability of sufficient raw materials. When the Company gets enough raw materials, its working is bound to improve further.

THE UNITED COMMERCIAL BANK LTD.

In a year when many other banks have recorded comparatively subdued results, The United Commercial Bank's business and profits show a marked improvement. During the year to December 31, 1959, the net profit after providing for taxes and other charges, comes to Rs. 60.42 lakhs. This seems considerably optimistic when compared to last year's figure of Rs. 45.38 lakhs which was subject to taxation.

The Directors have transferred Rs. 27 lakhs to the Reserve Fund and provided Rs. 11 lakhs for bonus to staff. They have recommended the payment of a dividend at Rs. 5.50 per share, subject to deduction of tax, which will absorb Rs. 22 lakhs.

During the year the bank opened branches at Abohar, Bhatinda, Bhilai, Chandpole Bazar (Jaipur), Chandigarh, Dupleix Street (Pondicherry), Kowloon (Hong Kong), Malout, Millerganj (Ludhiana), Nakodar, Porbandar, Sambalpur, Serangoan Road (Singapore), Srinagar and Udaipur. The Bank now has a network of 121 branches within the country and 13 branches abroad in Pakistan, Burma, Malaya, Singapore, Hong Kong and the United Kingdom. The deposits of the Bank during the year have increased from Rs. 78.28 crores to Rs. 96.68 crores on December 31, 1959. Against this the advances, including the bills discounted and purchased have increased to Rs. 56.25 crores against Rs. 45.16 crores a year ago.

THE UNION BANK OF INDIA LTD.

The Union Bank of India continued to show satisfactory progress during the year 1959; the deposits which stood at Rs. 24.62 crores as at the end of December 1958, rose to Rs. 32.17 crores at the end of December 1959. Advances increased from Rs. 15.78 crores to Rs. 20.57 crores and the net profit increased from Rs. 14.75 lakhs to Rs. 24.27 lakhs during the period under review. The Directors have proposed the payment of a dividend at the rate of 57 nP. per share or 11-2/5 per cent per annum, subject to deduction of tax on 12 lakh shares of Rs. 5 each which will absorb Rs. 6.84 lakhs. A sum of Rs. 5.11 lakhs was separated to be paid as bonus to staff. The Bank opened five local branches in Greater Bombay and one each in Kalyan, Cambay, Bangalore, Coimbatore, Baroda, Madras and Porbander.

THE BANK OF INDIA LIMITED

(Established 7th September, 1906.)

CAPITAL—AUTHORISED		
ISSUED & SUBSCRIBED		
CAPITAL PAID-UP	.. ..	Rs. 5,50,00,000
RESERVE FUND	.. ..	Rs. 3,00,00,000
	.. ..	Rs. 3,10,00,000

Head Office:

MAHATMA GANDHI ROAD, FORT, BOMBAY.

BRANCHES IN THE PRINCIPAL CITIES OF INDIA

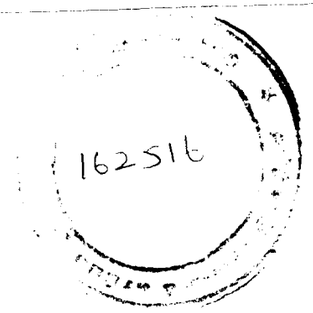
BRANCHES OUTSIDE INDIA:

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 in a position to offer a complete Banking service on favourable terms.

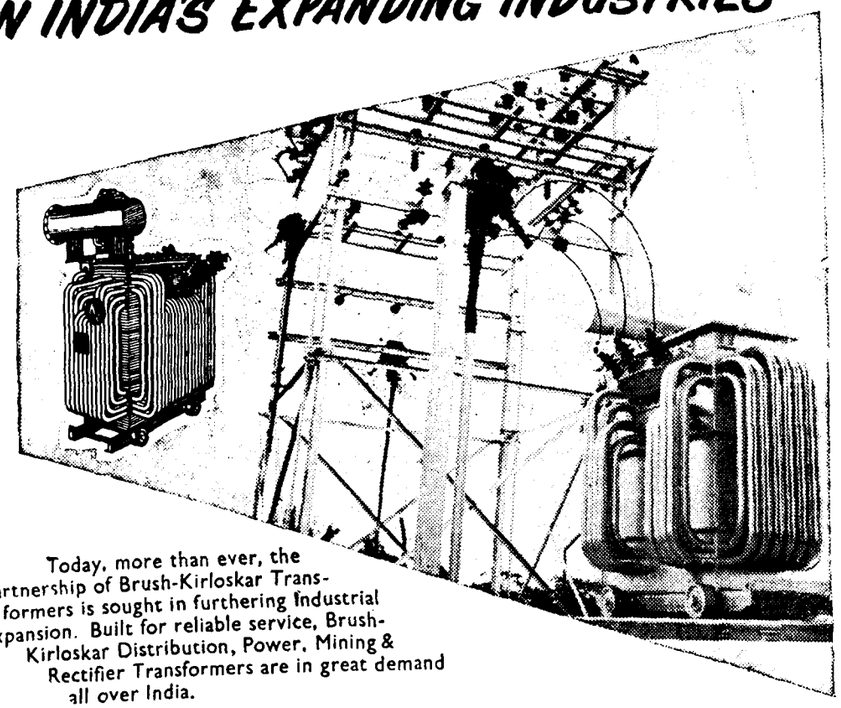
T. R. LALWANI,
General Manager.



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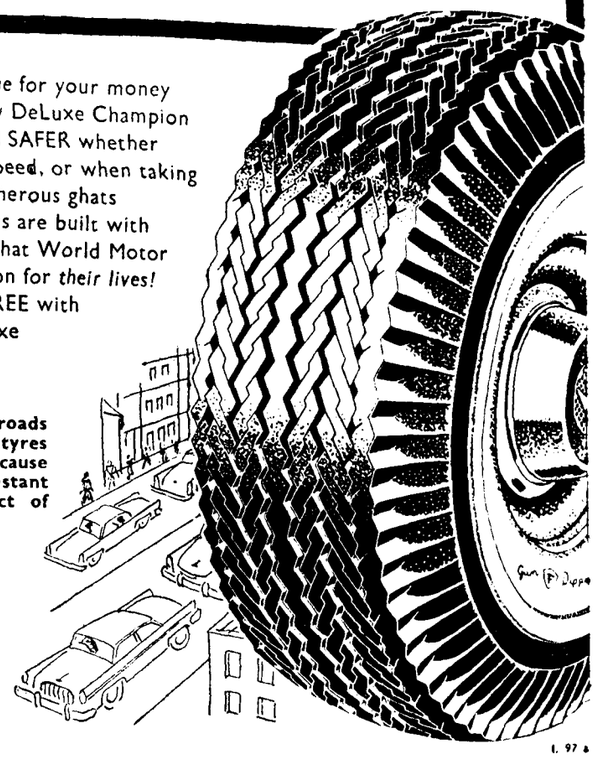
PTE-4

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BEST IN RUBBER

Chairman's Speech

THE ALKALI & CHEMICALS CORPORATION OF INDIA LIMITED

Sales 31% Higher Than Previous Year

Mr. J. M. Lall on Future Plans

Speech delivered by the Chairman, Mr. J. M. Lall, at the Twenty-third Ordinary General Meeting at Calcutta, on Wednesday, the 16th March, 1960.

Gentlemen,

The Audited Accounts and Directors' Report have been in your hands for some time and, with your permission, I shall take them as read.

On the whole, your Company has had a good year. Sales were 31% higher than in the previous year. The Polythene Plant commenced production in May 1959 and polythene sales were mainly responsible for the increase in turnover. There was also an appreciable increase in the turnover of Paints. As regards Chlorine and Caustic Soda, although the sales were satisfactory during the year under review, the Government have since fixed ceiling prices which will restrict the profit of this section of the factory in future years. Representations have been made to the Government by the Industry and it is hoped that some relief will be given, otherwise this Industry in North Eastern India cannot progress and production is unlikely to keep pace with the increased demand.

Our export sales have grown and, in support of the Government's export policy, means of increasing exports are being examined.

PROFITS, DIVIDENDS & TAXATION

Turnover and trading profits showed satisfactory increases of over 30%. Interest paid on borrowings this year as against interest received last year brought the net profit increase down to 6%. Through the operation of the Development Rebate Scheme there was no liability to income tax this year. I may perhaps say a word or two about this scheme. The requirement to appropriate 75% of the development rebate claimed out of current profits is indeed an onerous one but, fortunately, in a Company like ours which follows a policy of sound conservative finance and has built up fairly large revenue reserves, the implications are not serious. Most of the money we have placed to the credit of development rebate reserve we released from other reserves. Our total reserves of 91.5 lakhs (excluding a small balance on profit and loss account) depict a very healthy state of affairs.

The formulation of the recommendation for payment of a dividend on Ordinary Shares this year was a major exercise which required extremely careful consideration by the Board. The Shareholders' interests are always uppermost in your Directors' minds who are conscious of the fact that although the dividend of 9.5% that they have recommended is higher than the previous year's rate, the net amount in the hands of the Shareholders will be less.

We were told by the Finance Minister himself last year that the new proposals for a dividend tax of 30% and reduction of Company Tax to 45% would not increase the tax burden on Companies and Shareholders collectively. May I tell you that in recommending the present dividend your Directors have allocated the same amount of profit before tax to this dividend as they did last year. Any saving in Company Tax has been passed on to you and any additional dividend tax that you may have to pay is to be borne by you. Whether or not the result of the new taxation system has increased the tax burden on you, you can see for yourselves from the net amount you receive. The Finance Minister, when introducing these tax proposals promised to review the position if it were shown to him that in fact Government would recover substantially higher taxes. From the Reports of many well established companies it is quite evident that the burden of taxation under the new system is substantially higher. Although representations have been made to Government on behalf of Industry & Commerce, I regret to note that the recent Finance Bill offers no relief to your Company in this regard.

In formulating their dividend policy, the Board have also had to bear in mind the substantial development programme they have on hand and also the Company's indebtedness to Banks.

In conformity with the terms of issue the dividend on Preference Shares has been paid free of Income Tax. In other words, a dividend of 7.14% the gross equivalent of 5%, has been paid.

Another major defect in the tax system concerns payment of dividend from past reserves which have already been taxed at higher rates. Dividends declared from those reserves are also subject to deduction of tax at source at the prescribed rates which virtually amount to confiscation of tax credit on the taxed reserves of companies. The current Finance Bill appears to make a small concession to companies in this regard but the wording of this provision in the Bill is far from clear. I consider therefore that it would be unwise for me to make any further observation on this matter at this stage.

PRODUCTION

Production in all Units of the factory was maintained at a satisfactory level. "Alkathene" brand of polythene granules and "Alfloc" Water Treatment Powders were added during the year to the range of products manufactured at Rishra. The designed output of the polythene plant was achieved with little trouble. This success has been due in no small measure to our Technical Advisers, Imperial Chemical Industries Limited, London; to the wholehearted co-operation of contractors engaged on the work and, not least, to the efforts of the staff at Rishra factory and in Head Office.

The extensions to the Caustic/Chlorine Plant were substantially completed during the latter part of the year and the Plant is working at an increased capacity from September 1959.

EXPANSION PROGRAMME

A phased programme has been worked out to extend the Paints Plant at Rishra and it is expected that during the current year increased production will be achieved. We are still faced with a shortage of raw materials due to restriction in Import Licences. Increasing use is being made of indigenous raw materials

FUTURE PLANS

An announcement has already been made that a Plant for the manufacture of various chemicals used in the Rubber Industry will be constructed at Rishra at a cost of rupees two crores. Plans have now been finalised and construction work will begin shortly. This Unit will be erected under an agreement with our Technical Advisers, Imperial Chemical Industries Limited, London, who will provide the know-how and the sterling loan finance required to cover the cost of machinery

which must be imported. When the Plant is in production a considerable saving in Foreign Exchange is expected. We have other plans on the drawing board about which I hope to say something later in the year. Here I may perhaps digress a little and say a few words about the country's plans.

It has become common practice for a number of industrialists and Company Chairmen to find fault with Government in their public speeches and the Third Five-Year Plan being in a formative stage at the present time has come in for a great deal of criticism from the usual quarters. I for one must differ from these experts.

It is very easy to criticise a country's plans and theoretical economists everywhere are always ready to criticise that which does not fit into their own pattern of thinking. They called the Second Plan "over-ambitious" and, despite the measure of success which that Plan has met, they repeat the same criticism against the Third Plan. The fiscal objective of the Second Plan was to increase the per capita income from Rs. 281 per head to Rs. 331 per head by 1961. When I tell you that the comparable figure in Britain was Rs. 3990 per head, you will realise the enormity of the task that lies ahead.

If we wish to make progress we must approach the problems with boldness. By that I do not mean that we should be reckless in our planning but we must not be timid. The world around us is moving fast and we who have to make up so much leeway must not fall further behind. The one thing that we have to avoid is becoming inflexible in our plans. I am happy to say that by their resilience in tackling the Second Five-Year Plan, our planners have shown their ability to re-think and adjust their sights. I have no reason to believe that they would not do so in the years to come if such a step were warranted. But it is my view that in the world of the 1960s when it seems inevitable that the less developed countries will receive more assistance from our more fortunate friends abroad, a Five-Year Plan of Rs. 10,000 crores for 400 million people of a democracy is unlikely to be allowed to run into financial difficulties which would necessitate major adjustments.

LABOUR RELATIONS

Last year I emphasised the need for labour and management alike to recognise their common objectives; the prosperity of the one being closely linked with the prosperity of the other. We have, to a large extent, through Works Committees and direct negotiations with the Union reached agreement on a number of outstanding questions in a cordial atmosphere. Relations with employees in all sectors of your Company have been satisfactory.

Work reward and other incentive schemes are under consideration with a view to increasing productivity and enabling the participants to earn greater reward for greater output. I must emphasize that with the present wage structure and amenities provided for the staff it is essential that productivity must increase if industry is to progress at a satisfactory rate.

Ours is already a high cost economy and unless steps are taken to keep the unit cost of production in check further inflation will be unavoidable.

Large scale Governmental spending inevitably results in some inflationary stress and if the unit cost of production in secondary industries is also rising simultaneously and no checks are applied then the economy can be in real danger.

In pursuance of the Company's policy of providing opportunities to staff to fill positions of responsibility, members of the Technical staff are regularly sent abroad for training. We are grateful to our Technical Advisers, Imperial Chemical Industries, London, and our Associates in Australia for providing facilities for their training.

Much was done during the year to provide more staff and workers with housing. Three blocks of ten quarters each and four blocks of six rooms each were constructed at Konnagar near Rishra. Orders have also been placed for the construction of further three blocks of sixteen quarters each.

Your selling agents, Imperial Chemical Industries (India) Private Limited, have rendered the Company excellent service, both commercial and technical, and it gives me great pleasure to place on record this expression of our thanks. I would also express on behalf of your Board our appreciation of the services rendered by the staff and workers at the factory and Head Office throughout a particularly arduous year to which the extensions on the scale undertaken by the Company have thrown a very great additional burden and responsibility on all staff.

DIRECTORS

The Directors retiring by rotation are: Sir Biren Mookerjee, Sir B. P. Singh Roy and Mr. C. A. Pitts, and I have pleasure in recommending their re-election.

Once again we have to pass a resolution that the age limit applicable to Directors should not apply to Sir Bijoy. I have pleasure in commending this resolution to you.

I have also to announce that more recently Mr. John Dick was appointed an Alternate Director for Mr. Basil Robertson Goodfellow.

Messrs. Lovelock and Lewes, the Auditors, seek re-election and have asked a fee of Rs. 10,000/- plus out-of-pocket expenses, which is the same as the previous year. Again I recommend their re-appointment on these terms.

There is also an item of special business which refers to the appointment of Imperial Chemical Industries (India) Private Limited as sole selling agents for a further period of 5 years. Full particulars are given in an explanatory statement. A further item of special business requires your approval to I.C.I. (India) holding a place or office of profit namely as sole selling agents of the Company. I commend these resolutions to you.

Note: This is not a Report of the Proceedings at the above Annual General Meeting.

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Company Meeting

THE STATE BANK OF INDIA

Speech of the Chairman, Shri P. C. Bhattacharyya

The following is the speech of the chairman, Shri P. C. Bhattacharyya, delivered at the 5th Annual General Meeting of the shareholders of the Bank held in Bombay on 4th March 1960:—

GENTLEMEN,

The Profit and Loss Account shows that the balance of profit available for distribution for 1959 is Rs. 187 lakhs as compared to Rs. 190 lakhs for 1958. I had mentioned last year that the increased earnings of the Bank for the year 1958 were somewhat fortuitous. This continued to be the position in 1959 also. A sizeable portion of the Bank's deposits continued to consist of the United States P.L. 480 Funds which remained with us and were invested in Government securities. The balance of profit available for distribution this year reflects the result of the Bank's normal operations, so as to give a realistic picture to the shareholders and the public. This explains why the net profit shown in the Profit and Loss Account for the year ended 31st December 1959 is somewhat lower than that shown in the accounts for the year ended 31st December 1958, even though the tax payable by the Bank on its profits before declaration of dividend was provided at a somewhat lower rate in 1959 than that in 1958. The profit of Rs. 187 lakhs for 1959 should be appropriately compared to the figure of Rs. 156 lakhs which was the profit for the year 1956, when the Bank did not have any United P.L. 480 Funds deposited with it.

There has been a continuous rise in the expenditure of the Bank since 1956. The total expenditure of the Bank which amounted to Rs. 7.11 crores in 1956 more than doubled itself to Rs. 16.66 crores in 1959. Up to the end of 1959, we opened 359 new branches out of which only 44 branches have reached a profit earning stage. As many as 315 of these branches are still running at a loss. Compared to 1956, the increase in the expenditure on salaries, allowances and provident fund of employees alone has been of the order of Rs. 260 lakhs. This represents an increase of roughly 60 per cent. In spite of this, we have been fortunate enough that the increase in expenditure over the last three years has been covered by the increase in the income of the Bank. We cannot however be complacent. Even though the original branch expansion programme is nearing completion, this is one of our activities which has to be carried on in the future also, if we are to continue to serve the wider national interest as we have been doing. This, together with the expansion of the other development activities undertaken by the Bank, will lead to a further increase in establishment expenses. Over and above this, the year-to-year increase in the expenditure of the Bank will have to be provided for. If we are to meet such increases in expenditure without impairing the strength of the institution, it is absolutely imperative that the traditional business of the Bank must expand.

I had drawn your attention last year to the fact that the traditional business of the Bank had not been showing any marked progress since June 1958 and that in January and February 1959 the average advances and bills of the Bank had been actually lower than those in the corresponding months of 1958. This trend generally continued throughout 1959. As you are aware, our advances to industry constitute about 70 per cent of our total advances. In 1959, there was a marked decline in the Bank's advances to the cotton textile and sugar industries. With the revival in the external demand and an increase in the internal demand for its products, the Indian cotton textile industry was able to turn the corner in the year and with the decline in the stocks required to be held, the industry was able to reduce its dependence on the Bank's funds. The decline in the Bank's advances against sugar was mainly due to lower sugar production in 1959 consequent on short supply of sugarcane. Recently, with the accretion of large funds to the banking system, baking business in this country has also become highly competitive. Special facilities, some of which we are not in a position to extend, are being given by some banks to new concerns in order to attract business. In a rapidly expanding institution like ours with its obligation to undertake numerous activities in the public interest, it is essential that the Bank should record progress in all spheres of its activities, traditional as well as *developmental*. This matter is constantly engaging the attention of your Directors. I do hope that the present position is just a passing phase. I hope that our new branches will justify their existence in the near future and will enable us to show better working results. I also hope that we shall continue to enjoy the support of all—both in the public and the private sectors—in our endeavour to play our recognised role in the monetary and banking system of the country.

Your Directors regret that this year, the net dividend to the shareholder after payment of taxes has had to be slightly reduced. The Bank has declared a dividend of Rs. 20 per share for 1959 compared to an income-tax free dividend of Rs. 16 per share paid for 1958. I wish it were possible for us to declare a dividend which would have given the shareholder the same net amount as in the past even after deduction of tax at source as required under the new procedure introduced by the Finance Act of 1959. But, having taken into consideration the incidence of the new system of taxation, the probable increase in the Bank's expenditure in the near future and the necessity for an institution like ours to be in a position to maintain a particular rate of dividend over a reasonably long period, the Board of Directors were compelled to reduce the net dividend to some extent. I feel confident that it will be possible for the Bank to maintain, for some years to come, the rate of dividend that has now been fixed.

It will not be out of place here to refer to a particular matter, viz., the 'Charter of Demands' that we have received some time ago from the Federation of our Staff Associations. This Charter demands a radical revision of the pay scales, a point-to-point adjustment in the revised scales, abolition of areawise classification and increased Provident Fund and Pension facilities for all the subordinate and clerical staff with effect from 1st January 1959. A rough computation shows that if the demands are met, the present cost per employee would increase by a hundred per cent. I can understand the desire of our employees to secure an increase in their emoluments but that must obviously be related to the capacity of the Bank to bear the additional cost. Further, the wage structure demanded must be in line with that prevailing in other comparable employments and one which can be justified in the context of the prevailing economic conditions in the country. I regret to say that the demands put forward by the Federation cannot be said to satisfy any of these tests. We have always endeavoured to maintain cordial relations with the staff and the Federation and have always agreed to discuss across the table any issues raised by them. The Federation should consider whether this does not cast on them an obligation to take account of all the considerations, enumerated by me, before framing their demands. I have explained earlier the extent to which the developmental activities of the Bank claim our attention and resources. I take it that the employees of the Bank, as citizens of the country, are equally interested in seeing that neither the developmental programme of the Bank nor its financial position is adversely affected. I would earnestly request those who are conducting the affairs of the Federation to adopt a more realistic approach to the question of the improvement of their prospects and, in the interest of the maintenance of cordial relations in the Bank, desist from putting forward demands which it is impossible to meet. On my part, I can give them the assurance that the management will not be found wanting in willingness to respond to reasonable demands.

I shall now give you some more particulars of the branch expansion programme and other developmental activities of the Bank referred to in the Annual Report. Out of the 359 new branches opened up to December 31, 1959, 66 branches have been opened at towns with a population below 10,000; 182 branches at places with population of 10,000 — 25,000 and 86 branches at places with a population of 25,000—50,000. Thus the vast majority of the new branches opened by the Bank operate at comparatively small places and has been increasing banking facilities in the rural and semi-urban areas. Actually at 55 places where we have opened branches, no other scheduled, non-scheduled or co-operative bank had a branch or office; and 29 of our branches have been opened at places where no banking facility was available within a distance of 20 miles. The deposits received and advances granted at the 359 new branches stood at Rs. 28.29 crores and Rs. 11.96 crores respectively on December 31, 1959. This is an indication of the contribution made by the Bank to the mobilisation of the *national* resources and to the provision of cheaper banking facilities in the rural and semi-urban areas of the country. I may also mention here that during 1959 the Bank opened several temporary pay offices to meet the special requirements of the Assemblies, conferences and fairs held at various places, so as to serve both Indian nationals as well as visiting foreigners. These facilities, I need hardly add, were well appreciated.

As I mentioned in my speech at the last Annual General Meeting, the Bank emerged out of the pilot stage of its scheme for financing small scale industries. From 1st January 1959, the Bank has been financing small scale industries at all of its branches. Financing of small scale industries has now become a part of the normal business of the Bank. The total credit limits sanctioned to small scale industries have increased from about Rs. 237 laks in 1958 to about Rs. 462 lakhs at the end of 1959, the number of accounts going up from 696 to 1,496 during the year. You must have observed from the Report that the Bank has been making special efforts at some of its branches which have been styled as "intensive centres." The main object of operating these centres is to secure best possible results from the co-ordination of the Bank's activities in this respect with the activities of other agencies interested in the promotion of small scale industries. The progress achieved at these centres, I may tell you, has been quite encouraging. Apart from the fact that both the credit limits as well as the number of accounts at these centres have been steadily increasing, as many as 85 per cent of the borrowers have been granted limits of less than Rs. 50,000 each. The bulk of finance provided by the Bank is thus made available to relatively small units.

The finance made available by the Bank to various co-operative institutions also steadily increased during the year. The co-operative central financing agencies as well as co-operative marketing and processing societies have been drawing more on the Bank's resources and the efforts made by the Bank in several directions to fill the gap in the institutional framework for finance to co-operatives as also to impart strength and support to co-operative central financing agencies are well appreciated. Most of the doubts, misgivings and fears which were entertained in this regard initially have proved to be unreal and a workable arrangement has been arrived at in which the Reserve Bank of India, the State Bank of India and the co-operative financing agencies have been operating in a co-ordinated and harmonious manner. I do hope this relationship will grow stronger in future so as to benefit both the State Bank of India and the co-operatives, which must in turn benefit the entire community.

Another important development of the year, to which I would like to refer is the formation of the State-associated banks as subsidiaries of the State Bank of India. One of these State-associated banks was taken over on 1st October 1959 and four others were taken over on 1st January 1960. One more has become our subsidiary on 1st March 1960. Arrangements are being made to take over the remaining two of these banks shortly, so that all the eight State-associated banks will have then been taken over. I would like to assure you and the general public that each of these subsidiary banks, being autonomous, will continue to maintain its individuality and independence in its day-to-day operations. The State Bank of India will have just the general powers of control, supervision and direction. The object of taking these banks over is, as you know, to impart to them additional strength and stability, so that they as well as the State Bank of India can play a more useful role in the country's economy.

I may also tell you that arrangements are being made by the State Bank of India as well as the State-associated banks with a view to enabling the latter to fall in line with the policies adopted by the State Bank of India in respect of the various developmental activities. The branch expansion programme of these banks is being co-ordinated with that of the State Bank of India. Each of these banks will ordinarily limit its branch expansion to the area in which it has been functioning. Some of the centres selected by the State Bank of India for opening its branches have been handed over to the respective State-associated banks and each of these banks will also be opening a few more branches in its own area. I do hope this integrated banking structure will before long provide banking and remittance facilities within easy reach from all places of importance and be sufficiently responsive to national policies adopted for a rapid development of the country's economy.

BALANCE SHEET OF THE STATE BANK OF INDIA AS AT 31st DECEMBER 1959

As at 31st December 1958		CAPITAL AND LIABILITIES	As at 31st December 1959	
Rs. nP.	Rs. nP.		Rs. nP.	Rs. nP.
	20,00,00,000.00	**1. Capital:** Authorised Capital—20,00,000 shares of Rs. 100 each	20,00,00,000.00	
5,62,50,000.00		Issued, Subscribed and Paid-up Capital—(pursuant to Section 5(1) of the State Bank of India Act, 1955)—5,62,500 shares of Rs. 100 each		5,62,50,000.00
7,00,00,000.00		**2. Reserve Fund and Other Reserves**		7,20,00,000.00
1,48,50,000.00		**2A. ‡Integration and Development Fund** (maintained under Section 36 of the State Bank of India Act, 1955)		1,68,86,841.00
	223,88,45,263.61	**3. Deposits and Other Accounts:** Fixed Deposits	343,23,53,629.33	
	34,49,82,270.90	Savings Bank Deposits	36,47,68,527.22	
77,85,84,356.40	219,47,56,821.89	†Current Accounts, Contingency Accounts, etc.	201,45,71,943.20	581,16,94,099.75
	20,00,00,000.00	**4. Borrowings from other Banking Companies, Agents, etc.:** ... ... (i) In India	10,00,00,000.00	
20,85,25,000.00	85,25,000.00	(ii) Outside India	1,95,50,000.00	11,95,50,000.00
	20,85,25,000.00	Particulars: - (i) Secured by Government Securities and Bills Discounted per contra	11,95,50,000.00	
	...	(ii) Unsecured	...	
	20,85,25,000.00		11,95,50,000.00	
6,03,67,778.41		**5. Bills Payable**		8,52,13,974.01
	2,32,65,295.72	**6. Bills for Collection being Bills Receivable** as per contra: (i) Payable in India	3,07,36,405.25	
2,50,43,190.79	17,77,895.07	(ii) Payable outside India	25,88,096.30	3,33,24,501.55
	45,00,000.00	**7. Other Liabilities:** *Final Dividend for the year	56,25,000.00	
	22,780.79	Unclaimed Dividends	29,319.87	
71,86,941.32	26,64,160.53	Inter-Office Adjustments (including Rs. 2,75,076.69 due to Imperial Bank of India)	2,50,36,683.84	3,06,91,003.71
1,18,58,959.83		**8. Acceptances, Endorsements and Other Obligations** per contra		1,46,42,202.08
	55,99,170.54	**9. Profit and Loss:** Balance brought forward from last year ...	55,73,153.56	
	1,90,14,183.02	Profit for the year	1,87,10,445.23	
	2,46,13,353.56		2,42,83,598.79	
	90,00,000.00	Amount set aside for payment of Dividend (made up of Interim Dividend Rs. 56,25,000 and Final Dividend Rs. 56,25,000)	1,12,50,000.00	
	37,50,000.00	Amount transferred to Reserve Fund ...	20,00,000.00	
	6,90,200.00	Amount transferred to Pension Funds ...	6,96,100.00	
	36,00,000.00	Bonus to Staff	40,00,000.00	
	5,00,000.00	Amount transferred to Staff Welfare Fund ...	2,50,000.00	
55,73,153.56	15,00,000.00	Amount transferred to Staff Co-operative Housing Fund	5,00,000.00	55,87,498.79
	5,02,094.44	**10. Contingent Liabilities:** Claims against the Bank not acknowledged as debts Rs. 3,45,142.25		
	...	Bills of Exchange rediscounted Rs. ...		
	23,70,28,188.16	Outstanding Forward Exchange contracts Rs. 22,70,59,142.18		
	2,64,00,000.00	On partly paid-up shares Rs. 2,54,00,000.00		
	10,90,714.71	Guarantees given on behalf of Directors, Local Board Members or Officers of the Bank Rs. 44,00,150.00		
	54,87,57,832.47	Guarantees given on behalf of others Rs 122,37,74,757.92		
523,82,39,380.31	Total		Total	624,58,40,120.89

‡ In addition to the credit of Rs. 24,75,000 pertaining to the final dividend for 1958, a sum of Rs. 30,93,750 was credited to this Fund on account of the interim dividend declared in July 1959. A sum of Rs. 35,31,909 was appropriated years 1957 and 1958 of the new branches established of the Reserve Bank of India, in respect of the losses for the from this Fund during the year, under the authority under Section 16(5) of the State Bank of India Act, 1955, vide item 7 of the Profit & Loss Account.

† Includes Staff Welfare Fund and Staff Co-operative Housing Fund, ownership whereof vests in the Bank.

* Of which Rs. 30,93,750 is to be credited to the Integration and Development Fund (item 2A above) bringing the amount in the said Fund to Rs. 1,99,80,591.

As at 31st December 1958		PROPERTY AND ASSETS	As at 31st December 1959	
Rs. nP.	Rs. nP.		Rs. nP.	Rs. nP.
52,73,57,495.82		**1. Cash:** In hand and with Reserve Bank (including foreign currency notes)		60,31,65,943.63
		2. Balances with other Banks: On current account On deposit		
	...	(i) In India ... Rs. ... ... Rs. ...		
2,73,52,994.59	2,73,52,994.59	‡(ii) Outside India Rs. 4,52,19,135.53 Rs. ... ‡Including Rs. 2,04,19,319.64 held abroad under special arrangement	4,52,19,135.53	4,52,19,135.53
2,10,66,666.67		**3. Money at Call and Short Notice** ...		2,46,66,666.67
		4. ††Investments (securities valued in accordance with Regulation 73: shares, debentures or bonds at or below cost)		
	269,58,13,613.53	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments	362,84,44,192.92	
		(ii) Shares authorised under the State Bank of India Act, 1955		
	1,35,24,993.43	Fully paid up ... Rs. 74,24,368.43	1,50,24,368.43	
	2,40,98,987.00	Partly paid-up ... Rs. 76,00,000.00	2,80,64,225.50	
		(iii) Debentures or Bonds		
284,55,39,287.30	11,21,01,693.34	(iv) Other Investments—Pakistan and other Government Securities, etc.	9,97,37,136.82	377,12,69,923.67
		††Of which investments of the face value of India Rs. 11,50,00,000 and Pakistan Rs. 2,37,80,600 are pledged against borrowings from other Banks, Agents, etc., per contra		
	158,56,07,453.76	**5. Advances:** ‡ (i) Loans, Cash Credits, Overdrafts, etc.— (i) In India ... Rs. 148,65,45,994.46 (ii) Outside India ... Rs. 3,59,72,742.74	152,25,18,737.20	
		‡ Include medium term advances amounting to Rs. 1,00,53,333.33		
		**(II) Bills Discounted and Purchased— (i) Payable in India Rs. 10,48,77,233.56 (ii) Payable outside India ... Rs. 4,14,09,738.70	14,62,86,972.26	166,88,05,709.43
172,06,19,519.40	13,50,12,065.64	**Of which bills of the value of Rs. 1,00,00,000 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 borrowing as per contra		
		Particulars of **Advances:** See separate Statement appended		
		6. Bills Receivable being Bills for Collection as per contra:		
	2,32,65,295.72	(i) Payable in India	3,07,36,405.25	
2,50,43,190.79	17,77,895.07	(ii) Payable outside India	25,88,096.30	3,33,24,501.55
1,18,58,959.83		**7. Constituents' Liabilities for Acceptances, Endorsements and other Obligations** per contra ...		1,46,42,202.08
		8. *Premises less Depreciation:		
	1,26,94,284.20	Total Cost up to the 31st December 1958 ...	1,32,62,953.72	
	5,68,669.52	Additions (Rs. 2,69,683.85) less Deductions (Rs. 277.69) during the year ...	2,69,406.16	
	1,32,62,953.72		1,35,32,359.88	
		Depreciation written off up to the 31st December 1959 less depreciation previously provided on property which has passed out of the Bank's possession	13,33,868.00	1,21,98,491.88
1,22,30,603.72	10,32,350.00	**9. *Furniture and Fixtures less Depreciation:**		
		Total Cost up to the 31st December 1958 ...	1,22,41,085.73	
	90,82,383.21	Additions (Rs. 28,67,254.67) less Deductions (Rs. 27,055.40) during the year	28,40,199.27	
	31,58,702.52		1,50,81,285.00	
	1,22,41,085.73	Depreciation written off up to the 31st December 1959 less depreciation previously provided on property which has passed out of the Bank's possession	38,72,475.78	1,12,08,809.22
95,65,829.64	26,75,256.09	**10. Other Assets, including Gold and Silver:**		
	...	Bullion	...	
	2,57,53,863.43	Adjusting Account of interest, commission, etc.	2,85,09,359.96	
	1,18,50,969.12	Stationery, Stamps, Suspense (including tax recoverable), etc.	2,48,27,377.22	
3,76,04,832.55	...	Shares in Subsidiaries	80,02,000.00	6,13,38,737.18
	...	**11. Non-banking Assets Acquired in Satisfaction of Claims**		...
	...	**12. Profit and Loss**		...
			Total	624,58,40,120.89
523,82,39,380.31	Total			

... of Rs. 46,231.00 is still to be received) being written down value

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1959

Year ended 31-12-1958	EXPENDITURE	Year ended 31-12-1959
Rs. nP.		Rs. nP.
6,24,59,623.23	1. Interest paid on Deposits, Borrowings, etc.	7,87,89,963.94
6,06,25,866.48	2. Salaries and Allowances and Provident Fund (including Salaries and Allowances of Chairman Rs. 44,405.76 and Managing Directors Rs. 1,03,285.50 for the year)	
1,02,210.00	3. Directors' and Local Board Members' Fees and Allowances	6,99,66,433.92
32,23,209.53	4. Rent, Taxes, Insurance, Lighting, etc.	1,02,690.00
1,32,041.07	5. Law Charges	37,47,364.34
25,94,513.96	6. Postage, Telegrams and Stamps ...	1,72,455.82
75,000.00	7. Auditors' Fees	28,85,396.66
	8. Depreciation on and Repairs to the Bank's Property	75,000.00
17,14,457.76		
35,20,805.46	9. Stationery, Printing, Advertisement, etc.	20,47,474.31
	10. Loss from Sale of or Dealing with Non-banking Assets	36,62,953.08
...		...
43,35,521.97	11. Other Expenditure	51,02,364.03
1,90,14,183.02	12. Balance of Profit	1,87,10,445.23
15,77,97,432.48	**Total**	18,52,62,541.33

As at 31st December 1958	PARTICULARS OF ADVANCES	As at 31st December 1959
Rs. nP.		Rs. nP.
154,31,57,987.76	(i) Debts considered good in respect of which the Bank is fully secured ...	150,59,99,960.34
1,92,66,974.55	(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security ...	
15,81,94,557.09	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	2,31,96,147.45
...	(iv) Debts considered doubtful or bad, not provided for	13,96,09,601.67
172,06,19,519.40		...
		166,88,05,709.46
9,37,494.63	(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	9,28,755.88
51,02,52,674.25	(vi) Debts due by companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	43,78,72,500.68
9,72,698.45	(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 ...	11,91,419.55
53,23,43,378.61	(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	60,47,64,641.27
7,22,11,035.72	(ix) Due from banking companies ...	8,07,53,498.20

Directors.

J. D. CHOKSI
PRATAPSINGH MATHURADAS
M. H. HASAM PREMJI
RAMNATH A. PODAR
D. R. GADGIL
B. VENKATAPPIAH
SACHINDRA CHAUDHURI
W. H. S. MICHELMORE
TRIGUNA SEN
P. C. BHATTACHARYYA —Chairman
MANGALDAS PAKVASA —Vice-Chairman
B. P. PATEL
S. P. PURI —Managing Directors.

Year ended 31-12-1958	INCOME (less provision made during the year for bad and doubtful debts and other usual or necessary provisions after taking credit for excess income tax deducted at source)	Year ended 31-12-1959
Rs. nP.		Rs. nP.
* 12,21,11,007.32	1. Interest and Discount	14,52,93,668.00
3,53,49,780.09	2. Commission, Exchange and Brokerage	3,60,58,940.00
3,36,645.07	3. Rents	3,78,024.20
...	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets	...
...	5. Net Profit on sale of Investments, Gold and Silver, Land, premises and other assets	...
...	6. Income from Non-banking Assets, and Profits from Sale of or Dealing with such Assets	...
...	7. Other Receipts—Recoveries from the Integration and Development Fund for the years 1957 and 1958	35,31,909.00
...	8. Loss	...
15,77,97,432.48	**Total**	18,52,62,541.33

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, 1959.

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 Secretaries and Treasurers of the Local Head Offices at Madras and New Delhi, by the Manager, Pakistan Branches 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 Offices at Madras and New Delhi 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 & 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 & Ray.

11th February, 1960.

S. B. BILLIMORIA & CO.
RAY & RAY. Auditors.

Company Meeting

THE BANK OF INDIA LIMITED

Extracts from the speech of the Chairman, Sir Cowasjee Jehangir, Baronet, G.B.E., K.C.I.E., at the Fifty-fourth Annual General Meeting of the Shareholders of The Bank of India Limited at Bombay on Thursday, 10th March, 1960.

Ladies and Gentlemen,

With your permission the balance sheet may be taken as read.

At the time of our Annual General Meeting in 1959 the currency in circulation was Rs. 1,659 crores. At the corresponding date in 1958 it was Rs. 1,546 crores. This year it is Rs. 1,806 crores. The increase on last year's figure is Rs. 147 crores. In the present circumstances, this increase is by no means modest. Our expanding economy would appear to qualify the significance of the figures of currency in circulation but the danger of creeping inflation is ever-present and calls for constant watchfulness on the part of our Government. It is hoped that Government will see to it that their policies do not add to this inflation.

THE YEAR 1959

In many respects 1959 was a year of progress with a better record than 1958. Pessimism as to the future of private enterprise diminished a little and there is, I think, more confidence in the outlook for private industry than when I addressed you a year ago. Many new issues of shares by companies were made in 1959. A number were appreciable over-subscribed, some spectacularly so. Issues of loans by the Central and State Governments during the year were a success. The rise in industrial share prices of 1958 continued in 1959. There is, I think, a tendency towards an increase in the number of investors in equity share capital. The transactions in shares of The Bank of India Limited are comparatively few and the shares are generally held for long periods, but the number of our shareholders has passed the 10,000 mark.

Industrial development and production proceeded apace in 1959 to a marked degree. The three steel plants built under Government auspices, Rourkela, Bhilai and Durgapur, started production during the year. To this should be added the expansion of the Jamshedpur steel works being undertaken on a considerable scale. Steel production has received great attention. The year saw arrangements made for appreciable new industrial plant and machinery to replace old. There was further development in the establishment of factories for the manufacture in India of goods which had previously to be imported. This development is the subject of material assistance by way of foreign collaboration as to capital and technical help. The position regarding textiles improved during the year as the off-take in 1959 increased and the heavy stocks of 1958 were materially reduced. Today, however, the increase in labour charges as recommended by the Wage Board, the higher prices of cotton and the diminishing demand for cloth are factors operating against the maintenance of the improvement.

I told you last year that the outlook for the food situation was not entirely dark, that agricultural production had shown improvement and that the position regarding food was expected to get better. This has come about and 1959 has seen increased crops and some easing of the food situation, which is bound up with problems stemming from the continuous and appreciable increase in population.

Generally, world affairs in 1959 tended somewhat towards greater tranquility. The well-being of peoples would be greatly enhanced if even a part of the enormous expenditure on defence were diverted to productive purposes. If the prospects for long-term world peace were reasonably certain nations could turn their energies and resources to international trade with zeal and confidence. I fear, however, that the position with our neighbour nation on our northerly frontiers is not, at present, such as to allow us relief from defence expenditure. The 1960 Budget, presented the other day, proposes an increase of about Rs. 30 crores in defence expenditure for the forthcoming year.

FOREIGN EXCHANGE

With the material assistance of external help, there was, in 1959, a marked easing of the drain on foreign exchange reserves. The import restrictions, albeit somewhat relaxed, continued to have their effect and foreign securities and balances held abroad maintained over-all their position in the year. These reserves are small enough, in all conscience, but it is a little reassuring that progressive reduction has been arrested. The picture of our foreign exchange position has still been causing anxiety. The adverse balance of trade persists, notwithstanding an increase in exports in 1959. The year showed an increase in imports but much is at Government level and some on a footing where immediate foreign exchange payments are not required due to foreign aid or deferment. Plant and machinery for the growing industries form a considerable part of total imports. As I said a year ago, foreign aid and import restrictions are negative measures. It is export earnings which can, ultimately, close the foreign exchange gap.

The United States of America is beginning to feel the effect of an adverse balance of payments which has developed in her economy. Opinion is growing that other industrially developed countries should take upon their shoulders a greater share than at present of the burden of aid to those countries whose development is still young.

Trade agreements between India and other countries have continued in operation. Many of these agreements are now expressed in Indian rupees. Clauses in the agreements providing for ultimate settlement in sterling are, in some cases, being taken out when agreement are renewed.

TAXATION

Business prosperity in this country is not aided by the heavy taxation imposts. High taxation is a handicap to the efforts of private enterprise to accumulate capital for the proper equipment of its industries. It takes away from individuals some of the incentive to earn and save. The Finance Act of 1959 made radical changes in the income-tax law applicable to companies and shareholders. Before this enactment, a holder of shares in a company was given credit in his income-tax assessment for the income-tax paid by the company on profits attributable to his dividend. Tax was not

deducted from the dividend. Now the shareholder does not get credit for any tax paid by the company. Tax at prescribed rates is deducted at source from the dividend and the credit to the shareholder is restricted to the amount of such deduction. The Finance Act of 1959 reduced the rate of company taxation from 51½ per cent to 45 per cent for advance payments of tax. The 1960 Budget proposes this reduced rate of 45 per cent for regular company assessments. Wealth-tax is proposed to be taken off companies, but this removal would not benefit banks as they were never liable to the tax. The excess dividends tax is also proposed to be removed. This was applicable to banks.

The saving resulting from the reduction in the rate of company taxation and from the abolition of the excess dividends tax would not, it seems, equal the loss of tax credit shareholders enjoyed prior to the change made by the Finance Act of 1959, particularly where companies distribute as dividend an appreciable portion of their profits. The change has made a great difference to the dividends paid to the shareholders of banks. This is due to Government action and not to any fault of the management of banks. To the extent that the new system does away with the need to "gross-up" net dividends in tax assessments there is much simplification and elimination of a good deal of work by the taxing department. The deduction of tax at source under the new system had a cumbersome feature as it prescribed different total rates of deduction for four categories, namely, residents, non-residents, Indian companies and foreign companies. I welcome the proposal in the 1960 Budget to reduce from four to three the different total rates of deduction by prescribing the same total rate of deduction for residents and Indian companies.

THE MONEY POSITION

The Reserve Bank of India Rate, raised from 3½ per cent to 4 per cent on 16th May, 1957, continued at 4 per cent throughout 1959. The easy money conditions beginning in the middle of 1958 prevailed during 1959 and deposits with scheduled banks, particularly time deposits, increased as in 1958. Restrictions on imports continued to reduce the demand for import finance. Disbursements on account of increased activity on industrial projects tended towards easy money. Funds received under the United States of America Public Law 480 and lodged with specified banks would also augment the total of scheduled banks' deposits. The all-India Inter-bank agreement for maximum rates of interest on deposits operated from 1st October, 1958. It reduced undesirable competition amongst the larger banks for deposits. As 1959 wore on, money became still easier and a reduction in the maximum rates for deposits was effected by agreement from 1st September, 1959.

THE BANK IN 1959

The effect of the better business conditions of 1959 on the Bank's profits was modified by easy money and the increasingly high operating costs. At some periods in 1959 the Bank was exercised over the lack of demand for money which was aggravated by the busy season starting late.

The 1959 profit of something over Rs. 82½ lakhs is less by about Rs. 3 lakhs than the 1958 figure of Rs. 85½ lakhs. The two figures cannot be precisely compared. For part of 1959 a higher rate of tax has been deducted at source from our investment income than in 1958, but this does not affect our final tax liability. Before the profit figure has been struck, usual prudent provisions have been made.

Tax provision absorbs Rs. 18 lakhs against Rs. 25 lakhs for the previous year.

A final dividend of 10 per cent subject to deduction of tax is proposed, absorbing Rs. 30 lakhs. With the interim dividend of 6 per cent, or Rs. 18 lakhs, subject to deduction of tax, paid last August, this makes 16 per cent per annum, or Rs. 48 lakhs for the year, subject to deduction of tax at prescribed rates. The proposed carry forward at about Rs. 12½ lakhs is slightly smaller than in the previous year.

I appreciate that shareholders will be disappointed that we are proposing what amounts to a lower net dividend for 1959 than for 1958. The Bank's dividend for the four years ended 1958 was 16 per cent per annum free of income-tax. In spite of an increase in taxation suffered by the Bank during the four years, the same dividend was paid to shareholders. I do not think that the Board could, in existing conditions, prudently propose any increase in the dividend for 1959 to off-set in some degree the reduction in the net payment caused by the deduction of tax.

I must not, however, be construed as saying that the Bank's business in 1959 receded. That is by no means the case. Progress was made and trading was conducted on sound and beneficial lines, but the reduction in the net dividend paid to shareholders is due to Government action.

BRANCHES

During 1959, we opened four new branches—Santa Cruz (Bombay), Maninagar (Ahmedabad), Sowcarpet (Madras) and Cochin. We are giving increased service by establishing additional safe deposit vaults. New vaults have been opened at Santa Cruz and Churchgate branches in Bombay, at Navrangpura and Maninagar branches in Ahmedabad and at Kanpur branch. Further branches and safe deposit vaults are being opened in India. A branch at Hong Kong is being rapidly prepared for opening and will, I think, be a useful link in our chain of foreign branches.

STAFF RELATIONS

During 1959, staff relations were on a fairly even keel. Problems and difficulties occur and require patient, tactful handling.

DIRECTORS

During 1959, at our invitation, Mr. Jaisinh Vithaldas and Mr. Girdharilal Mehta joined the Board. Under the law and the Bank's Articles of Association they hold office only up to today and their election is on the agenda of this meeting.

Mr. Jaisinh Vithaldas is a partner in the old Bombay firm of Messrs. Vissanji Sons & Company and is on the board of cotton manufacturing and other companies. He belongs to a family with long connections with industry in Bombay and we consider he would be an asset in the deliberations of the Board.

Mr. Girdharilal Mehta is a Calcutta industrialist of much experience. He is managing director of Jardine Henderson Limited and is on the board of other companies, mainly registered in Calcutta. We believe his assistance would be of much value to the Bank, particularly in relation to business emanating from Calcutta.

LOCAL COMMITTEES AND STAFF

I would voice our appreciation of the help given by our Local Committees at branches. In 1959 we have extended the number of Local Committees in India and abroad. We think this will assist us greatly in the consideration of proposals for advances.

I express our thanks to Mr. T. R. Lalwani for his competent management of our affairs in 1959—also to the staff who have assisted Mr. Lalwani in dealing with the Bank's business during the year.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting.

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Flour Mills.
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Silos for Grains.
Slaughter houses.
Cold Storage.
Tobacco fermentation works.
Starch, Glucose, Dexterine factories.
Spirit factories.

*** MINING INDUSTRY ENTERPRISES:**

Floatation plants for Lead & Zinc ores with different capacity.
Coal Cleansing plant.

*** CHEMICAL INDUSTRY ENTERPRISES:**

Calcium Carbide Factory.
Ferro-silica plants.

*** ELECTRICAL INDUSTRY ENTERPRISES:**

Electric Porcelain factory, Tension upto 110 KV.
Hydro-Electric Stations from 200 KW to 4000 KW and more.
Transformer Posts and complete Transformer sub-stations tension from 6 to 110 KV with a capacity upto 31.5 MVA each Transformer.

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Factory for Steel Concrete Railway Sleepers.
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*** TECHNICAL KNOW HOW, TECHNICAL ASSISTANCE, FOR CONSTRUCTION & ERECTION OF COMPLETE PLANTS.**

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Affiliated to The Chartered Bank

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Authorised Capital	**Rs.**	**1,00,00,000**
Subscribed Capital	**Rs.**	**60,00,000**
Paid-up Capital	**Rs.**	**45,50,000**
Reserve Fund	**Rs.**	**1,08,00,000**

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M. J. Maclaren,
General Manager.

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.

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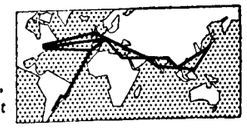
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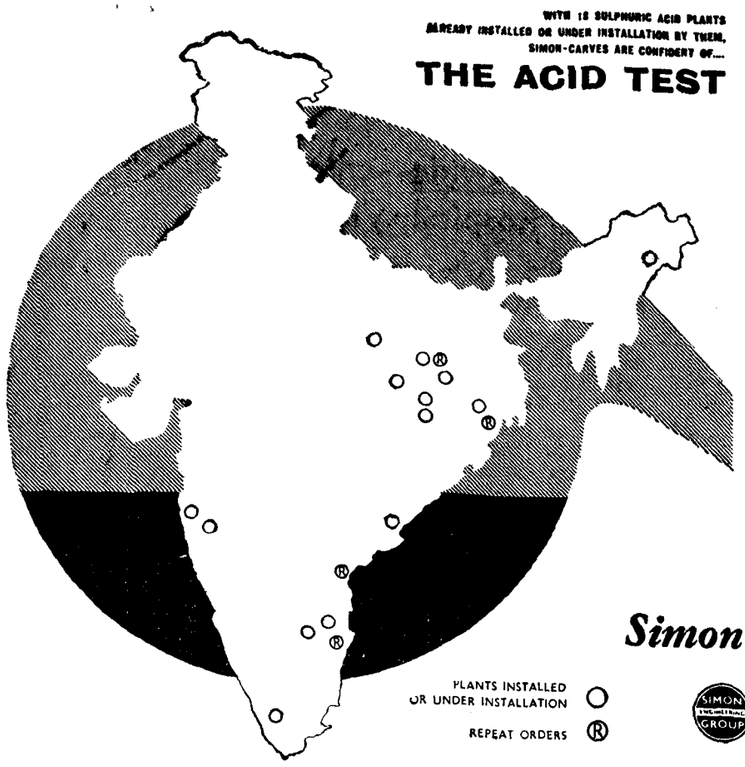


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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100 1	99 6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105 5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108 0	108.3	112.9
December	1958 ..	113.3	96.4	115.1*	112.5*	110.3	108.0	108.3	111.4
January	1959 ..	114.3	103.6	115 1	114.1	110.5	108.4	108.4	112.4
February	,, ..	115.7	104.4	115.9	115.5	110.6	108.1	108 5	113.3
December	.. ..	118.2	103.7	117.0	127.2	118.0	112.6	113 4	117 9
January	1960 ..	117.5	100.9	117 6	130.9	121.6	115.1	116.0	118.8
February	,, ..	118 8	96 0	117 9	131.7	120.5	115.6	116.3	119.6
30-1-1960	..	117.7*	98.2	117.3	132.7	121.0	115.6	116.4	119.2*
6-2-1960	..	118.3	96,4	117.4	132.4	120.8	115.5	116.2	119.4
13-2-1960	..	119.9	95.8	117.4	131.6	120.3	115 5	116.2	120.1
20-2-1960	..	118.3	95.8	117.9	131.7	120 5	115 6	116.3	119.3
27-2-1960	..	118.6	95.8	117.9	131.6	120.7	115 6	116.3	119.4

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 =100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	-	143	351	441	380	150	330	151	154	141
1952	321	337	250	140	349	453	387	151	351	147	156	145
1953	346	363	275	138	327	408	373	139	341	148	140	138
1954	342	359	244	130	321	371	364	133	321	134	135	132
1955	322	338	218	142	347	424	397	151	358	152	146	145
1956	336	352	244	150	364	448	422	162	374	157	158	152
1957	352	368	259	150	384	468	447	165	401	157	169	161
1958	376	394	274	158	384	—	498	—	429	—	173*	168*
1959	393	412	309	153	371	454	492	157	422	162	173	164
1959 May	387	406	307	154	385	462	498	163	432	164	179	168
June	394	413	309	155	399	465	500	166	434	166	178	171
July	399	418	315	156	406	468	504	165*	433	164	178	173*
August	401	420	311	156	399	465	510	162*	434	162	179*	173*
September	403	422	319	158	406	470	510	166*	441	162	179*	174*
October	408	427	324	158	399	475	511	—	449	—	177*	174*
November	405	424	322	157	389	—	511*	—	441	—	175*	171*
December	401	420	311	—	—	—	509	—	441	—	—	—
1960 January	403	422	304	159	—	—	—	—	448	—	—	—
February	—	—	—	—	—	—	—	—	—	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 4-3-1960			26-2-1960			19-2-1960			12-2-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	132.75	130.25	131.57	132.31	130.53	131.49	132.81	131.25	132.11	132.94	130.06	131.89
Silver (per 100 fine tolas)	217.62	215.25	216.35	215.56	214.50	214.95	215.44	212.94	214.33	213.56	212.69	213.15

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES: Notes in Circulation	LIABILITIES: Notes Held in Banking Department	LIABILITIES: Total Notes Issued (a)	ASSET: Gold Coin and Bullion (b)	ASSET: Foreign Securities (c)	ASSET: Total of b+c	ASSET: (b+c) as Percentage of (a)	ASSET: Rupee Coin	ASSET: Rupee Securities	ASSET: Total Assets
1953-54* ..	1 133 95	23,03	1,156,97	40,02	594,02	634,04	54 80	92,83	430,11	1,156,97
1954-55* ..	1,196.19	22,98	1,219.18	40,02	648,81	689,82	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	545,61	595,63	39.95	115,93	755,22	1,494,52
1957-58* ..	1.529.36	23,18	1,552 53	(117,76) 117,76	329,65	(663,37) 447,41	(44.37) 28.79	130,06	975,06	1,552,53
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
Average of Fridays										
December 1958	1 589,09	11,82	1,600.90	117,76	164,68	284,44	17.64	156,22	1,182.25	1,556,01
January 1959 ..	1,621,47	10.46	1,631,93	117,76	164.68	282,44	17.31	134.70	1,214,80	1,631,93
February ,, ..	1,660,09	16,85	1,676,94	117,76	174,68	292,44	17.44	132,22	1,252.28	1,676,94
December 1959 ..	1,725,18	11,46	1,736,64	117,76	163,01	280,77	16.17	132,74	1,323,13	1,736,64
January 1960 ..	1,766.07	14 42	1,780.49	117,76	163 01	280.77	15.77	130.31	1,369,42	1,780,49
February ,, ..	1,803,57	18,74	1,822,31	117,76	163,01	280,77	15.41	126,73	1,414,82	1,822,31
Week-Ending										
29-1-1960 ..	1,767,44	20,67	1,788,12	117,76	163,01	280,77	15.70	129,99	1,377,36	1,788,12
5-2-1960 ..	1,796,80	18.51	1,815,31	117,76	163,01	280,77	15 47	127,20	1,407,34	1,815,31
12-2-1960 ..	1,8 1,94	12,44	1,824,38	117,76	163,01	280,77	15.39	162,55	1,417,32	1,824 38
19-2-1960 ..	1,806.55	18,06	1,824,62	117,76	163,01	280,77	15.39	126,55	1,417,30	1,824,62
26-2-1960 ..	1,798,98	25,95	1,824,92	117,76	163,01	280,77	15.39	126,86	1,417,30	1,824,' 2

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS: Central Government	DEPOSITS: Other Governments	DEPOSITS: Banks	DEPOSITS: Others	DEPOSITS: Total	Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad §	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	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
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
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
Avr. of Fridays														
December 1958 ..	60.44	14,40	76,33	116,55	267,72	69,19	421,91	11,88	9,57	13,91	24,31	62,45	281,37	10,73
January 1959 ..	56 88	29 42	72,41	116,16	274,88	80,27	440,15	10.52	12,68	28 85	26,49	88,18	262,21	11,20
February ,, ..	58.62	21,88	72,09	115,27	267,85	85,17	438,02	16,90	6,18	30,14	25,02	89,41	258,69	11,68
December ,, ..	55 33	18,65	73,42	117,60	264,98	83,86	433,84	11,52	15,82	44.83	83,80	90,67	235,92	11,29
January 1960 ..	54 26	23,94	81,53	120.76	280.49	86,67	452,19	14,48	39,44	46,55	21 53	106,74	210 48	12,93
February ,, ..	54 68	25,82	75,76	107,57	263.84	92,51	441,35	18,82	19.84	41,08	23,97	123.39	200 73	13,52
Week-Ending														
29-1-1960 ..	49.78	21,27	73,75	119,66	264,45	88,68	438,13	20,74	14,69	43,98	20,27	107,80	217,33	13.33
5-2-1960 ..	49 25	25,74	66,29	119 36	260,64	88,64	434 29	18,59	12,80	44 34	21,75	121 04	202,40	13,38
12-2-1960 ..	66 66	20,85	81,20	108,51	277,52	91,73	454,24	12,52	37,18	44,34	23,50	130,25	192,99	13 47
19-2-1960 ..	50,75	26,47	75,59	108,52	261 33	95 05	441,39	18,14	21.28	39,84	24.63	121,23	202,80	13 47
26-2-1960 ..	51,76	30,22	79,96	93,90	255,85	94,61	435,46	26,02	8,11	35,80	25,99	121,07	204,71	13.75

* 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 of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES: Demand (2)	LIABILITIES: Time (3)	LIABILITIES: Total (2+3) (4)	Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5+6) as percentage of 4 (7)	Advances (8)	Bills Discounted (9)	(8+9) as percentage of (4) (10)	Investments in Govt. Securities in India (11)
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
1958-59 ..	735,93	860,33	1,596,26	40,30	83,29	7.74	766,56	133,27†	56.37	565,14
Average of Fridays										
September 1959 ..	741,75	1106,74	1,848,48	42,21	73,60	6.26	799,58	128,41†	50.21	762,18
October ,, ..	738,50	1118,84	1,857.34	41,69	75,12	6.29	795,39	137,83†	50.25	788,34
November ,, ..	737,36	1137,78	1,875.14	44,18	76,78	6.45	781,59	146,31†	49.49	800,78
December ,, ..	731,80	1142,04	1,873.84	43,39	70,03	6.05	800,59	150,29†	50.75	798,02
January 1960 ..	754,54	1131,99	1,886,54	46,23	78,23	6.59	841,75	158,76†	53.03	773,37
February ,, ..	748,29	1149.47	1,897,76	45.11	72,06	6.17	889,52	159,19†	55.26	767,23
Week Ending										
22-1-1960 ..	759,79	1133,93	1,893,72	44,84	74,34	6,29	846,99	159,74†	53.16	778,87
29-1-1960 ..	761,03	1137,04	1,898,07	44,07	70,00	6.01	859,93	158,99†	53.68	784,63
5-2-1960 ..	744,63	1143,10	1,887,73	43,73	65,74	5.80	873.90	158,25†	54.68	783,67
12-2-1960 ..	740,89	1145,21	1,886,10	44,28	76,55	6.41	889,20	159,82†	55.62	759,43
19-2-1960 ..	750,70	1155,71	1 906 41	45,55	71,32	6.13	893,43	159,23†	55.22	761,66
26-2-1960 ..	756,94	1153,84	1,910,78	46,87	74,62	6.36	901,56	159,44†	55 53	764,14

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(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 (4)	Deposit money with the public: Demand liabilities of banks (5)	Deposit money with the public: Other deposits with Reserve Bank† (6)	Total variations in money supply (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 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75,94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
August 1958 ..	2,309,03	1,542,72	766,31	751,61	14,70	—41,26
September ,, ..	2,314,52	1,535,02	779,50	765,10	14,40	+5,49
October ,, ..	2,290,08	1,552,70	737,37	721,23	16,14	—24,44
November ,, ..	2,319,38	1,574,14	745,25	727,68	17,57	+29,30
December ,, ..	2,349,85	1,606,45	743,40	726,03	17,38	+30,47
August 1959 ..	2,451,38	1,671,49	779,89	758,35	21,54	—9,50
September ,, ..	2,431,12	1,663,50	767,62	748,10	19,52	—20,26
October ,, ..	2,470,43	1,715,85	754,58	736,89	17,68	+39,31
November ,, ..	2,472,46*	1,702,72*	769,74*	752,30*	17,44	+2,03*
December ,, ..	2,519,96*	1,753,22*	766,74*	751,97*	14,77	+47,50*

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

Source: Monthly Bulletin of Reserve Bank.

University Grants

DEVELOPMENT GRANTS PAID TO UNIVERSITIES* 1958-59

(In lakhs of rupees)

University	Recurring	Non-Recurring	Total
1. Agra ..	0.31	1.83	2.14
2. Aligarh ..	4.57	26.35	30.92
3. Allahabad ..	0.43	1.61	2.04
4. Andhra ..	7.01	12.14	19.14
5. Annamalai ..	4.01	9.16	13.16
6. Banaras ..	1.04	9.58	10.62
7. Baroda ..	4.22	19.42	23.64
8. Bihar ..	0.15	1.23	1.38
9. Bombay** ..	2.70	16.85	19.54
10. Calcutta** ..	8.77	20.87	29.56
11. Delhi ..	2.14	12.33	14.46
12. Gauhati ..	0.09	18.11	18.20
13. Gujerat ..	0.26	1.77	2.03
14. Gorakhpur ..	0.01	0.02	0.03
15. Jammu and Kashmir ..	0.06	1.00	1.06
16. Jabalpur ..	0.02	—	0.02
17. Jadavpur ..	7.50	10.78	18.28
18. Karnatak† ..	0.90	6.60	7.51
19. Kerala† ..	0.53	4.04	4.57
20. Lucknow ..	0.04	5.01	5.05
21. Madras ..	4.32	44.18	48.50
22. Mysore ..	1.24	14.29	15.53
23. Nagpur ..	0.47	2.03	2.50
24. Osmania ..	2.26	7.65	9.92
25. Patna ..	0.62	4.37	4.98
26. Poona ..	2.70	16.49	19.19
27. Punjab ..	3.13	20.39	23.52
28. Rajasthan ..	0.16	3.59	3.75
29. Roorkee ..	5.50	14.30	19.80
30. S. N. D. T. ..	0.40	2.36	2.76
31. Saugar ..	0.34	4.74	5.08
32. S. V. V. Peeth ..	0.18	4.04	4.22
33. Sri Venkateswara ..	—	9.06	9.06
34. Utkal ..	0.14	13.76	13.90
35. Visva Bharati ..	0.12	1.30	1.43

** This includes centenary grants also

* Including Central Universities.

† This includes Rs. 1,00,000 each paid on behalf of the Ministry of Education for three-year Degree Course.

SUMMARY OF GRANTS PAID DURING 1958-59 PLAN PROJECTS

(In lakhs of rupees)

University	Recurring	Non-recurring	Total
I. Development Grants to Central Universities			
Humanities ..	2.12	19.50	21.62
Science ..	1.71	16.06	17.76
Technology ..	4.05	14.00	18.05
Constituent Colleges of Delhi University ..	0.71	7.00	7.71
II. Development Grants to State Universities			
Humanities ..	30.21	151.71	181.92
Science ..	1.93	47.80	49.73
Technology ..	26.33	70.30	96.63
Grants to Universities for centenary celebrations (Bombay and Calcutta) ..	—	21.79	21.79
Grants to Colleges for specific purposes ..	—	25.92	25.92
Miscellaneous expenditure incurred by U.G.C. for seminars etc. ..	—	0.49	0.49
TOTAL (Plan) ..	67.06	374.57	441.64

NON-PLAN PROJECTS

(In lakhs of rupees)

Central Universities	Recurring	Non-recurring	Total
Block grants to the four Central Universities ..	134.15	—	134.15
Other grants paid from Non-Plan provision ..	0.21	—	0.21
Maintenance grant for Constituent Colleges of Delhi University ..	16.52	—	16.52
TOTAL (Non-Plan) ..	150.88	—	150.88

Source: University Grants Commission.

Population and Income

POPULATION OF 100 COUNTRIES GROUPED ACCORDING TO PER CAPITA INCOME

Per Capita Income: Annual Average: 1955-57	Population in 1957 (In thousands)
I. Under $ 100	
1. Afghanistan	11,250*
2. Angola (Port.)	4,355
3. Basutoland (U.K.)	651
4. Bechuanaland (U.K.) ..	331
5. Belgian Congo	13,124
6. Bolivia	3,273
7. British Somaliland	552*
8. Burma	20,054
9. Cambodia	4,600
10. Cameroons (Br. Admin.) ..	1,562
11. Cameroons (Fr. admin.) ..	3,187
12. China (Taiwan)	9,506
13. Ethiopia	12,200
14. Fed. of Nigeria (U.K.) ..	32,433
15. French Equatorial Africa ..	4,891
16. French West Africa ..	16,260†
17. Gambia (U.K.)	285†
18. Gandeloupe and dep. (Fr.) ..	251
19. Guinea	2,630*
20. Haiti	3,384
21. India	392,440
22. Indonesia	85,100
23. Jordan	1,527
24. Kenya (U.K.)	6,254
25. Korea, Republic of ..	22,303
26. Laos	1,655
27. Liberia	1,320*
28. Martinique (Fr.)	253
29. Mozambique (Port.) ..	6,170
30. Nepal	8,787
31. Netherlands New Guinea ..	714*
32. New Guinea (Aust. admin.)**	1,312
33. Pakistan	84,450
34. Papua (Aust.)**	468
35. Portuguese Guinea ..	554
36. Portuguese India** ..	647
37. Portuguese Timor** ..	484
38. Reunion (Fr.)	306
39. Ruanda — Urundi (Belg.) ..	4,568
40. Saudi Arabia	6,640*
41. Sierra Leone (U.K.) ..	2,210*
42. Somaliland (It. admin.) ..	1,310
43. South West Africa (S. Afr.)	524
44. Spanish Guinea	212
45. Sudan	10,700
46. Swaziland (U.K.)	237†
47. Tanganyika (Br. admin.) ..	8,760
48. Thailand	21,076
49. Togoland (Fr. admin.) ..	1,093
50. Uganda (U.K.)	5,680
51. Viet-Nam, Republic of ..	12,300
52. Yemen	3,000*

Per Capita Income: Annual Average: 1955-57	Population in 1957 (In thousands)
II. $100 — $199	
53. Brazil	61,268
54. Ceylon	9,165
55. Dominican Republic ..	2,698
56. Ecuador	3,890
57. El Salvador	2,350
58. Fiji Islands (U.K.) ..	354
59. Ghana	4,763
60. Gautemala	3,451
61. Honduras	1,769
62. Iran	19,253
63. Iraq	6,538
64. Libya	1,210*
65. Madagascar (Fr.)	4,905†
66. Morocco	10,115
67. Nicaragua	1,331
68. Paraguay	1,638
69. Peru	9,923
70. Philippines	22,690
71. Rhodesia & Nyasaland (U.K.)	7,450
72. Ryukyu Islands (U.S.)** ..	823
73. Tunisia	3,815
74. United Arab Republic ..	28,108
75. Zanzibar & Pemba (U.K.) ..	285
III. $200 — $299	
76. Algeria (Fr.)	10,143
77. Bhutan (Indian admin.) ..	689*
78. British Guiana	515
79. Colombia	13,227
80. Costa Rica	1,033
81. Federation of Malaya ..	6,279
82. Hong Kong (U.K.) ..	2,583
83. Malta and Gozo (U.K.) ..	319
84. Mauritius and dep. (U.K.) ..	603
85. Mexico	31,426
86. North Borneo (U.K.) ..	397
87. Panama	967
88. Sarawak (U.K.)	640
89. Singapore (U.K.)	1,460
90. Surinam (Neth.)	233
91. West Indies (U.K.)	3,056
IV. $300 — $699	
92. Argentina	19,868
93. Chile	7,121
94. Cuba	6,410
95. Cyprus (U.K.)	536
96. Israel	1,937
97. Lebanon	1,525
98. Puerto Rico (U.S.)	2,282
99. Uruguay	2,679
100. Venezuela	6,134

* U.N. estimate for 1960.
† 1956.
** Estimated.

Source: "One hundred countries, one and one quarter billion people" by Paul G. Hoffman.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1952-53=100)

Average of weeks ended Saturday	Govt. & Semi-Govt.	Debentures	Preference shares	Variable Dividend Industrial Securities: Total	Tea	Coal	Sugar	Cotton Textiles	Jute Textiles	Cement	Paper
1957-58†	98.3	99.6	88.0	125.4	143.5	89.1	159.7	119.9	63.4	125.2	159.6
1958-59	99.9	100.1	87.2	137.3	145.2	107.1	163.9	113.6	80.2	129.0	184.8
February 1959	100.7	101.5	88.2	138.5	143.7	110.7	157.5	108.2	88.8	123.1	183.1
March „	100.7	101.5	89.3	144.6	154.4	114.0	165.7	110.2	91.1	129.9	196.4
April „	100.7	101.7	91.0	149.0	153.8	120.0	170.5	114.5	97.6	134.8	206.5
May „	100.7	101.8	92.2	150.8	160.8	118.7	172.5	120.6	94.6	134.6	199.9
June „	100.8	101.8	92.1	149.8	160.5	115.7	168.7	118.7	94.6	135.6	196.8
July „	101.0	101.8	92.1	154.1	159.7	118.5	176.6	121.1	98.7	139.9	204.2
August „	101.2	102.1	93.2	153.9	157.7	116.2	176.7	123.9	98.9	137.3	207.1
Sept. „	101.4	102.1	93.6	153.1	150.8	113.0	177.3	125.0	97.7	135.5	212.2
October „	101.7	102.1	93.4	156.1	148.5	111.7	184.0	131.9	98.8	135.9	214.2
Nov. „	101.6	101.9	92.6	157.2	162.1	109.6	186.7	133.6	99.8	134.7	223.4
Dec. „	101.5	101.7	91.7	157.6	166.0	105.4	185.0	134.6	95.1	132.1	213.0
January 1960	101.5	101.7	91.3	158.7	167.4	107.5	183.2	141.5	94.5	135.1	209.2
February „	101.5	101.7	91.2	158.3	165.7	111.4	178.9	139.9	92.9	134.7	206.9
6-2-1960	101.5	101.7	91.1	157.5	165.3	110.5	179.4	139.6	92.2	134.6	204.6
13-2-1960	101.5	101.7	91.3	158.3	165.7	111.0	178.9	139.8	92.6	135.1	207.1
20-2-1960	101.4	101.7	91.3	158.2	166.2	111.6	178.0	140.0	93.1	134.2	207.2
27-2-1960	101.4	101.6	91.2	159.1	165.7	111.5	179.2	140.3	93.6	135.0	208.7
5-3-1960	101.4	101.6	91.3	165.5	167.7	114.9	183.7	145.1	95.2	141.3	215.3

†Average of 40 weeks.

Treasury Bills

GOVERNMENT OF INDIA TREASURY BILLS

(In lakhs of rupees)

Period	Transactions with the Public: Amt. offered	Amt. tendered	Total Sales (4+5+6)	Amt. sold by tender: Against maturing Treasury Bills	Against Cash	Sales of Intermediate Treasury Bills	Amt. discharged	Sold in favour of Reserve Bank	Total Amount outstanding*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1951-52	—	—	—	—	—		—	1,335,50	314,34
1952-53	42,00	65,60	42,00	1,17	40,83		30,00	1.233,09	315,29
1953-54	56,50	91,38	56,50	3,46	53,04		56,50	1,309,06	334,95
1954-55	23,50	37,97	23,50	38	23,12		23,50	1,523,81	471,87
1955-56	55,50	86,25	55,50	2,60	52,91		54,50	1,994,09	595,25
1956-57	1,00	1,03	1,00	—	1,00		14,00	2,737,58	835,70
1957-58	—	—	—	—	—		—	4,236,65	1,295,12
1958-59	81,00	122,06	86,79	4,01	76,99	5,79	61,29	4,644,56	1,225,32
Sept. 1958	10,00	13,05	10,00	—	10,00		—	333,84	1,042,36
Oct. „	9,00	18,30	9,00	—	9,00		80	682,26	1,148,14
Nov. „	15,00	27,73	19,64	2,00	13,00	4,64	12,20	106,74	1,151,47
Dec. „	9,00	12,10	9,65	—	9,00	65	10,00	320,58	1,139,69
Jan. 1959	9,00	9,20	9,00	—	9,00	—	9,00	718,20	1,183,54
Feb. „	8,00	10,99	8,50	1,96	6,04	50	19,64	106,94	1,172,86
March „	8,00	8,10	8,00	—	8,00	—	9,65	383,69	1,225,32
April „	8,00	8,00	8,00	—	8,00	—	7,00	490,91	1,273,62
May „	10,00	10,85	10,00	—	10,00	—	10,50	417,28	1,317,88
June „	8,00	9,33	8,24	—	8,00	24	8,00	396,28	1,330,71
July „	9,00	13,90	18,20	—	9,00	9,20	10,00	726,44	1,305,32
August „	8,00	9,05	10,36	—	8,00	2,36	8,00	241,38	1,330,28
Sept. „	9,00	10,19	14,14	—	9,00	5,14	8,24	329,97	1,325,14
Oct. „	10,00	13,66	20,30	—	10,00	10,30	16,20	666,92	1,283,08
Nov. „	8,00	14,95	15,50	—	8,00	7,50	10,36	273,40	1,320,23
Dec. „	8,00	8,40	8,28	32	7,68	28	16,14	193,92	1,176,13
Jan. 1960	8,00	8,07	10,06	—	8,00	2,06	18,30	727,72	1,228,87

* At the end of the period.

GOVERNMENT OF INDIA

Five-Year Interest-Free Prize Bonds, 1965 Issued at Par and Repayable at Par on or After the 1st April 1965

Available for sale in denominations of Rs. 5/- and Rs. 100/- from 1st April 1960 until further notice.

ISSUES: The Prize Bonds (which will be in the form of bearer bonds) will be on sale at:

(i) the offices of the Reserve Bank of India, Bombay, Calcutta, New Delhi, Madras, Bangalore and Nagpur,

(ii) branches of the State Bank of India, State Bank of Hyderabad and State Bank of Mysore conducting Government Treasury business,

(iii) Treasuries and Sub-treasuries in India other than those at any place referred to in item (i) or at any place where there is a branch of any of the banks referred to in item (ii), and

(iv) all Head Post Offices and Departmental Sub-Post Offices.

Subscriptions will be received in the form of cash only and no written application will be necessary.

PRIZES: The Bonds will be in the denominations of Rs. 100/- and Rs. 5/- and will **not** bear interest but lots will be drawn quarterly for prizes on the 1st June, 1st September, 1st December and 1st March every year, the first draw being held on the 1st September 1960 and the last draw on the 1st March 1965. Lots will be drawn under the supervision of the Government of India, separately in respect of each series. The total number of prizes to be offered to the holders of winning Bonds each quarter will be 40 of the aggregate value of Rs. 92,000/- and 278 of the aggregate value of Rs. 46,000/- in respect of each series of Rs. 100 and Rs. 5 respectively. Each series of Rs. 100/- will be for Rs. 1 crore (i.e. 1 lakh Bonds of Rs. 100/- each) and each series of Rs. 5 Bonds will be for Rs. 50 lakhs (i.e. 10 lakhs Bonds of Rs. 5 each). Each Bond sold will be eligible for participation in all the draws held after the expiry of two calendar months from the month of its sale. All Bonds pertaining to a series from which any Bonds have been sold will participate in the draw but no prizes will be awarded for unsold Bonds or Bonds sold within two calendar months immediately preceding the month of the draw.

The number and amount of prizes in each series will be as follows:

EACH SERIES OF Rs. 100 BONDS

1 Prize of Rs. 25,000	Rs. 25,000
2 Prizes of Rs. 10,000	Rs. 20,000
5 Prizes of Rs. 5,000	Rs. 25,000
12 Prizes of Rs. 1,000	Rs. 12,000
20 Prizes of Rs. 500	Rs. 10,000
Total amount of prize money quarterly in each series of one lakh pieces	Rs. 92,000

EACH SERIES OF Rs. 5 BONDS.

1 Prize of Rs. 7,500	Rs. 7,500
2 Prizes of Rs. 2,500	Rs. 5,000
10 Prizes of Rs. 1,000	Rs. 10,000
20 Prizes of Rs. 500	Rs. 10,000
25 Prizes of Rs. 100	Rs. 2,500
220 Prizes of Rs. 50	Rs. 11,000
Total amount of prize money quarterly in each series of ten lakhs pieces	Rs. 46,000

All prize-money will be paid in cash and will not be liable to tax under the Indian Income-Tax Act, 1922.

PAYMENT OF PRIZE: The holder of a prize-winning Bond may present his claim **together with the Bond** at any time after the date of the relative draw at any of the following offices:

(i) the offices of the Reserve Bank of India, Bombay, Calcutta, New Delhi, Madras, Bangalore and Nagpur,

(ii) branches of the State Bank of India, State Bank of Hyderabad and State Bank of Mysore conducting Government Treasury business,

(iii) Treasuries and Sub-treasuries in India other than those at any place referred to in item (i) or at any place where there is a branch of any of the banks referred to in item (ii); and

(iv) all Head Post Offices.

The Prize money will be paid to him at the office at which he has presented the Bond after the claim has been admitted by the Reserve Bank of India.

PUBLICATION OF WINNING NUMBER: The particulars of the prize-winning Bonds will be published in the Gazette of India and the press as soon as possible after the date of the relative draw.

REPAYMENT: Prize Bonds will be repaid at par on or after the 1st April 1965 **on presentation.**

Further particulars can be obtained at any of the offices authorised to receive subscriptions.



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CONTENTS

	Page
Leading Articles:	
INDIA AT THE CROSSROADS	725
THE THIRD PLAN: A GOOD START	726
A POLICY FOR WAGES	727
A DELHI DIARY	728
THE WEEK'S NOTES — Ceylon; Britain; I & B Ministry; Trade; Agriculture.	729
A WINDOW ON THE WORLD: Odysseus on "Capital Imports: III—Experience in Three Countries"	733
THE EUROPEAN SCENE: The Common Market's Impact in 1959	735
ECONOMIC REPORT FROM THE U.S.:	739
New Export Programme	739
Business Spending	739
Special Article:	
AN ANALYSIS OF INDIAN PRICE RISES 1956—1960	741
The Business World:	
PROBLEMS OF BANKING	745
BUSINESS NOTES — Coal; Textiles; The Economy; Banking; Confectionery.	747
CURRENT TOPICS: The Third Plan: Tentative Outline	751
A DELHI NOTEBOOK	754
WORLDGRAM AND NEWS IN BRIEF	756
COMPANY AFFAIRS	758
CURRENT STATISTICS	764

India at the Crossroads

THE week has produced two major question-marks, one in the economic and the other in the political field. The first concerns the Third Plan (which is discussed in a succeeding article); the second, the incursion of the Swatantra Party into the Indian political debate after a confident convention at Patna. The National Development Council considered over the week-end a draft paper by the Planning Commission on the structure and purposes of the Third Five-Year Plan. Unfortunately, this document has not yet been released, but enough has been suggested in newspaper reports to indicate that it is, broadly, an acceptable document, striking a happy mean between a large plan, completely outside visible resources, and a small plan contemptibly beneath the country's aspirations. The Planning Commission is to be congratulated on a wise balance it has struck not only in respect of the "overall" targets, but also in respect of the allocation between agriculture and industry, the two major pillars of the Third Five-Year Plan. There may be disappointment with the allocation for power, which is probably not consistent with the industrial targets, and with the transport figures which run no higher than those of the Second Plan. These are, however, marginal elements subject to change; the important point is that a draft Third Five-Year Plan has reached the stage of preliminary and widespread acceptance.

Rumour has it that "The Three Wise Men" have submitted a unanimous report which broadly approves the approach of the Government of India and establishes the general view that the private sector in the Indian Union has abundant opportunities and can create an even better climate for itself by performance. If it is true that all the members of the Mission take an optimistic view of India's future, that in itself would be a cause for congratulation. It is not always that leading bankers from abroad look upon this country's economic aspirations with so approving an eye. However the challenge that faces India in the Sixties, when we are designing a true economic "take-off", is to ourselves in the first instance; only secondarily to our friends abroad, though they, in our opinion, have a responsibility to assist us in a process in which they have a major political and economic stake.

Our political future is not so easily assessed. The Swatantra Party convention at Patna this week has been unexpectedly successful, and Mr Rajagopalachari, full of confidence, is now visiting the Punjab and is to appear in Delhi on April 8. There has been too much in the recent con-

troversy between the Prime Minister and Mr. Rajagopalachari which makes it look as though this true democratic debate is a matter of personal pique. The Prime Minister has erred exceedingly in employing abuse instead of meeting criticisms which are to the effect that, firstly, in the Indian context, a vast State machine is likely to make inroads into individual enterprise and patterns of living for which the Indian people are at present unprepared; secondly, that the State is not likely, on current evidence, to be able to sustain a much more massive economic effort than is being currently done. These are real objections to enhancement of the power of the State, particularly when it is presided over by men who, by general agreement, are far past the prime of life. The danger of a monolithic approach to political debate and the attempt to use the prestige of one man against real grievances and genuine objections to things done in the Prime Minister's name will only discredit the Congress Party further, since its monolithic character is now being viewed with increasing distaste.

This is the time to raise the level of political debate from the personal level to that of high principles. What are the principles on which the Congress Party is going into battle at the next elections? It is time to drop the legend of Mahatma Gandhi which is now in recession, and, indeed, to rely less on the personality of the Prime Minister whose prestige is unquestionably on the decline. It is necessary for the Congress Party, if it is to command the loyalty of the Indian people, that it should base itself on principles of more vital content than those referred to in vague statements of official policy, such as trading in foodgrains, which it never seriously intended, or significant expansion of the public sector, which it can hardly perform. In point of fact the Congress Party is Socialist no longer in practice. Why does it allow itself to be ridiculed as being next door to Communism? Solely because the Prime Minister wishes to be "progressive" and some of his advisers lean that way? The Prime Minister owes it to the country to define his Socialism just as Rajaji owes it to the country to explain how his "trusteeship" performs in economic terms. Both leaders are getting away with too much in this battle of words. Is it not time that the country called them both to order? They both need to have more regard for the sovereign electorate they both claim to serve.

The Third Plan: A Good Start

AS the highest policy-making body in respect of planning, the National Development Council, which met during the week-end in the capital, has given its imprimatur to the Third Plan total outlay of Rs. 11,000 crores. Conforming to earlier anticipations, the share of the public sector has been fixed at Rs. 7,000 crores, while for the private sector, it is of the order of Rs. 4,000 crores. This cannot be deemed very ambitious considering not only the political imperatives, but the need for economic development arising from the irresistible demand for employment and income of the growing population. It is also not a little significant that even with this oulay, the rise in national income envisaged is just 5 per cent per annum, while the *per capita* growth will be even lower with the anticipated increase in population at 2.14 per cent per annum during the Third Plan period.

Apart from this, attention should be focussed here to one or two other salient features. One is that the comparable figure of total outlay in the Second Plan, as envisaged, was Rs. 7,200 crores. Secondly, in spite of gloomy prognostications, the share of the private sector in the total outlay as well as in the total investment is more than in the Second Plan even in percentage terms. In absolute terms, it is more impressive. Whereas by the time the Second Plan is completed, the private sector would have spent only Rs. 2,400 crores, in the Third Plan it is allotted about Rs. 4,000 crores. This does not, however, mean that there is no room for controversy over the allocations under the different heads either in the private or the public sector. But as the Prime Minister stressed at the meeting, all the magnitudes that have been suggested at this stage are only tentative which means that there is scope for further modifications.

The significance of the N.D.C. session, however, lies elsewhere. This relates to the concern it has expressed over fulfilling certain essential conditions for the successful implementation of the Plan. These stem from the realisation that the problems that have been given rise to in the past in the form of inflation, mounting unemployment and regional imbalance in development have to be met squarely and with a sense of urgency. It was, therefore, wise on the part of the Council to have laid stress on a series of principles which are unexceptionable like an integrated price policy, keeping construction costs to the minimum, economy and efficiency in public enterprises and realising the maximum employment potential inherent in the plans of the public and private sectors.

The paramount importance given here to a price policy augurs well as it is the kingpin of the entire Plan. The Council has decided that the Chief Ministers of the States should meet again next month to discuss specific measures relating to price policy. The implication of referring the question of the measures to be taken to hold the price line to the Chief Ministers is not quite clear unless it be it is Government's intention to tap the opinion of State representatives to a system of price control on essential commodities and the practical aspects of a price policy. However, the Planning Commission has shown commendable realism in at least one respect. In restricting deficit financing to a level of Rs. 550 crores as compared to the figure of Rs. 1,200 crores in the Second Plan, it has indirectly admitted the perils of inflationary pressures, which unless checked, will make a mockery of the physical targets of the Plan. By the same token, it carries an implicit warning that the fiscal and monetary policies of the Union Government have a major responsibility in checking inflation at the source.

These are easily said than done. Fixing the target for deficit financing cannot automatically ensure that it will be adhered to when the resources position is going to prove a formidable challenge. It has been assumed that the contribution from existing revenues will be just around Rs. 200 crores and additional taxation required will be of the order of Rs. 1,650 crores, of which the States' share will be Rs. 500 crores. Even granting that there has been an underestimate in respect of savings from current revenues in view of the recent buoyancy in revenues and the scope for a further increase on account of rising industrial output, the magnitude of taxation has to be very large. It is not known how this can be avoided in spite of the hardships it will impose on the mass of the people. While the Centre has an unenviable responsibility here the State Governments must be firmly told that they cannot on their part rest on their oars as in the past and must duly assume their share in filling the gap between their resources (estimated at Rs. 1,150 crores) and their outlay (estimated at Rs. 3,650 crores). From the point of view of internal resources, it is plain that it is from the tax and loan efforts that the major contribution has to come since sources like yields from public enterprises (which, excluding the railways, are estimated to net in Rs. 470 crores) are likely to prove a leap in the dark.

The Third Plan is now entering from a stage of discussion to a stage of documentation. Arid controversies must, therefore, now give place to sober second thoughts. There has been much in the proceedings of the National Development Council that should give one cause for some satisfaction. The note of pragmatism seen in the Prime Minister's reference to industrial policy and the Food Minister's sharp reaction to suggestions for State trading hold their own moral for it is not by dogma but by results that the Plan will be tested in the ultimate analysis.

A Policy for Wages

EVEN before the Chief Ministers were assigned the delicate task of formulating a policy for prices in the Third Five-Year Plan, the Indian National Trade Union Congress came out with a catalogue of demands, which demonstrate how prices are vulnerable to the influence of complex factors and how an attempt to hold the price-line can be thwarted by sectional pressures. Its memorandum on Labour Policy in the Third Five-Year Plan, presented to the Planning Commission on the eve of the meeting of the National Development Council, sets out a wide range of demands whose incidence on production costs is bound to be substantial.

Unquestionably, the most important part of this document is its statement of a policy for wages which has an immediate bearing on prices. The policy which the INTUC wants to be enforced in the Third Plan is the policy for "fair" wages. There can be no quarrel with this objective which has been incorporated in the current Plan. But it cannot be implemented in isolation, irrespective of the impetus which it will necessarily give to inflation. This is precisely the blunder into which the INTUC has fallen. Its one-sided plea is the least calculated to carry conviction with the Government or the Planning Commission.

Accepting the capacity of the average unit in an industry, as distinguished from the marginal unit, as the criterion on which the fair wage must be based, it proceeds to examine this issue of capacity. It recognizes the hard fact that the capacity to pay is not easily amenable to accurate assessment, because it is a complex of several factors some of which are beyond the control of the industry. No attempt is made to analyse at least the major extraneous factors which complicate the issue of capacity. But its perverse preoccupation with "fair" wages here and now is illustrated by a typical instance.

It blames the Government's taxation policy as being in the forefront of the influences which distort the industry's capacity to pay. It has a specific grievance against excise duties which directly enter into the cost structure. "There is no use Government accepting the worker's right to a fair wage unless it also regulates its taxation policy in such a way that the capacity to pay a fair wage is not impaired". Little did the authors of the INTUC's policy document care to examine the elements of the present structure of taxation, the pivotal position of excise duties in it and the increasing reliance which the State will have to place on them for augmenting tax revenue as a major resource to finance the five-year plans. They need only to note the plain fact that excise will account for one-third of the additional taxation of Rs. 1,650 crores, tentatively envisaged for the Third Plan. Does the INTUC want the reduction in tax resources to be made good by created money which will provide merely illusory increments in wages?

It is not as if the INTUC is indifferent to illusory gains in terms of money wages. It fully recognises the fact that increases in money wages in the context of rising prices bring no real benefit to labour. Its remedy for holding the price-line is again illuminating. "This can be achieved only by the Government arranging for the subsidised supply of foodgrains". Since labour must not appear to receive a privileged position, Government has been ordained to provide subsidised foodgrains to all the people. But from where is the subsidy to come? Since taxation undermines the industry's capacity to pay a fair wage, more created money must be procured to accommodate the subsidy on such an extensive scale. The vicious circle continues.

Does the INTUC squarely face the issue of higher wages based on increased productivity and accept full responsibility for labour's imperative obligation in this behalf? On this score, the individual sections of the memorandum devoted to rationalisation and productivity leave no doubt as to how labour is sought to be exonerated from its responsibility. Apart from the insistence on rationalisation without tears, the INTUC goes on to argue that since rationalisation was directed mostly to the labour aspect in the first two Plans, the Third Plan should be concerned with complete rationalisation of managements. What rationalisation in respect of labour has been accomplished in the first two Plans is obviously a matter of presumption, not of proof. In the field of productivity, the major effort is to be concentrated on *quality-based* improvement. Quantitative increases are shrewdly ignored and norms of workloads are forgotten. The National and Regional Productivity Councils -- two recent intruders -- are to be relegated to the position of advisory bodies or research institutions. Productivity is to be the function of committees at the individual plant level.

If this is an example of constructive thinking for the Third Plan, one wonders how the Plan will get off the ground. Fortunately the country does not depend on the INTUC for its thinking, but it may depend on it for understanding. This, too, seems in short supply.

A DELHI DIARY

AFRICA'S JALLIANWALA BAGH

EVENTS in South Africa this week have produced a profound sense of sorrow and anger in New Delhi. The Prime Minister struck a responsive chord at once when in the Lok Sabha he described it as another Jallianwala Bagh. Most of us, who were too young at that time to appreciate the full significance of the Jallianwala Bagh massacre, know now how deep its hurts have gone. In the Lok Sabha there was an immediate response, as though an old wound had suddenly opened. Most of us in Delhi are convinced that, during the terrible trial through which the African people must go possibly for twenty years until the blind, and almost insane, Apartheid is defeated, there will be burnt into us again a recognition that in every century history has to be enacted anew. Only in the twentieth century it seems to have to be enacted twice; in the first portion of the century it was in Asia; in the second half in Africa. Together the people of Asia and Africa will see this thing through, but exactly how, we do not know. The ultimate triumph of public opinion, backed by whatever resources—I do not exclude force—might be available for the purpose, is, however, not in doubt. This is expected to be the main note in the debate the demand for which has proved irresistible.

A CHALLENGE TO ARMS

I leave this heart-burning affair to talk of more pleasant things. Delhi is hugely interested in the crossing of swords between Rajaji and the Prime Minister on the Prime Miister's home ground. Hitherto, there has been a long range missile operation; Rajaji from Madras and the Prime Minister from Delhi operating on audiences fairly well-insulated from one another. Rajaji who passed through Delhi on Wednesday told Pressmen humorously to take no notice of him until April 8—an implication that, after April 8 or 9, he would compel notice in no uncertain terms. Three major meetings have been arranged during his Delhi visit and, from the way organisation is proceeding, some excellent fireworks are promised for those who enjoy political pyrotechniques. In due course, no doubt, somebody will produce some principles for debate, but at the moment great interest attaches to the extent to which a lively political controversy can put new life into ageing politicians. Rajaji, well over 80, is now showing himself nimble in body as well as in mind. He is racing about at present in a car in the Punjab and threatens to race verbally when he is here in Delhi. He has taken air journeys in his stride; as far as one can see arrival of the Swatantra Party has taken ten years off his age reducing him to the Prime Minister's three score and ten, on which they can battle on equal terms. The Prime Minister looks as though he can do a longer battle, but he fights an unequal fight because of his vast preoccupations elsewhere. Rajaji conserves his energy well and directs his attack only at points of weakness. Much of his armour can take on the positive form of an attack on an existing Government and he seems to be exploiting this to the full. No one can promise what the issues will be, but every one is looking forward eagerly to the duel between the aged Generals. One of the strange beliefs that no one could cross swords with the Prime Minister on equal terms seems to be in the process of being dissolved.

THE LAW: IS IT AN ASS?

There have been echoes here of the hearing of the Bombay High Court on the Nanavati affair and the strange argument put back and forth in regard to Article 161 of the Constitution. I have been learning, as some others, about the rights of private advocates to enter the scene as 'amicus curiae' or in some other ancient armour. I expect this extraordinary right is not conferred on advocates only, and points to a remarkably good opportunity for journalists anxious to encounter a quick and lively public interest. Who knows, perhaps, I might be reduced one day to arguing a case before a High Court, if readers of this column feel that I am approaching things in too legalistic a manner for their prosaic minds. One thing about the courts is that legalism, unfashionable elsewhere, is recognised there as the highest virtue. What was said fifty years ago seems to be a matter of perennial interest and, what is more, of abiding force. This means the older the case, the more reverence it attracts; can this have anything to do with the disrespectful phrase that the Law's an ass?

I remember well, in days long gone by, listening to a debate in the Oxford Union in which the subject was "The Law's an Ass". On one side there was a noted barrister who opposed the resolution. The only portion of his speech that I remember was that he said that Mr G. K. Chesterton, who proposed the motion, had just come back from New York where he had been looking "round". This was a reference to G.K.C.'s spherical shape. (Actually it was not quite spherical. I remember seeing him try to get through a half-opened door full face, failing, and then trying sideways.) His main thrusts were directed against the law. He argued, on a case of his experience in which some British court had held on a piece of ancient legislation, that it was impossible for a general citizen to operate as a barber, notwithstanding the principles of the great British (unwritten) Constitution. This was because some law said something about a barber or "some other person" and the question was whether "some other person" could possibly mean every other person. The argument that "some other person" must be specific to the barber tribe was accepted as otherwise the words "barber or some other person" would not have been necessary. In the result, the court dismissed the suit and the Oxford Union carried the motion that "The Law's an Ass" with an overwhelming majority.

THE CZECH TRIO

I fear that the space left for me does not allow me to do justice to the Czech Trio which, through the kindness of the Ambassador of the Czechoslovak Republic and Mrs. Simovic, performed to a full Sapru House on Wednesday, March 23. The Trio consists of three relatively young men—Josef Palenicek, Alexander Plocek and Alexander Vectomov. They gave us three pieces —Mozart's in E. major, Schubert's trio in E flat major, op 100 and Antonin Dvorak's Dumky, op. 90. The pieces chosen were possibly not the best possible, and I thought Schubert's piece in particular a little dull. But who could fail to be interested in the three performers? They were magnificent. The cellist Vectomov of nearly world rank is under 30; he was born on December 12, 1930 and therefore is only 29 at present. He has won the first prize at the International cello competition, Prague Spring Festival, and prizes at Mexico and Italy. The particular instrument on which he played dates back to 1840 and is supposed to belong originally to Count Alexander Lvoff; at least it was in his collection at Leningrad. Thus Eastern Europe in the Communist world draws at least its cultural springs from the reactionary bourgeoisie. Or should I say how proud the bourgeoisie should be that the instruments they have created can be given such wonder ful power in non-bourgeois hands?

ARGUS

THE WEEK'S NOTES

Ceylon

ELECTIONS AND AFTER

WITH BOTH the Right and the Left divided, it is hardly surprising that no party came out with an absolute majority in the Ceylon elections. For the troubled island, which was anxious for a period of peace and stability, this is indeed a pity. Though as many as 23 parties were in the field, virtually it was a fight between parties of the Right and parties of the Left, numbering in all five. From the record of the local elections before the dissolution of Parliament and the Colombo municipal elections afterwards, it was evident that the chances of the United National Party, led by the former Prime Minister Mr. Dudley Senanayake, were bright. Its serious contenders were the Sri Lanka Freedom Party founded by the late Prime Minister, Mr. Bandaranaike and the Ceylon Democratic Party founded by his successor Mr. Dahanayake. For shrewd observers, the rout of Mr. Dahanayake's Party did not come as a surprise as in the short period of his office Mr. Dahanayake indulged in antics of a bewildering variety which had no parallel in the island's history. Though the Sri Lanka Freedom Party was also rightist in its socio-economic policies, because of its opposition to the United National Party and also by virtue of its association with Mr. Bandaranaike, it claimed voters of the leftist opinion also.

The elections threw up two almost equally matched parties without either of them in a position to form a Government of its own, with the United National Party securing 50 seats and the Sri Lanka Freedom Party 46 seats. It was, therefore, only natural that as the leader of the largest single party, Mr. Dudley Senanayake should have been asked to form the Government. After being sworn in as Prime Minister, Mr Senanayake said that the most significant feature in the mandate given by the people to the new Government was the "positive and overwhelming verdict against the Marxist parties." This may be true judging by the record of the latter. What, however, the people wanted was order and stability after the recent harrowing experiences rather than success in any ideological battle. While the Left has been bowled out, it is clear that stability is yet to come. Mr. Senanayake was saying before the elections that he would not form or support a coalition Government. That might have been election tactics. But since he has failed to get a working majority, he cannot avoid a coalition now. It remains to be seen whether he will meet it squarely by seeking an understanding with the Sri Lanka Freedom Party or run the Government by a series of nebulous alliances. The former will ensure stability while it is not difficult to forecast the fate of the latter.

Britain

LABOUR AT CROSSROADS

ON MARCH 16, the British Labour Party Executive adopted its "compromise" statement on clause 4 of its constitution. On March 18 came the results of two crucial by-elections in which Labour suffered a severe setback. On March 20, Mr Gaitskell told a party meeting "to stop bickering within our own ranks" and instead "concentrate on winning over the Tories." This sequence has a moral which cannot be missed. The issue is not only one of closing the ranks of the Labour Party by recasting a vital clause in its constitution, but it relates to its very future as an alternative party that is capable of forming a Government. The fact in the aftermath of its electoral defeat, a controversy began to rage over the nationalisation issue as being the villain of the piece. Mr. Gaitskell contended that the party's constitution was a handicap and ought to be rewritten if Labour were to have any chance of winning again. For the "traditionalists" clause 4, which commits the party to "common ownership of the means of production, distribution and exchange," was sacrosanct and could not be touched. Mr Gaitskell submitted this '1918 clause' was an 'Old Testament' image which had no validity and threatened to resign if this was not amended. The result was the 'compromise' which, while retaining the original nationalisation clause, has added a new declaration of party aims to the existing constitution. The chief merit of the latter is that it endorses Mr Gaitskell's policy of a mixed economy (specifically including private enterprise) as well as his plan of judging future nationalisation schemes strictly on their merits.

While this 'compromise' has the virtue of avoiding a schism in the Labour ranks, it has in fact settled nothing. From the point of view of the electorate and especially the middle of the road voters (who constitute the crucial element in the ultimate fate of elections) this is neither fish nor flesh nor good red herring. From the point of view of Labour itself, it will prove irksome as it might lead to any amount of conflicting interpretations of Labour policy, between the 'traditionalists' and the 'realists.' It is obvious that the reverses in the recent by-elections had much to do with the divisions of the party and by the same token the results will have the effect of causing more fissions in the party notwithstanding Mr Gaitskell's 'stop bickering' call. The fact seems to be that the Labour Party is ridden with any number of internal quarrels and contradictions that it is not possible for its leaders to evolve coherent policies. Nationalisation issue is only one. There have been others like defence and the nuclear bomb. Mr Gaitskell's dilemma is this: whether to stand fast by what his horse-sense suggests or to go on appeasing his militants for the sake of expediency which may lead nowhere.

I & B Ministry

PATTING ON THE BACK

SHORN OF verbiage, Dr Keskar's lengthy speech in the Lok Sabha, while replying to the demands for grants for his Ministry, boils down to self-adulation. He waxed eloquently on the vigorous expansion of A.I.R. and the numerous programmes introduced as well as the commendable work of the Press Information Bureau. The impression left was similar to the approach of "God is in Heaven and all is well with the world." But the major point of criticism so far as A.I.R. is concerned is not about quantity but over quality. It is all very well to say that since A.I.R. has to cater to a variegated audience with marked regional and linguistic variations, there is no suitable yardstick of assessing quality. This is only a half-truth. The fact is even with regard to the programmes meant for the high-brow, as for example, the talks, the quality is very often lamentably poor. Part at least of the blame should rest on the present mode of selection which seems to be capricious. When this is the state of affairs, it is amusing that Dr. Keskar should plead with an air of self-righteousness that there are no competent Parliamentary commentators available for A.I.R. for the salary they are able to offer. Granting this is true, this is an extraordinary way of dealing with the demand for a special coverage of Parliamentary proceedings. If a full-timer of the calibre required is not available, why should not an attempt be made to make use of the services on a part-time basis of anyone among the higher hierarchy of Parliamentary correspondents of the Press?

There was also the criticism that the news bulletins of A.I.R. were partisan and tended to give undue publicity only to members of the ruling party. Curiously enough, the demand for converting A.I.R. into an independent statutory corporation on the analogy of the B.B.C., which is a hardy annual, was not heard this time. Probably, members were reconciled to the futility of raising this demand. But the fact is even with regard to the B.B.C., a controversy is going on over its Yugoslav service. In the case of a Government monopoly, the difficulty of maintaining strict objectivity is all the greater. It is in this context that Dr Keskar's apologia about the omission of the news item relating to the Chinese Premier's acceptance of Mr Nehru's invitation was hardly convincing. Dr Keskar also made much about the work of the Press Information Bureau. While nobody would grudge praise for whatever good work it might be doing, there is an impression that the organisation requires much toning up. There seems to be lot of hush-hush about it and too much of bureaucratisation. One would wish it is less wooden and more helpful to members of the Press when assistance is sought instead of just doling out information in a haphazard way.

Trade

INDO-PAKISTAN AGREEMENT

THE HIGH expectations regarding closer economic co-operation between India and Pakistan aroused by the statements of Pakistan leaders on the eve of the last week's trade talks between the two countries have not been completely belied. Though no understanding could be reached on the issue of border trade in the eastern region, the talks proved fruitful in various other respects. A two-year agreement was signed on Monday, providing for freer trade between the two countries on the basis of "most favoured nation treatment" for the commerce of either country. The improvement in the attitude of both the countries towards each other, witnessed during the past one year in spite of some major issues between the two, like the Kashmir problem, remaining unsolved, was fully reflected in these trade talks. Both the countries showed commendable accommodating spirit and made some special concessions to each other; despite her own difficulties, India has agreed to supply to Pakistan an additional 30,000 tons of coal per month and Pakistan will supply India greater quantities of jute cuttings and raw cotton about the shortage of which the Indian industry has been complaining of late.

The new agreement is an improvement over the previous ones in two respects. Firstly, the list of commodities to be exchanged has been enlarged. Secondly, a provision has been made to promote "commodity consultations" between the two countries with a view to entering into long-term arrangements of mutual benefit. This implies that in future production in the two countries may be planned with an eye on the subcontinental markets. It is heartening to note that inter-dependence of the two countries in various economic fields is growingly being realised at long last. This augurs well for the recent resolution of the ECAFE, calling upon Governments in Asia and the Far East to initiate measures for increasing intra-regional trade.

Total trade between India and Pakistan has progressively decreased during the past twelve years and was reduced to merely worth Rs. 11 crores in 1959, compared with over Rs. 180 crores in 1948-49. The reversal of this trend will be welcomed in both the countries. The agreement envisages doubling of the 1959 trade during the current year. But this can be achieved only if the pact is implemented in right earnest. Past experience in this regard has, however, been not so happy. It is hoped that this agreement will not meet the fate that befell some of the previous ones.

Agriculture

MR. PATIL'S REPLY

MR. S. K. PATIL'S reply to the Lok Sabha debate on demands for grants for his Ministry has thrown little light on the controversy that has recently raged over the Third Plan targets for agricultural production. It is intriguing how Mr. Patil asserted that self-sufficiency in food would be achieved by the end of the Third Plan even though his estimates of outlay for the next Plan have been slashed drastically by the Planning Commission. It will be nothing short of miracle if Mr. Patil is able to accomplish the proposed targets with reduced outlay. Only a few days ago it was reported that the Union Ministry of Food and Agriculture had submitted revised estimates of outlay and had asked for a minimum allocation of Rs. 800 crores, besides the sums provided for major and medium irrigation projects, setting up of fertilizer plants and financing of community development and co-operative schemes, if the proposed targets are to be achieved. How is it that Mr. Patil has now reconciled himself to the allocation of only Rs. 600 crores as proposed by the Planning Commission? Are the estimates of the Union Food and Agriculture Ministry as uncertain as the proverbial vagaries of Indian agriculture?

Mr. Patil's observations about State trading in grains, however, are welcome. He has rightly stressed that though the Government's decision on State trading stands, his approach to it would be pragmatic. With no difficulty expected to be encountered in the building up of the proposed buffer stock of 5 million tons of grains through imports, the need for internal procurement obviously does not remain as paramount. Mr. Patil's decision not to resort to State trading in deficit areas will surely help normal flow of grains to the market, which was disrupted by unimaginative pursuit of the experiment last year, leading to abnormal rise in prices even at the harvest time.

Mr Patil's concern over the failure of the States to pay adequate attention to the promotion of agriculture will be widely shared. It is not for the first time that Mr. Patil has expressed this concern; a few weeks ago he even issued a warning that the Centre would have to look for sanctions against the erring States. Will the State Governments, which, under the present system of dyarchy are the primary agencies concerned with agricultural production, shed their attitude of casualness towards this vital activity and realize their responsibilities? It is high time they pull their weight. For the achievement of the Third Plan agricultural targets, the Planning Commission greatly relies on the improvement in organisational set-up at the district and the village levels. The State Governments will do well to tone up their agricultural administrative machinery at the earliest.

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A Window on the World

CAPITAL IMPORTS: III

Experience in Three Countries

By

ODYSSEUS

THAT NO FOREIGN CAPITAL can be borrowed from any sources without compensating the lender, and that foreign investment benefits both investor and recipient, have been the themes of this column in the two preceding weeks. Today, I want to quit the realm of general principles and try to ascertain the actual experience of some countries which have relied on imported capital for their development.

CANADA'S EXPERIENCE

Let us consider, first, the experience of Canada. Concern arose in Canada at popular fears of undue domination by foreign, particularly US, capital and a Royal Commission was appointed to report. At the outset the Report noted that Canada, though relatively advanced by comparison with many producing countries, had never been able to provide from its own resources enough capital to finance the growth and development of the country:

"The growth of the country at any stage in its history would have been much slower without large supplies of capital from foreign countries, principally from the United Kingdom and the United States. All our periods of great economic activity and expansion in peacetime have been characterised by heavy inflows of capital from abroad; in periods of economic stagnation, we have been importing very little capital. Canada has always been a debtor nation."

The concern expressed over the dominating position of the United States in the Canadian economy and the conclusion that Canada seemed likely to continue as a debtor nation did not, however, dissuade the Commission from acknowledging the benefits derived from the inflow of foreign capital: "The advantages of such investment to Canadians are equally clear: the search for profits through direct investment by foreign concerns has directly influenced the rate of growth and industrial diversification in Canada and the standards of living of Canadians. The development of our resources, of facilities for processing them, and of Canadian manufacturing industries, has been stimulated by the activities of non-resident corporations in their energetic search for supplies and their pursuit of markets. Without these contacts with foreign corporations much of this development would have taken place more slowly, if at all, and at higher cost."

In another passage the Canadian Royal Commission gave the argument in more detail: "Connections with a parent or affiliated company in the United States or abroad often mean advantages which could not be duplicated by a purely Canadian enterprise or could be duplicated only at considerably greater cost. Availability of capital is important but so too, as we have said, are technology, research, product development, technical and managerial personnel, training facilities, access to markets, access to sources of supplies and accumulated experience over the whole range of business activity. The point about access to markets bears constant repetition and continued emphasis. Most of the output of many of Canada's basic industries cannot be consumed at home and must be exported. In such circumstances the assured market which foreign parent companies can often provide to their Canadian subsidiaries may be imperative to offset the heavy risks which otherwise would be inherent in the large-scale capital investment required to develop these industries."

Finally the Report reviews some of the reasons why Canada was able to attract such large amounts of external capital. The Report emphasised that the mere fact that Canada was willing to borrow abroad, and had always welcomed the investment of foreign capital would not by itself have been enough: the fundamental attraction was the conditions favourable to foreign investment that Canada was careful to build up: "Canada," says the Report, "has had a long tradition of freedom for the flow of capital and income across its borders. Canada has also had a long history of orderly and responsible Government. Moreover, a hardworking people with a strong desire for material advancement, a skilled labour force, a well-developed educational system, adequate transport and other social-capital facilities, reasonably stable economic and social conditions, and positive encouragement by all levels of Government have all helped to make this country an attractive outlet for private foreign capital .... Furthermore, there is, of course, the basic fact that opportunities for profit are great in Canada and the risks involved are relatively small."

NEW ZEALAND'S EXPERIENCE

In 1956, a Royal Commission on Monetary, Banking and Credit Systems in New Zealand reviewed the desirability of overseas borrowing in relation to both the domestic economy and the balance of payments. The Report started from the assumption that overseas borrowing is justifiable when the rate of capital development is so high that additional resources are needed to augment domestic savings; it pointed out that if these resources are obtained by borrowing abroad, imports can be maintained at a higher level than would be otherwise possible. By this means the rate of development could be increased more rapidly than if it were necessary to rely wholly on domestic savings; in particular, by assuring a continuous flow of the necessary imports, stability would be imparted to development programmes. Referring to the balance of payments, the Report noted that the resources which accrued from borrowing abroad helped to maintain external equilibrium and became of special importance in offsetting the adverse effects of a fall in export prices. On the other hand, the Report recognised that in formulating policy it would be necessary to remember that overseas borrowing creates future obligations to service the debt. These obligations made it desirable to ensure that the development financed by external capital did in fact help to increase income or reduce expenditure on imports.

AUSTRALIA'S EXPERIENCE

The Australian Economic Survey for 1957 bluntly stated that "Our resources being insufficient for the rate of growth we desire, we need overseas capital." The Survey noted that in recent years Australia had found it difficult to borrow overseas and although loans from the International Bank had eased the problem, loan

moneys had fallen far short of the amount required for total public works expenditure; "Savings in this country, taken with such overseas capital as we have been able to obtain, have been insufficient to finance expansion." In such circumstances the Survey emphasised the need to avoid any policy which might deter the inflow of capital on the scale desired. "A misjudged bid to be unduly selective or to fix conditions exactly suited to our own interests could have the effect of discouraging investments of all kinds."

The general conclusion suggested by this summary of authoritative opinion in three countries is that even for a relatively developed economy an inflow of foreign capital should, on balance, be beneficial. This conclusion applies with even greater force to countries at an earlier stage of development, with one or two qualifications. In the past, foreign capital has been mainly attracted to under developed countries by plantations and natural resources. In some cases these countries are now reluctant to allow this sector to be developed further by foreign capital. They insist that foreign investment should be in industry. Apart from the balance of payments problems involved, other factors then emerge. For example, where complex technology is required, under developed countries may be unable to compete with more advanced countries. Again, where only a small home market exists for domestic manufactures and no export markets are readily available, it may not be possible to secure the benefits of large scale production. (This lack of an overseas market does not apply to undertakings producing raw materials or foodstuffs which can only be produced in certain areas).

We saw last week that Mr A. R. Conan reckoned that UK total overseas investment since the war is £2,500 m. (i.e. £800 m. higher than the official estimates which are based on incomplete balance of payments returns). Of this £2,500 m. no less than £2,000 m. has gone to Commonwealth countries, compared with £1,100 m. (in dollars) from the USA, and £100 m. (in roubles) to Commonwealth countries from the USSR.

On Soviet aid, "The Eastern Economist" pointed out on October 23 and on November 6, 1959, that although the USSR rate of interest was nominally only 2.25 per cent, there were some notable differences between US and USSR loans. I recommend you to look up the detailed analysis given on each of those dates. To cite but one example of several, "The Eastern Economist" quoted the United Nations World Economic Survey for 1958, in which it was pointed out that the fluctuations in the prices of USSR exports on which the loan roubles were spent bears no relation to their prices in the free markets of the world. Take sugar. World prices of sugar rose by 17.8 per cent in 1957 over 1956, whereas USSR sugar prices rose by 26.5 per cent. This additional burden of about 9 per cent was borne by the non-Communist countries. To Communist countries, the USSR charged only 3.3 per cent more. Similar higher prices to non-Communist countries were charged on chrome ore, rye, cotton, flax fibre, anthracite and vegetable oil. These facts remind me of the saying: "It's never safe to judge a cigar by the picture on the lid of the box."

Hitherto, these articles have discussed the benefits of foreign investment, and have exhorted the underdeveloped to be nice to foreign investors if they want their money. Next week, we will conclude with some exhortations addressed to the West.

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The European Scene

THE COMMON MARKET'S IMPACT IN 1959

From Our Special West European Correspondent

PARIS, March 19.

THE trade figures for 1959 show how the first year's working of the Common Market affected the rest of the world. The provisional statistics for the 12 months are: Common Market's imports from the outside world, up 5 per cent; Common Market's exports to the outside world, up 9 per cent; internal trade, up 17 per cent. These crude figures serve only to give a correct general impression: the outside world did not lose on the deal but sold more on the Continent, while the Six increased their mutual commerce very rapidly. To learn anything more, we would have to analyse the statistics in greater detail and then interpret them. As to the analysis, unfortunately I have the details countrywise only for the first 11 months of the year but that is enough for us to see what has been happening:

	Imports From		Exports To	
	Common Market	Rest of World	Common Market	Rest of World
West Germany	+27.2%	+ 4.3%	+11.4%	+ 9.5%
France	+ 7.3	—17.2	+32.6	+ 2.7
Italy	+29	— 1	+27.4	+ 7.8
Holland	+14.2	+ 4.1	+18.2	+ 6.7
Belgium and Luxembourg	+10	+ 7.9	+ 9.4	+ 5.2
TOTAL	+16	— 2	+16	+ 6

It is known that in December 1959, the one month that is missing from the above table, there was a sharp increase in trade, especially in France; this had the effect of making the increase in total internal trade 17 instead of 16 per cent, of making the increase in the Common Market's exports 9 instead of 6 per cent, and finally (mainly because of a massive rise in French imports following the industrial recovery) of converting a fall of 2 per cent in the Common Market's imports into a rise of 5 per cent.

The first thing we see in this table is that internal Common Market trade increased faster than trade with outsiders not only for the whole but for each and every member, and both as regards imports and as regards exports. (All the figures in column 1 are higher than those in column 2, and all those in column 3 higher than column 4.) Secondly, the biggest differences between the rise in mutual trade and the rise in external trade were achieved by the most protectionist countries, France and Italy, whereas the low tariff Benelux countries show less significant discrimination between partners and outsiders. But before seeking to read anything else in this table, one has to take account of two accidents that had little to do with the Common Market, namely the transfer of the Saar from France to West Germany, and the French economic reform.

The transfer of the Saar, which occurred in July 1959, meant that trade between France and that territory ceased to be domestic commerce and became export-import business, while the reverse obtained for trade between West Germany and the Saar. Since total Saar-France trade in 1958 was 440 milliard francs, whereas Saar-Germany trade that year totalled only 141 milliard francs, this obviously had the effect of making the increase in trade between France and West Germany seem much larger than it really was. If one makes allowance for this, as far as guesswork permits, the 27.2 per cent increase in German imports from her partners shown in the table is reduced to 22 per cent, while the massive increase of 32.6 per cent in French exports to her partners is reduced to 18 per cent; most of the other figures remain unchanged.

The other accidental factor was the French devaluation (though this was made inevitable, indirectly, by the opening of the Common Market). This was responsible for the fall in French imports from the outside world, which is the most startling figure in our table. Without that devaluation, it is likely (in theory) that French imports would have declined no more than Italian did, while the whole community's exports would have expanded less and its imports grown more. In reality, if the franc had not been devalued France would have had to resort to other means of limiting imports which would have damaged the outside world much more seriously.

These corrections modify the magnitude of the entries in our table and warn us against ascribing changes solely to the working of the Common Market. But they leave the general sense of the results unchanged: trade increased much faster inside the community than it did between the community and non-members. To see how particular non-members were affected one would need details that are not yet available, but it is provisionally estimated that the community's imports from its neighbours in OEEC (Britain and the other members of the Little Free Trade Area) increased by about 3 or 5 per cent, while its imports from North America declined by 15 per cent. In other words the only serious victim of discrimination is the country that has not complained of it, the USA; indeed, Washington is encouraging the Common Market to accelerate its progress further this year. Britain, Switzerland, Scandinavia and the rest appear to have done better in 1959 than in 1958, and would seem to have nothing to complain about, unless they consider that they have an hereditary right to some fixed share in Continental prosperity.

Outsiders could argue that this discriminatory increase in internal trade was the result of very small changes in tariffs, and so what is going to happen when tariff discrimination becomes more marked? This brings us to the most interesting point. Indeed, the amount of tariff discrimination introduced in the first year's working of the Common Market wes extremely small—so small in fact that it cannot possibly explain the results shown in our table. Duties were cut, after all, only by 10 per cent which means a tiny retail price advantage; quotas were increased 20 per cent, but then quotas were few in most Common Market countries other than France; and the effects of this minimal amount of discrimination were annulled by the extension of these concessions to non-member countries: the duty cuts were extended to GATT members, quota increases were negotiated bilaterally with OEEC neighbours, France liberalised all her foreign trade and dollar

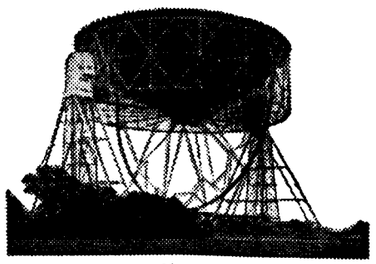
discrimination was generally reduced. In sum, the mutual privileges the Common Market nations gave each other in 1959 were more symbolic than real—and yet we have seen the extent to which their mutual trade increased in comparison with their external trade.

The answer to this mystery lies, I believe, in the behaviour of private enterprise on the Continent, which is going faster than governments and is seeking to 'anticipate' on the progress of the Common Market. It was shown in an article called "The Real Common Market" on this page in February 1959 that this was bound to happen; once private firms see that duty reductions, etc. are coming, they do not wait for them to come but plan their business in accordance with what trade will be like when duties have been reduced. (I remarked here two weeks ago that the Americans are even bolder and are investing in West Europe as though the Common Market were already fully realised.) For example, a firm in West Germany that knows that duties are going to be reduced in Italy and France eventually, takes little notice of the fact that they are still very high. Its problem is to get established in tomorrow's market before its competitors do. For this purpose it is quite willing to sacrifice its profits temporarily in order to come into line with that market's internal prices; its profits will be restored as customs duties are lowered, and meantime it will be well entrenched. This explains also a peculiarity noticed in our table: that the biggest increases in mutual trade concern the countries whose tariffs are now highest, France and Italy, because it is they that offer the biggest increases in custom when tariffs are abolished. Similarly, because the West German market offers the biggest hope of expansion in the years ahead, the other countries are making by anticipation a determined effort to get established in it; hence the large increase in German imports from her partners. The Benelux countries, already having low tariffs and expanding more slowly, do not offer the same promise for tomorrow; hence the smaller discrepancy between the increases in their mutual and external trade.

If this interpretation is correct, it is private enterprise that is setting the pace in the Common Market, not governments with their duty reductions, etc. Of course, private enterprise is doing this only because it knows that governments are going to follow: the Rome Treaty will be implemented. But it is anticipating so far on official action, that it will press for (or at least readily accept) a speeding up of the implementation of the Treaty. Plainly a German firm that is sacrificing a part of its profit in order to sell in Italy while duties are still high will be the first to urge that duties be lowered in advance of schedule, so that it can cut its tariff-losses necessary to anticipate competition. Naturally, there are also conservative forces in private enterprise that want to stick to the Treaty schedule because they are afraid of the consequences for themselves of an early introduction of the common external tariff (which will raise duties on Benelux imports from outside). So the debate between now and mid-summer on the proposed acceleration of the Common Market will be complex and no one can predict what will be decided in July. The new point to notice is that much of private enterprise, including the biggest firms, will be pressing for faster progress toward a unified market in order to justify the efforts they made in 1959 and which have resulted in the increase in mutual trade shown by the latest statistics.

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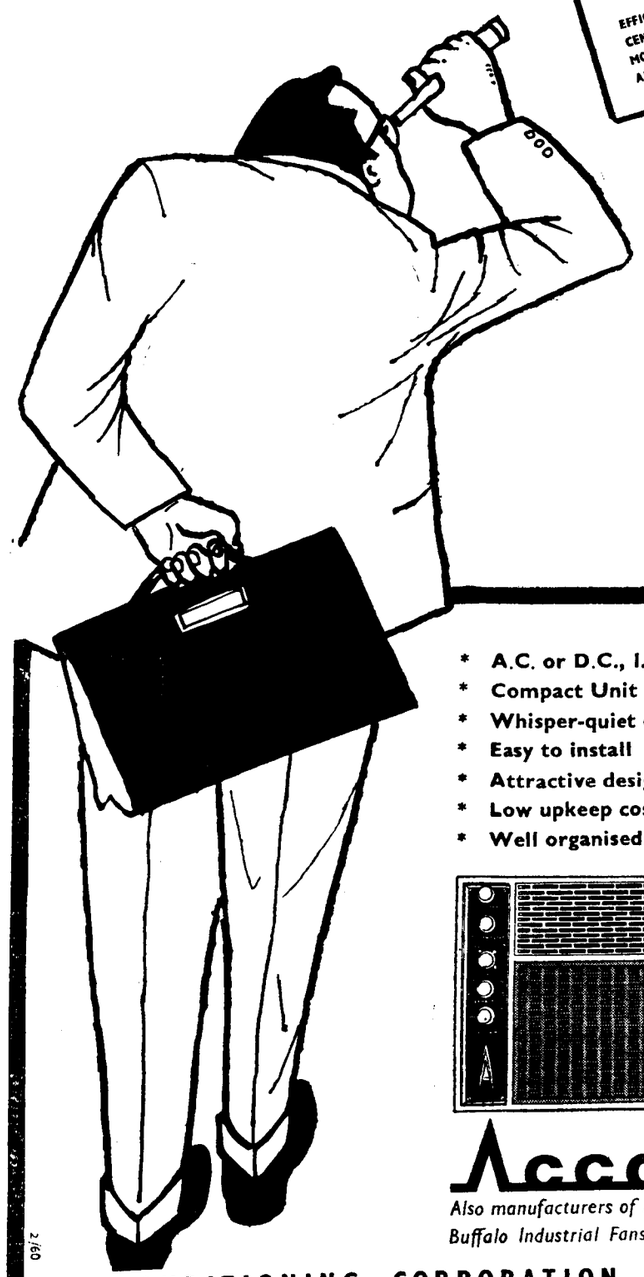
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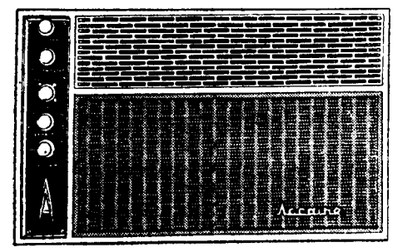
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Economic Report from the U.S.

NEW EXPORT PROGRAMME

WASHINGTON, March 18.

THE Under-Secretary of State, Mr Douglas Dillon, has stated that an increase of 10 to 20 per cent in U.S. exports is expected as a result of the new national export expansion programme announced by President Eisenhower in a special message to Congress on March 17.

In a statement, Mr. Dillon said that the priority and attention America would give to increasing its exports under the new programme would be in accord with the vigorous programmes of other nations in promoting their exports. He also pointed out that the maintenance of substantial American military forces abroad and the continued operation of economic foreign assistance programmes—essential to both the national security and to the maintenance of stability and progress in the free world—"require for their proper fulfilment a continued and substantial United States export surplus."

Mr. Dillon said the export expansion programme would require an increase in the number of American commercial attaches stationed abroad. At the present time, the State Department had 112 positions for commercial attaches. The Department hoped to add 125 to 150 more positions so that there would be a U.S. commercial attache stationed in each of the large commercial cities of the free world.

The Under-Secretary of Commerce, Mr. Philip A Ray stressed that the new programme provided for expanded trade within the free world. The export expansion programme would ultimately require additional personnel in the Commerce Department about equal in number to that required by the State Department. These would primarily be positions within the Department to supply information to U.S. exporters.

Mr. Ray said increased U.S. exports would find markets in Western Europe where the rising standard of living called for more luxury items, specially-designed articles and more raw materials for industries and in the developing nations where there was great need for machinery for industry and pharmaceuticals for health programmes. At the present time, there were about 5 million businesses in the United States, but less than one per cent of this number were engaged in exports. He stressed that "every commodity can find a market." He also said the export expansion programme would require no new legislation at this time, but would require supplementary appropriations which will reach "an ultimate plateau" of $ 10 to $ 12 million annually. The programme would require about half this amount next year until the programme was stepped up to full force.

BUSINESS SPENDING

By GUY SIMS FITCH

WASHINGTON, March 16.

WHAT is just about the most encouraging economic news of this young year came to light last week, when a Government survey disclosed that scheduled business spending on new plant and equipment is turning sharply upward. According to present plans, American business men expect to invest a total of $37,000 million this year in modernizing and expanding their facilities. This would represent a 14 per cent gain over actual 1959 outlays. It also would constitute a new annual record, exceeding the 1957 peak by a narrow margin—a most heartening if rather unexpected development.

While a 14 per cent gain may not appear "sensational" to some analysts, it certainly is substantial. What is more important, it is highly reassuring at a time when the more optimistic forecasts of 1960 economic activity seemed to be running into such "disappointments" as the stock market drop, cutbacks in automobile production, and a somewhat unsettled inventory situation. The anticipated record level of capital spending certainly indicates a sustained confidence among American business executives, and helps bolster the widely accepted estimates of a solid gain of 6 per cent or more for the U.S. economy this year. If anything, the survey indicates that business men are even more confident now than they were late last year. Last fall, they expected their aggregate spending on new plant and equipment to reach an annual rate of $34,400 million in the first three months of 1960. Now this survey, conducted jointly by the U.S. Department of Commerce and the U.S. Securities and Exchange Commission, shows that they have been spending at a rate of $35,300 million in these first three months. This first quarter rate, moreover, will rise to $36,900 million in the second quarter, and will increase further in the second half of the year, if present plans are carried out. In this regard, the record shows that business men have been remarkably accurate in forecasting the trends of their expansion and modernization plans. Since the survey was inaugurated back in 1947, it has failed to predict correctly the direction of capital spending on only one occasion, that was in 1950, a year when normal business schedules were upset by the sudden Communist aggression in Korea. Last year, it should be noted, business plans called for a 4 per cent rise in plant and equipment spending, but the actual increase turned out to be better than 6 per cent. This reaffirms the tendency for surveys of business spending—particularly those conducted early in the year—to be somewhat on the conservative side during periods of rising economic activity. On this basis, this year's investment in new plant and equipment could turn out to be even higher than currently estimated. Adding to the luster of this latest survey is its indication that the gains will be well distributed; every major industry is planning to increase its plant and equipment outlays; manufacturers as a group anticipate a 25 per cent increase this year, including rises of 33 per cent in durable goods industries and 19 per cent in non-durables. The largest gains are expected in iron and steel, motor vehicles, electrical machinery, chemicals and rubber.

Behind the spending plans are expectations of rising sales, manufacturers expect to increase their sales by 8 per cent this year over 1959, wholesale and retail firms by 5 per cent, and utilities by 9 per cent. Helping to make plant and equipment outlays an especially important barometer are their strong "multiplying" effects within the economy, as they tend to generate new business and open up new job opportunities, it may be interesting to note, in this connection, that the U.S. Labour Department report on employment in February, issued Tuesday, registered a rise to a new high for the month, while unemployment declined substantially—trends which gain in significance because of their strong contra-seasonal character. It is no wonder that Commerce Secretary Frederick H. Mueller was moved to issue an unusual special statement when the results of the plant and equipment spending survey were announced. This survey, he said, "points up one of the strong elements in the current business situation and is to me the most revealing economic measurement so far this year."



Special Article

AN ANALYSIS OF INDIAN PRICE RISES 1956—1960

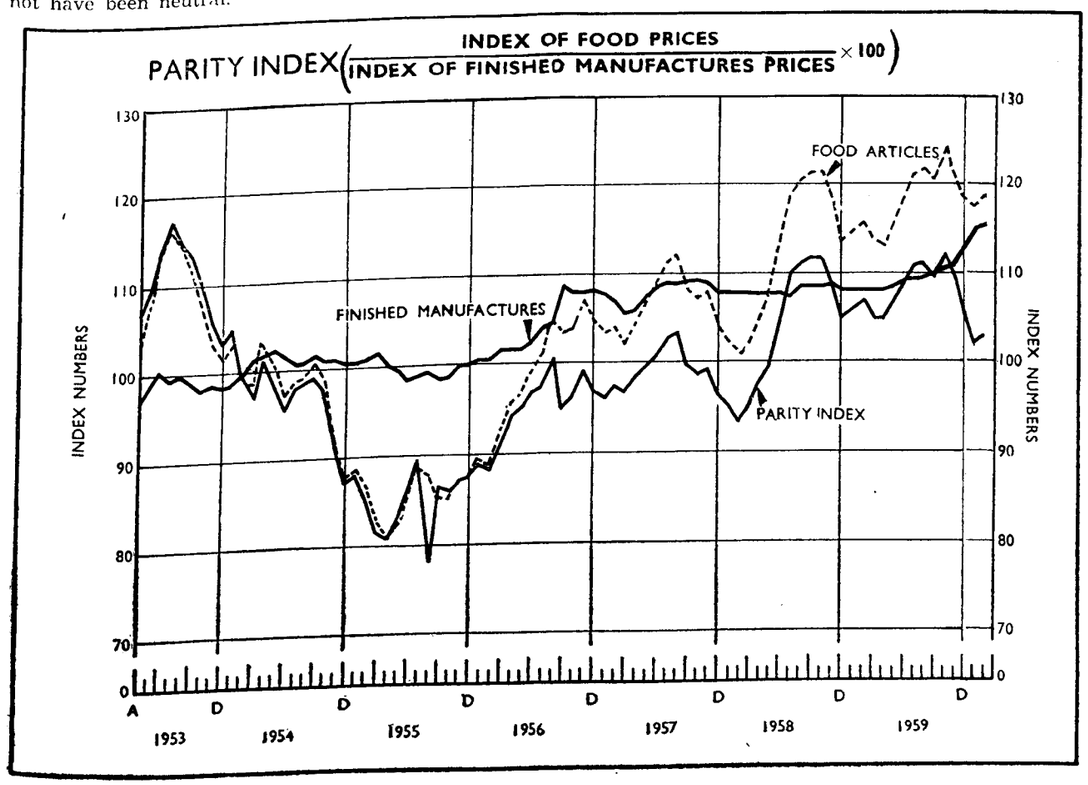
AT the two-day meeting of the National Development Council in New Delhi this week, grave concern was expressed at the rising trend in prices. The Chief Ministers of all the States will now meet on April 17 to consider price policy and are expected to consider concrete suggestions for keeping down not only the prices of foodgrains but also to maintain equitable parity between agricultural and industrial prices. This Special Article attempts an analysis of the price inflation in an effort to locate the sectors where action needs to be taken to arrest the rising trend.

The Index of Wholesale Prices computed by the Office of the Economic Adviser to the Government of India is the only comprehensive indicator of the trend in Wholesale prices. It is proposed, therefore, in this article to analyse the rise that has so far occurred in the various components which constitute this index. It is to be borne in mind that this index also has some serious limitations. There are about ten items included in this index on which there are statutory controls and the prices quoted are those of the fair price shops or the control rates. The total weightage of these commodities is estimated to be about 11 per cent in the general index. If free market prices of these commodities were included, there is no doubt that the index would certainly show a further rise of 5 per cent.

The index of Wholesale prices with 1952-53 as base shows that in the last week of February this year, wholesale prices had risen by 18 per cent over the Second Plan period. It needs to be stated here that all computation made for the Second Five-Year Plan regarding the national income, consumer expenditure and capital formation etc. were made in terms of 1952-53 prices. While there has been extensive economic development, price increase has been particularly sharp during the last twelve months when availability was at its peak. This suggests that the monetary factor could not have been neutral.

The breakdown of the Wholesale prices index shows that the food articles which constitute 50 per cent of the index have shown a rise of about 16 per cent since the beginning of the Second Plan. Weightage for rice, pulses and wheat together is nearly half of the total weightage for the food articles but here the price rise has been less than 5 per cent. But it is on a wider range of other food articles (excluding cereals and pulses) that the increase has been very sharp. This fact is brought out in Table I below. The increase in the price of food articles has been not because of the rise in prices of basic necessities but because of a number of other items which have been under severe pressure from increased purchasing power. The index for milk and milk products, for example, shows a rise of 15 per cent. Similar is the case with fruits and vegetables which show a rise of the order of 22 per cent. A large number of articles with smaller weights have shown rise between 30 to 60 per cent. For example, mustard oil and coconut oil together hold a weightage of 3.5 per cent in the food articles index, but the price rise in their case is 40 per cent. It means that while the price increase in the case of more important items (such as cereals and pulses) has been contained, that is not the case with a larger number of items with smaller weights. On all these foods of quality, the pressure has been excessively high. Tea also has less than 4 per cent weightage in this index but there has been a rise of almost 80 per cent in its price. In the case of all these items, it cannot be said that their prices have increased because there is shortage in production. Some of them have, in fact, registered a steady level of output but still the pressure of created money continues to push up their prices.

Of all the major components of the Wholesale price index, industrial raw materials show the highest rise. The rise above 1952-53 level is of about 32 per cent. Here cotton and jute have an overwhelming weightage in pushing up the level of the index. In the case of



cotton in particular, the import policy needs to be liberalised for the available supply is not sufficient to meet domestic demand. Higher prices of industrial raw materials have in turn imparted their pressure to the manufactured goods also.

The parity index between food prices and prices of finished manufactures is set out in the graph. On the average, the prices of foodgrains have been higher by about 8 per cent over the prices of manufactured articles during 1959. While the prices of manufactured goods have risen because of the rise in the price of raw materials, the index of food prices has been suppressed by sales of imported foodgrains. The parity index would certainly register a steep rise if the prices of foodgrains were not held by sales of imported foodgrains or if market prices were invariably taken in place of controlled prices. In order to keep down the prices of manufactured goods, it is necessary to liberalise the imports of raw materials such as cotton so that the level of industrial output could also be maintained and the prices of manufactured goods kept down.

One of the vital decisions to keep down the pressure of created money on prices in the Third Five-Year Plan has already been taken by the National Development Council. If the Press reports are correct, the target for deficit financing in the Third Five-Year Plan has been halved in relation to the level stipulated in the Second Plan. This is a healthy decision since it will certainly help in mitigating the pressure of created purchasing power on the wide range of consumer goods which have been under pressure.

The broad conclusions of this article may now be restated. In the first place, the successful policy of keeping down the prices of foodgrains through higher level of P.L. 480 imports needs to be continued. In the second place, imports of industrial raw materials which are hampering the growth of production in the industrial sector needs to be encouraged. In the Third Plan, the volume of deficit financing needs to be kept within reasonable limits so that the pressure on quality foods and other wide range of "necessary" items is lessened.

I. FOOD ARTICLES GROUP (BASE=1952-53)

Range of the Index	Commodities	Weightage in the Food Articles Group	Weightage in the General Price Index
Less than 100	Wheat Barley Gram Coffee	14.9	7.51
100 — 105	Rice Maize Pulses	28.7	14.47
106 — 110	Fish, eggs, meat etc.	3.4	1.71
111 — 115	Ragi, Milk and Ghee	17.1	8.62
116 — 120	Jowar, Fruits & Vegetables	6.4	3.23
121 — 125	Groundnut oil, Gingelly oil, Salt	5.2	2.62
126 — 130	Bajra, Vanaspati oil	2.1	1.06
131 — 140	Spices	4.3	2.17
141 — 150	Gur & Sugar	9.5	4.78
151 — 160	Mustard oil Coconut oil	3.5	1.76
197.7	Tea	3.8	1.92
225.7	Betel nuts	1.1	0.55
Group Index 118.6	All Commodities	100.0	50.40

II. INDUSTRIAL RAW MATERIALS GROUP

Range of the Index	Commodities	Weightage in the Industrial Raw Materials Group	Weightage in the General Price Index
Less than 100	Minerals Hemp raw	2.8	0.43
100 — 110	Sugarcane	6.5	1.01
111 — 120	Cotton raw Gingelly seed Rubber	24.0	3.72
121 — 130	Wool raw Tanning materials Linseed Lac	6.3	0.98
131 — 140	Jute raw Groundnuts Copra Logs & Timber	43.5	6.74
141 — 150	Castorseed Rapeseed Hides raw, Bamboos	10.6	1.64
168.1	Silk	1.2	0.19
181.7	Cotton seed	3.5	0.54
216.5	Skin raw	1.6	0.25
Group Index 131.6	All commodities	100.0	15.50

III. MANUFACTURES GROUP (BASE=1952-53)

Range of the Index	Commodities	Weightage in the manufactures Group	Weightage in the General Price Index
Less than 100	Jute manufactures Fertilisers, Glass, Plywood and Tea Chests	14.3	4.15
100 — 105	Woollen manufactures Silk and Rayon manufactures General Chemicals	12.4	3.60
106 — 110	Paints, Drugs, Bricks and Tiles Machinery and Transport, equipment, Paper Coir yarn Dyeing materials	14.5	4.21
111 — 115	Linseed, Soap, Leather shoes, Pottery goods, Lime	5.8	1.68
116 — 120	Cotton yarn, Leather	7.6	2.20
121 — 130	Cotton manufactures, Cement, Rayon yarn, Rubber shoes	34.1	9.89
131 — 140	Matches, Aluminium utensils, Metals	4.1	1.19
141 — 150	Iron and Steel manufactures, Oil cakes	7.1	2.05
162.8	Coal Tar products	0.1	0.03
Group Index 116.3	All commodities	100.0	29.00

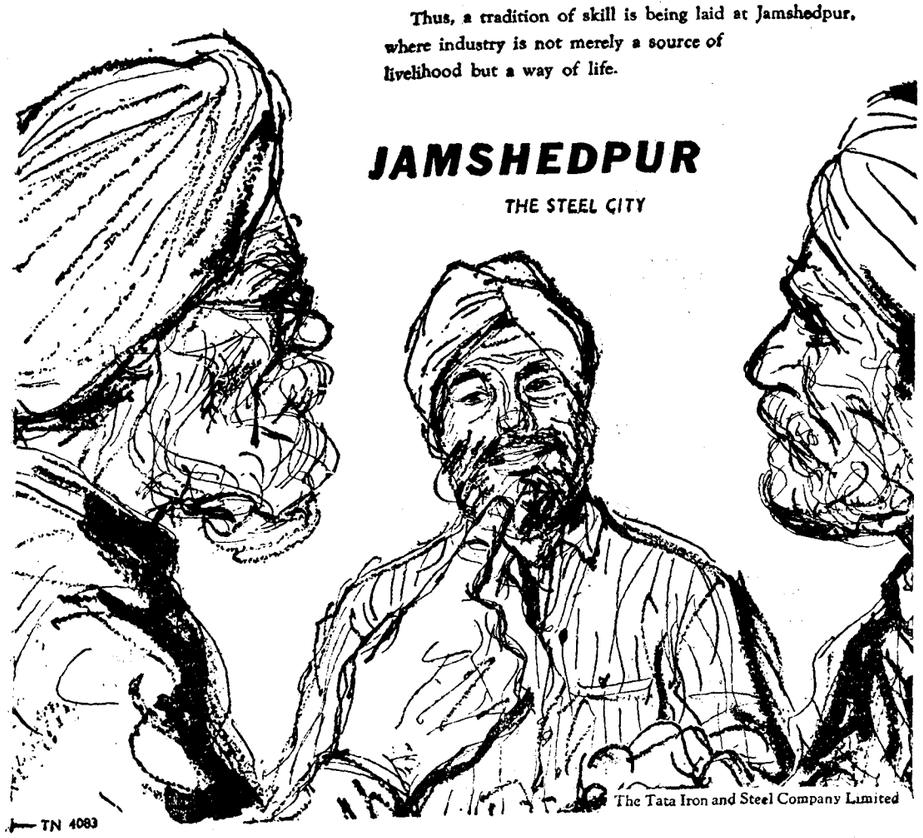
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THE BUSINESS WORLD

Problems of Banking

THE address of the Chairman of the Indian Banks' Association at its annual general meeting is always read with considerable interest in the banking circles. For, besides containing a review of the major developments in the industry during the course of the year, it usually throws light on the outstanding problems affecting the industry. Unusual interest, however, was attached to this year's address of Mr. C. H. Bhabha, the Association's President, for just on the eve of this annual meeting, the Reserve Bank of India and the Union Labour Minister had made two announcements which had vital bearing on the industry. The Reserve Bank had enforced a credit squeeze of the measure perhaps never practised earlier during the whole history of the Bank. The Union Labour Minister had announced the decision of the Government to set up a National Tribunal under the Industrial Disputes Act to go into the grievances and demands of the bank employees.

It is astonishing that Mr. Bhabha had practically very little to say about the credit squeeze which the Reserve Bank clamped on the banking system. This gap in his speech becomes all the more serious because it was to be expected that the views of the Indian Banks' Association on this burning topic of the day should have been expressed in his Presidential address. The annual session of the Association was held on March 18 last, while the credit squeeze was announced exactly a week earlier. There was thus ample time for the Chairman to consult his colleagues and come out in his address with the accredited views of the Association. On not a few occasions it so happens that momentous developments touching the subject-matter of such Presidential addresses take place only at the nick of time. Even then at least the first reactions are recorded in the speeches by way of postscripts.

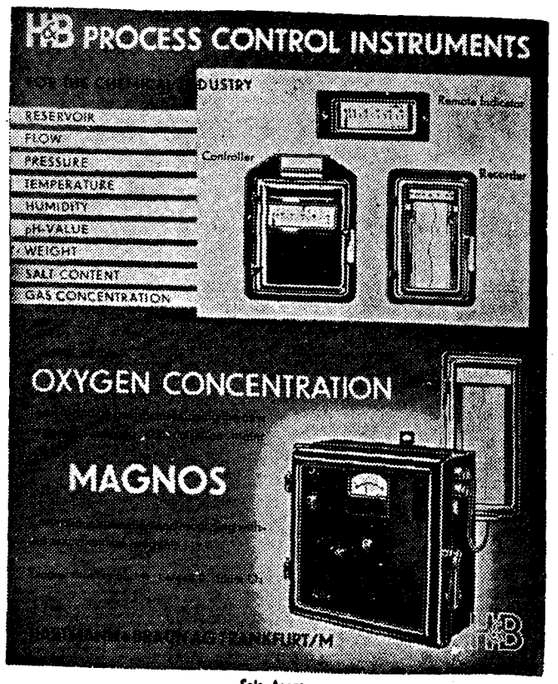
For some years now it has become conventional for the Reserve Bank to apply selective or qualitative controls to restrain what it considers unhealthy expansion of bank credit in the country. Particular significance attaches to the squeeze that was announced as a surprise on March 11, because, this time, in addition to the conventional selective controls, quantitative control has been enforced. For the first time since the Reserve Bank Act was amended in 1956, the Bank has used the amendment to Section 42 (2), empowering it to impound the additional deposits coming into the banks after a prescribed date. On this occasion 25 per cent of the additional deposits have been impounded. "The Eastern Economist" has taken the view that this enforcement of quantitative control will work to the benefit of the banking system by bringing a measure of some stringency. The figures quoted by Mr. Bhabha in his speech corroborate this view. Between 1958 and 1959 bank deposits increased from Rs. 1,574 crores to Rs. 1,828 crores. But the advances-deposits ratio during the two years declined from 59.6 per cent to 55.9 per cent. This shows that the problem of utilization of bank funds for normal credit has increased rather than eased. The reaction of the Association to the application of quantitative control in this situation ought to have been expressed frankly.

On the question of establishment charges, however, Mr. Bhabha was quite vehement. He devoted the major portion of his speech to this problem of the industry and called upon the highest authority in the land to categorically proclaim the principle of "no pay for no work" and "no increase of pay without improvement of efficiency." He painstakingly quoted facts and figures to show how the increase in establishment charges had taken "the biggest toll" of healthy and progressive banking in India. The operating earnings of the Indian scheduled banks, he said, rose by only Rs. 10 crores in 1958, compared to Rs. 12.7 crores in 1957. The operating expenses, on other hand, increased steeply by Rs. 12 crores reaching the figure of Rs. 61 crores, as compared to an increase of Rs. 10 crores in the previous year and only Rs. 5 crores in 1956. This, he pointed out, happened at a time when the earnings of the banks had been affected by reduced tempo of credit expansion in relation to the increase in deposits.

Making a pointed attack on trade unionism in the banking industry, Mr. Bhabha asserted that it was the considered opinion of the bankers that "the managerial functions of appointment, transfers, promotions, suitable rewards and benefits, along with suitable punishments for misdeeds, cannot and should not under any circumstances be permitted to be usurped by irresponsible organisations, whose whole aim appears to be to agitate and destroy." He said the terms and conditions of service prevailing at present in the banking industry were far more liberal than those obtaining in State employment.

Mr. Bhabha made an interesting comparison between the growth of national income and increase in wages in India, U.S.A., and the U.K. in the recent past and observed that although the national income in the United Kingdom and the United States today is more than 15 times and 34 times respectively of India's national income, the lavel of industrial wages there is only 5 and 15 times respectively of the level prevailing here. In India, he said, "the industrial workers get wages which are more than four times the wages of our agricultural workers, not to speak of other facilities and benefits."

While much of the blitz of the I.B.A.'s Chairman on trade union activity in the banking industry may be unwarranted, there is considerable force in his contention that in the interest of the economy some curbs on the unduly high-pitched demands of labour in this country are necessary. The Desai Tribunal on bank employees' demands will do well to take note of some of the pertinent facts put forth by Mr. Bhabha. The Tribunal has been asked to adjudicate on every conceivable grievance of bank employees. The task before it is an arduous one and may delay the settlement of the disputes. But delay must not be considered as an important factor at all. What is vitally necessary is that no hasty action should be taken which may create further problems in the cost structure of banks without ensuring improvement in efficiency and productivity. Already, a great harm has been done to the banking industry by a nation-wide treatment of its staff-management relations. But there is no going back on this mistake. It is in the interest of the industry and the economy as a whole that the bank employees now co-operate with the management and render the essential service to the nation.



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Business Notes

Coal

THIRD PLAN TARGET

THE DRAFT of the Third Five-Year Plan approved by the National Development Council last week indicates that the target for the output of coal will very likely be pitched at a practicable level around 90 million tons. The output during 1959 was recorded at 47 million tons and it is estimated that by the end of the Second Five-Year Plan it may reach 54 million tons. It seems, therefore, that an additional output of 36 million tons will have to be realised to achieve the Third Plan target. While the private sector has gone full speed ahead in delivering the goods, the public sector has demonstrated by its performance in the Second Plan that it finds difficulties in averting shortfalls in output. In 1959 the private sector was responsible for the output of 40.4 million tons while the remaining quantity of 6.6 million tons was raised in the public sector.

It seems the Government has drawn the necessary moral in not following rigidly the line laid down in the Industrial Policy Statement in respect of sector-wise production of coal. Mr. Wright, Chairman of the Mining Association at the annual general meeting held recently in Calcutta, rightly pointed out that the public sector should contribute its definite share and beyond this the private sector should be allowed to make full use of its capacity in terms of technical and managerial "know-how", including new developments in areas where they already have their establishments, stores and central workshops.

The private sector, it is obvious, is facing several handicaps on account of which its growth is thwarted. Mr. Wright has acted in time in stressing that out of the additional 36 million tons to be produced by 1965-66, the private sector can produce an extra output of only 7.2 million tons if the present handicaps are allowed to persist. This, indeed, is very discouraging when we see that even the official circles hope to achieve the target through a fifty-fifty allocation of the additional output. Mr. Wright has, however, added, that if the coal companies are allowed to expand into new areas where they hold mining leases, and also their basic requirements are met, the private sector can produce an extra quantity even to the extent of 21.6 million tons — 14.4 million tons coming from proximate areas.

In the interest of the success of the Plan, which should take priority over ideological bias, it may be worth while for the authorities to give sufficient thought to the Association's demand for equal treatment to both the sectors. The Government should also consider the private sector's demand for assistance in the form of loans to cover considerable capital expenditure involved in mining processes. There can be no doubt that the public sector will have even then a wide sphere to expand and a healthy atmosphere of competition can prevail — which is perhaps the single largest factor contributing to enhanced productivity.

Textiles

WAGES AND PRODUCTIVITY

THE RECENT Wage Board's recommendations and Government's acceptance of them for textiles has disturbed the industry to a considerable extent. The Indian Cotton Mills Federation, Bombay, in a brochure recording its reactions to the Wage Board's recommendations has expressed the conviction that they will saddle the industry with an additional burden of approximately Rs. 9 crores per annum immediately and in addition to this, with Rs. 2.25 crores per annum two years hence. In some cases the new arrangement will mean an increase in the wage bill to the extent of 40 per cent over the present wage costs. This applies particularly to the South. This is exorbitant especially when we observe that the textile industry ranks at present among the highest as far as the wage rates are concerned.

This additional burden is all the more unreasonable in view of the fact that the industry has just now emerged out of a long drawn-out crisis which was responsible for the closure of several textile mills. The crisis has left for the industry a backlog of rehabilitation which could not be provided during the lean years. Even now, according to the Reserve Bank of India's study, the profitability of this industry is very low and this fact has greatly impaired the industry's ability to attract new capital, so vitally necessary for rehabilitation and modernisation of its productive equipment. It may, therefore, be stressed that the industry is at present in dire need of modernisation which cannot be postponed for a very long time.

Mr. Ramnath Podar, Chairman of the Mill Owners' Association has also drawn pointed attention to the fact that unless productivity in the industry is increased through rationalisation, the industry's competitive position will be impaired. Japan, for instance, has made great progress in installing automatic looms and Britain also is spending large amounts to rehabilitate her textile industry. It has been estimated that Rs. 300 crores to Rs. 400 crores may be necessary for the modernisation of the Indian textile industry.

It may be pointed out that at present cotton textiles are required to earn an average of Rs. 75 crores worth of foreign exchange every year and being one of the three foremost export commodities, we cannot be unmindful of its cost structure. Ultimately the textile exports depend on their capacity to sell in a highly competitive market. It may not, therefore, be very wise to burden the industry with additional labour costs till the rationalisation to a certain degree has been introduced in the industry. It is to be trusted that, taking into consideration the importance of the products in the home as well as the external market, the industry will be spared from similar imposts for another five years at least during which, the Wage Board hopes, there will be a truce for it.

The Economy

PLEA FOR PRODUCTION

AT THE Seventy-second Annual General Meeting of the members of the Upper India Chamber of Commerce, Mr. J. K. Srivastava, made the customary probe into India's economy. Although his views restate what is usually stressed, they need to be valued for their realistic approach. A more balanced investment programme which calls for top priority for productive schemes, a realistic taxation policy and the supreme need for forging the spirit of enterprise and production effort, are for instance, the essentials of the Third Plan. The policy, however, which has been pursued so far has not been conducive to the creation of a climate favourable for savings and investment. Now that the Third Five-Year Plan is under contemplation, it is imperative that allocations should take into consideration the capacity of each sector to deliver the goods. It is certainly irrational to prevent the expansion of industrial growth merely in order to build up State enterprises in the pursuit of the goal of socialism.

The economy of the country at present is well in the throes of deficit financing and inflation. The middle class man and the fixed income groups are the worst sufferers. Prices have risen by 20 per cent since the

Second Plan began and by 5 per cent in the last year and there is more deficit financing in 1960-61. The wholesale price index over the year 1959 (at the end of Feb.) rose from 112.1 to 119.4. The food index shows a rise of five points to 118.6. On the other hand, there has been a sharp rise in industrial raw material group from 116.9 to 132.3 and the higher cost of raw material is the major cause of price inflation in the country. As to how the price line should be held is at present the major worry of the planners. The obvious solution is increase in production and this is advocated by Mr. J. K. Srivastava in all sectors of the economy so that the growing demand can be satisfactorily met. It is unfortunately not sufficiently realised that greater production implies not only production of capital goods, but also of consumer goods. It is the production of consumer goods in adequate quantities which will neutralise inflationary potential of rising income.

Banking

INDIAN OVERSEAS BANK: REMARKABLE PROGRESS

THE YEAR 1959 has not been very kind to the banks in general and some of the larger banks have not been able to show much progress. For the Indian Overseas Bank Ltd., however, it has been one of significant achievements. There was marked increase in respect of business as well as profits. The deposits of the bank increased to Rs. 31.8 crores by the end of 1959 from Rs. 29.1 crores a year before. An important aspect of this rise has been that the fixed, time and staff security deposits have shown a remarkable rise of about 48 per cent in a single year to Rs. 17.2 crores. During the same period the advances have increased considerably standing around Rs. 19.0 crores on December 31, 1959 against Rs. 15.5 crores at the end of the previous year. It may be observed that during the year the scheduled banks in general recorded a fall in the ratio of advances to deposits while in the case of the Indian Overseas Bank this ratio moved to 60 at the end of 1959 from 54 a year before. This is a creditable performance and it speaks for the management's drive for clientele in the field of trade, commerce and industry. It may be added that this ratio indicates real efficiency in respect of the utilisation of its funds.

The profits of the bank during the year to December 31, 1959 have been recorded at Rs. 33.61 lakhs against Rs. 28.60 lakhs last year. The provision for taxation has been retained at the previous year's level (Rs. 12.5 lakhs) and the provision for bonus to staff has been raised to Rs. 5 lakhs against Rs. 4.5 lakhs. The directors have recommended the payment of dividend at the rate of 14 per cent per annum subject to tax as against last year's 10 per cent free of tax. The bank already has at present a net-work of 55 branches in India and 10 branches in foreign countries like Burma, Ceylon, Malaya, Thailand, Singapore and Hong Kong. The bank has built up a stable base and its progress is assured during the years to come.

Confectionery

PROBLEMS OF MANUFACTURERS

AT THE fourteenth Annual General Meeting of the Indian Confectionery Manufacturers Association, the President, Mr. P. Mohanlal, while reviewing the progress under the Second Plan dwelt at length on some of the basic problems facing the organised sector of the confectionery industry. The industry has exceeded its target of production by 3,000 tons. The difficulty in obtaining sugar at fair prices and in desired quantity and quality and other raw materials, however, still continues to persist. Particularly when festivals intervene the confectioners are not allowed sometimes any sugar or their quota is drastically reduced. This results in partial and irregular working of the units, which not only adversely affects production but also pushes up the cost of production. With a view to removing these difficulties, Mr. Mohanlal urged upon the Government to evolve a scheme for ensuring regular and adequate supplies of sugar to all those confectionery units who are registered with the Development Wing on the basis of their requirements. Printed waxed paper is another essential item in regard to which difficulty is still being felt by the confectioners as satisfactory quality is not available from indigenous sources. As the indigenous quality of paper has not yet attained the desired standard, it is imperative that necessary facilities be provided to the industry to import its full requirements of printed waxed paper so as to maintain the production of toffees, the demand for which is likely to increase in the Third Five-Year Plan with a rising standard of living. Licences for import of 50 per cent of waxed paper could only meet the situation half-way. To maintain production, import of greater quantity of essences and colours is also essential.

The main snag in the whole situation, however, is that the prices of raw materials are very high. To remedy the situation Mr. Mohanlal suggested that sugar utilised for confectionery manufacture be exempted from all internal taxes. This will enable the confectionery industry to reduce the price of its products as the excise duty on sugar alone now amounts to Rs. 10.69 per maund. Besides, it is also pleaded that State Governments should grant remission of cane cess in respect of sugar used in the manufacture of confectionery, which would reduce the price of sugar to this industry by a further Rs. 2 per maund. This in effect would enable the industry to utilise a large percentage of its idle capacity, provide more employment and help increase its exports. The exports of confectionery could, of course, be promoted in case the Government of India could arrange for supplies of sugar at international prices in respect of confectionery intended for export.

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Current Topics

THE THIRD PLAN: TENTATIVE OUTLINE

The National Development Council, at its session in New Delhi on March 19 and 20, gave its approval for an outlay of Rs. 11,000 crores for the Third Five-Year Plan. The following are the details of the tentative outline.

The outlay and investment are as under:

(In crores of rupees)

Head of Development	Total outlay	Public sector		Private sector	
		Current outlay	Investment	Investment excluding contribution from public sector	Investment including contribution from public sector
Agriculture and community development ...	900	350	550	800	860
Irrigation	650	10	640	—	—
Power	900	—	900	50	50
Village and small industries ...	250	90	160	275	325
Industry and minerals	1300	—	1300	1000	1040
Transport and communications ...	1450	—	1450	200	200
Social services	1150	600	550	1075	1125
Inventories ...	400	—	400	600	600
Total ...	7000	1050	5950	4000	4200

AGRICULTURE

The following are the principal technical programmes envisaged for increasing agricultural production.

i. Irrigation from large and medium projects: The additional area to be benefited will be 13 million acres or, after allowing for area sown more than once, about 12 million acres, the total area irrigated from these projects by the end of the Third Plan being about 42 million acres.

ii. Irrigation from minor schemes: The additional areas benefited may be about 13.5 million acres, the total area irrigated from minor schemes reaching the level of about 53 million acres. If there is adequate participation on the part of local communities in minor irrigation programmes, with a given outlay, a substantially larger target should be possible. This should be the main objective in the minor irrigation programmes.

iii. Soil conservation, dry farming and land reclamation programmes: The targets proposed are:

Soil conservation with contour bunding	13 million acres.
Dry farming practices	40 million acres.
Land reclamation	1 million acres.
Reclamation of saline and alkaline lands.	0.4 million acres.
Flood control, drainage and water-logging	5 million acres.

The importance of soil conservation and dry farming programmes for unirrigated areas can scarcely be exaggerated. These should be worked on the basis of mass participation on the part of the communities concerned.

iv. Fertilisers: The consumption of nitrogenous fertilisers is proposed to be increased from less than 300,000 tons to 1 million tons in terms of nitrogen and of phosphatic fertilisers from less than 100,000 tons to 400,000 to 500,000 tons in terms of P_2O_5.

v. Organic and green manures: The total area which should benefit from schemes of urban and rural composting is estimated at 24 million acres. The target for additional area benefiting from green manures is proposed at about 50 million acres.

vi. Improved seed: It is proposed that seeds of improved varieties based on the 4,000 seed farms, which have been established in the Second Plan, should be multiplied so as to cover an additional area of about 150 million acres during the Third Plan.

vii. Adoption of improved agricultural practices: These include plant protection, double cropping etc., specially in areas which have irrigation facilities or assured rainfall.

It is estimated that if the programmes mentioned above are carried out efficiently and intensive work is organised, it should be possible to achieve an overall increase in the yield per acre in irrigated areas of about 30 to 35 per cent. In unirrigated areas, the range of variation from year to year is naturally large, but over a period of five years if the programmes for soil conservation and adoption of dry farming practices are implemented, on a cautious estimate, it should be possible to achieve an increase in output of 10 per cent or more. With the increase in the total irrigated area from 69 to 70 million acres at the end of the Second Plan to about 95 to 96 million acres at the end of the Third Plan, there will be greater scope for extending double cropping. Allowing for increase in yields and for the estimated increase in area sown under foodgrains from about 290 million acres in 1960-61 to about 310 million acres in 1965-66, it is expected that the addition in the production of foodgrains during the Third Plan could be of the order of, say, 25 to 30 million tons. On the basis of additional production of 30 million tons the level of food production in 1965-66 is likely to exceed 105 million tons.

For crops other than foodgrains, the following targets have been suggested by the Working Group on Agriculture.

Crop	Production in 1958-59	Expected production in 1960-61	Target of production in 1965-66
Sugarcane (lakh tons in terms of gur)	72	72	92
Oilseeds (lakh tons)	69	72	92
Cotton (including cotton equivalent of cotton textiles) (lakh bales)	47	60	78
Jute (including jute equivalent of jute textiles (lakh bales)	52	55	65(+13 mesta)
Coconut (million nuts)	4150	4500	5750
Arecanut (000 tons)	85	93	100
Cashewnut (000 tons)	69	75	150
Pepper (000 tons)	N.A.	29	30
Cardamom (000 tons)	N.A.	2.26	2.62
Lac (000 tons)	33	50	62
Tobacco (000 tons)	N.A.	300	325

INDUSTRY

The total investment in large-scale industries and minerals during the Third Plan period is estimated at Rs. 2,300 crores, Rs. 1,300 crores in the public sector and about Rs. 1,000 crores in the private sector. Tentatively in the public sector's programmes, Rs. 900 crores are proposed to be allotted for industries and Rs. 400 crores for minerals and oil.

Steel: Developments under iron and steel are linked with the overall targets of 8.7 million tons in terms of steel ingots and 1.5 million tons of pig iron for sale. By and large, the additional capacity and output in this field is expected to be realised in the public sector through expansion of Bhilai, Rourkela, and Durgapur steel works contributing jointly an additional 2.5 million tons of steel ingots over the level of 6 million tons programmed under the Second Plan and 1.2 million tons of surplus pig iron. An additional production of steel equivalent to about 2 lakh tons of ingots would come from scrap-based electric furnaces and of 2 lakh tons of pig iron (over and above the supplies of one lakh tons from IISCO) from low shaft blast furnaces proposed for establishment on a decentralised basis. A sum of Rs. 300 crores has been provisionally allotted for the iron and steel programme in the public sector.

Coal: The production of coal is estimated at 54 million tons at the end of the Second Plan as against the original target of 60 million tons. A further increase of 36 million tons is envisaged under the Third Plan. It is at present tentatively suggested that about half should be raised in the private sector and about half in the public sector. The expansion of lignite production at Neyveli from 3.5 to 4.8 million tons is another important programme in the field of mineral fuels.

Oil: An allocation has been suggested which would enable the proposed exploration and exploitation programmes in Cambay and Sibsagar to be carried forward leading, according to the expectations of the Ministry, to production levels of 0.9 million tons and 0.8 million tons per annum respectively. In other areas, operations are likely to have to be limited to geological and geophysical investigations. Within the resources available for the public sector, it has not been found possible to provide for new refineries or the expansion of existing refineries or for a lubricating oil plant. The allocation made for oil is Rs. 115 crores.

Nitrogenous fertilisers: The present capacity of 234,000 tons in terms of nitrogen is proposed to be increased to 1 million tons—up to 800,000 tons by public sector plants and by a further 200,000 tons in the private sector.

Machine-building and Heavy Engineering: Significant developments in this field are envisaged during the Third Plan. The major projects for which provisions have been made are:

Name of project	Annual capacity
Heavy Machine Building Plant	80,000 tons of metallurgical equipment.
Foundry forge	To match with (1) above
Coal Mining Machinery Plant	60,000 tons (Approxi).
Heavy Structurals Plant	10,000 tons
One Heavy Plate and Vessel Works	12,000 tons
Heavy Machine Tool Factory	10,000 tons
Doubling of the output of H.M.T. Bangalore	2,000 machines valued at Rs. 7 crores
Expansion of Heavy Electrical Project, Bhopal	Rs. 25 crores annual output
Two more heavy electrical projects including production of high pressure boilers	Rs. 45 crores annual output
Precision Instruments Factory	—

Machinery manufacturing programmes in the private sector are expected to supplement the efforts of the public sector. In relation to the levels of demand envisaged by 1965-66 for certain important lines of machinery, namely, textile machinery, sugar machinery, cement machinery and paper machinery, programmes have been formulated which should lead to the almost complete elimination of imports.

The proposals made by the various Ministries in respect of industrial and mineral programmes include a number of projects for which it is not at present possible, within the overall allocation of Rs. 1,300 crores, to make the necessary financial provision. Thus, to mention a few major items, it has not so far been possible to make any provision for LT carbonisation plants, washeries, refineries, the second shipyard, a second plate and vessel works and marine diesel engine project. Provision has also not been made in full for various contingent liabilities, namely, crude and product pipelines in the event of fresh oil being discovered and exploitation of Khetri and Daribo copper deposits.

Programmes for the private sector are being formulated over a wide field in consultation with Development Councils and other organisations. Some of the major targets which have been suggested are indicated below:—

	Annual Capacity	
	1960-61 (likely target)	1965-66
Aluminium ('000 tons)	17.5	82.5
Cement (million tons)	10.0	15.0
Paper ('000 tons)	363	820
Newsprint ('000 tons)	—	60
Phosphatic fertilizers ('000 tons of P2 O5)	73	245
Caustic soda ('000 tons)	150	400
Soda ash "	304	530
Sulphuric acid "	512	1500
Plastics "	19	50
Refractories (lakh tons)	8.6	17.5
Sugar (million tons)	2.3	3.0
Cotton textiles (Mill cloth-mil. yds)	5100	5600 to 5800

TRANSPORT AND COMMUNICATIONS

The table below compares the provision in the Second Plan under different heads with the allocations tentatively suggested in the Third Plan under these heads.

Rs. crores

Head of development	Second Plan		Third Plan allocation
	Original	Revised	Proposed
Railways	900	896.5	890
Roads	246	221	250
Ports	45.5	43	85
Shipping	47.5	57	55
Road transport	16.5	11	18
Inland water transport	3	1.4	5
Tourism	3.4	2.2	5
Light Houses	4	3.2	7
P & T and overseas communications	65.5	56.5	70
Meteorological department	1.5	1.1	3
Civil air transport	43	44	55
Broadcasting	9	8	7
	1385	1345	1450

The following are the more significant targets and objectives in this sector of development corresponding to the allocations proposed in the Third Five-Year Plan:

i. Railways: It is expected that the Railways will be able to carry goods traffic to the extent of about 230 million tons in the last year of the Third Plan. While some increase in the facilities for passenger traffic is anticipated, overcrowding is likely to continue. It will be necessary to limit the target for the construction of new railway lines to about 1200 miles as against about 960 miles in the Second Plan. Having regard to the urgent demand for new lines from the various States the Railway Board had proposed a target of 2000 miles of new lines in the Third Plan.

ii. Roads: With an allocation of Rs. 250 crores for the road development programme, it may be possible to add about 20,000 miles of surfaced roads. It may not be possible to provide for all the essential works on the National Highways system within the proposed allotment. It will also not cover the cost of the large new road programme that may be required in the border areas.

iii. Ports and Harbours: Against the proposed allocations only those schemes which are essential for maintenance or improvement of the existing ports will be taken up. The only new major port scheme provided for in the allocations is that relating to a port at Haldia which is intended to supplement the Calcutta port.

iv. Shipping: Within the allotment of Rs. 55 crores it should be possible to add a little over 2 lakhs GRT to the tonnage at the end of the Second Five-Year Plan which is estimated at 9 lakhs GRT.

v. Road Transport: The expansion of road transport will be mainly in the private sector. It is roughly estimated that a little over 1 lakh commercial vehicles will be added in the Third Plan period. The addition in the public sector is estimated at 5,000 vehicles only, mainly for passenger traffic.

vi. Posts and Telegraphs: With a provision of Rs 70 crores it may be possible to provide only for the arrears of demand for telephones which are expected to be of the order of 2 lakhs at the end of the Second Plan, as against the minimum requirements which are assessed at 2.5 to 3 lakh telephones.

vii. Civil Air Transport: The provision of Rs. 55 crores will provide for the requirements of the Indian Airlines Corporation for replacement of Dakotas and for the requirements of the Air India International for additional jet aircraft, and for certain essential requirements for the modernisation of existing aerodromes. It will, however, not be possible to provide for new aerodromes witin the proposed allocation.

viii. Broadcasting: Within the proposed allotment, All India Radio may be in a position to provide for the necessary expansion of the medium wave broadcast coverage in the country and for the more essential needs in respect of external broadcast services.

RESOURCES

Internal resources are expected to be met as under:

Balance from current revenues	Rs. 200 crores
Contribution from Railways	Rs. 150 crores
Surplus from State undertakings	Rs. 470 crores
Loans from Public and Small savings	Rs. 1,400 crores
Provident funds, betterment levies, steel equalisation fund and miscellaneous capital receipts	Rs. 380 crores
	Rs. 2,600 crores
Additional taxation	Rs. 1,650 crores
Deficit financing	Rs. 550 crores
TOTAL	Rs. 4,800 crores

State undertakings other than Railways it is expected, will contribute Rs. 470 crores as under:

Steel Plants	Rs. 200 crores
Fertilizer Plants	Rs. 95 crores
Oil refineries	Rs. 47 crores
Other enterprises	Rs. 90 crores
	Rs. 432 crores
less interest charges and depreciation	Rs. 132 crores
	Rs. 300 crores
plus Electricity undertakings	Rs. 115 crores
plus Transport undertakings	Rs. 55 crores
	Rs. 470 crores

Additional taxation by the Centre and the States are expected to bring Rs. 1,650 crores as under:

Surcharge on land revenue	Rs. 250 crores
Income tax and Corporation tax	Rs. 300 crores
Central Excises	Rs. 550 crores
Increase in Railway fares and freight	Rs. 250 crores
Increase in Road transport fare and freight	Rs. 100 crores
Other taxes	Rs. 200 crores.
	Rs. 1,650 crores

EXTERNAL ASSISTANCE

The requirements of external assistance have been estimated as follows:—

For the import of capital goods	Rs. 1,900 crores
For the import of components etc.	Rs. 200 crores
For the maintenance of economy	Rs. 500 crores
For the repayment of external debts falling due during the Third Plan	Rs. 500 crores
	Rs. 3,100 crores

In addition, India's requirements of P.L. 480 assistance are placed at Rs. 400-500 crores. On a broad view, budgetary receipts corresponding to external assistance are placed at Rs. 2,200 crores. This provides finances for the total outlay of Rs. 7,000 crores for the public sector.

A DELHI NOTEBOOK

INDO-RUSSIAN TRADE

TALKS between India and the U.S.S.R. on trade arrangements for the current year have concluded here. It is expected that trade between the two countries in 1960 will increase considerably consequent upon the finalisation of the new arrangements; during the eleven months to November last year, it amounted to nearly Rs. 41 crores.

The main items of import from the U.S.S.R. will be rolled iron and steel, oil prospecting and drilling equipment, industrial equipment and machinery, tractors and agricultural machinery, newsprint, refractories, petroleum products, fertilizers, construction and transport equipment, textile machinery and surgical and optical instruments.

India will export to the Soviet Union, tea, coffee, spices, cashewnuts, raw wool, hides and skins, vegetable oils, essential oils, shellac, mica, handicrafts, and such manufactures as jute products, leather footwear, coir goods, sports goods, cotton and woollen fabrics, woollen and knitted wear and carpets.

SECOND SHIPYARD

The Union Minister for Transport and Communications, Dr. P. Subbarayan, has clarified the position regarding the establishment of a second shipyard. This shipyard, he announced in the Lok Sabha, would be located at Cochin and efforts would be made to start the construction work during the Third Plan period. The following is the statement Dr. Subbarayan made on the floor of the House:

"Steps are already being taken to acquire the necessary land required for this project and part provision has been made for this purpose in the budget. The question of further examination of the soil conditions at the proposed site has also been examined, and it has been decided that the investigations already carried out before the submission of the U.K. Shipyard Mission's report are sufficient for deciding the suitability of the site and that no further investigations are necessary at this stage. I can, therefore, assure the House, particularly the members coming from the Kerala State, that the decision to locate the second shipyard at Cochin is final and there is no going back on it.

"I need not say that the construction of the shipyard will be fully justified on its own merits having regard to its contribution towards the saving of foreign exchange, the building up of technical skill, encouraging the setting up of ancillary industries, providing employment opportunities to our nationals and, above all, in reducing India's dependence on foreign countries in the event of an emergency. Government are, therefore, anxious that the shipyard should be established at the earliest possible date. The project has been included in the Ministry's proposals for the Third Plan and the matter is under consideration of the Planning Commission.

"It will, however, be appreciated that the Planning Commission has to consider each project on its own merits and allot 'inter se' priority to each project, having regard to the available resources both internal and external. It is also obvious that before the execution of the project can be undertaken, it will be necessary to carry out technical investigations, to prepare a detailed project report and plans and designs in consultation with suitable consultants and also to procure financial assistance as far as possible to cover that part of the expenditure which has to be incurred in foreign exchange.

"Accordingly, Government are taking steps to secure the necessary technical and financial collaboration. I hope we shall be successful in our efforts and it will be possible to start the construction of the yard in the Third Plan period."

NEW INDUSTRIES IN STEEL TOWNS

The following industrial units have been approved by the Licensing Committee for location around the public sector steel plants (company, place and products respectively):

(1) Ajitsaria Iron and Steel Works; Durgapur or Gopinathpur or Burdwan; 900 tons of heavy structurals, 550 tons overhead heavy cranes and 500 tons storage tanks.

(2) Associated Cement Companies Ltd.; Durgapur; General mining machinery, coal mining machinery, gear and gear boxes, water tube boilers etc.

(3) Hidustan Refractories and Ceramics (Private) Ltd.; Durgapur; 24,000 tons of fire bricks, silica bricks and mortar.

(4) Eastern Refractories and General Industries; Durgapur or Asansol; 24,000 tons of fire bricks, silica bricks and basic refractories.

(5) Durgapur Coke Oven Plant; Durgapur; Throughput of 1,300 tons of coal and coke breeze per day.

(6) Eastern Structurals (Private) Ltd.; Rourkela; 12,000 tons of steel bridge girders and structurals and 8,000 tons of steel storage tanks.

(7) Larsen & Tourbro; Rourkela or Sambalpur; 12,000 tons of sintering ore preparation equipment, crushing and screening plant, equipment for coke oven and by-product equipment for blast furnace and steel plants.

(8) Hindustan Refractories (Private) Ltd.; Bhilai or Durgapur or Ram Kaulai (West Bengal); 18,000 tons of fire bricks, silica refractories, magnesite and chrome magnesite refractories.

Each of the steel plants, it is learnt, includes a large by-product plant which would produce a variety of chemical products from tar. In addition, a big fertilizer plant to produce about 500,000 tons of calcium ammonium nitrate and a plant for the manufacture of steel pipes of diameters ranging from 8 to 20 inches are being set up at Rourkela.

HAND-PRINTING INDUSTRY

The Government of India considers that hand-printing industry occupies an important place in the national economy and there is need to assist it through promotional measures to enable it to compete with the machine-printing industry. A tentative decision has been taken to peg printing by mills at the existing ceiling of 745.41 million yards. It has also been decided that processors with printing machines should be brought within the relevant provisions of the Textile Control Order and should be subject to quotas as in the case of mills.

BRIEFS

The Government of India, it is learnt, has approved in principle a scheme for setting up a factory in Mysore for the manufacture of motor cycles, in collaboration with a Czechoslovak firm. The details of the project are under consideration of the Government.

•

An eight-year agreement has been concluded between the Government of India and Marconi Wireless Telegraph Co. Ltd., London, for the manufacture in India of radio and radar equipment for use in aeronautical, broadcasting, communications, radar and television fields.

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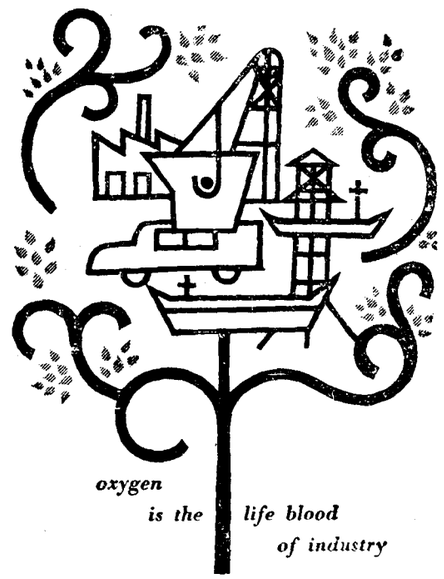
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CANNANORE and PALGHAT.

WORLDGRAM

India

Foreign Trade in January: The provisional figures of foreign trade of India by all routes i.e. sea, air and land, on private and Government accounts during January 1960, according to information available in the Department of Commercial Intelligence and Statistics, Calcutta, are given below:—Merchandise, excluding overland trade, with Nepal, Tibet, Sikkim and Bhutan: exports Rs. 51.51 crores, re-exports Rs. 53 lakhs, imports Rs. 62.53 crores. The import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment and of private merchandise under reference to customs for verification. Treasure: exports (including re-exports) of currency notes, Rs. 31 lakhs, gold nil and current coins (excluding gold coins) negligible. Imports of currency notes Rs. 1.01 crores, gold Rs. 3 lakhs, current coins (excluding gold coins) negligible. Balance of trade: subject to the limitation in import figures mentioned above, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 10.52 crores.

*

Foreign Business Investments: The Finance Minister, Mr. Morarji Desai, placed on the table of the Lok Sabha recently a statement showing the total net inflow of non-banking foreign investments in India in the private sector during 1954-58. According to the statement, the investments in 1954-55 were Rs. 17.6 crores, Rs. 36.8 crores in 1956, Rs. 48.9 crores in 1957 and Rs. 27.9 crores (provisional) in 1958. The breakdown of investments countrywise in all these years is as follows:

Investing Countries	1954-55 (Annual Average)	1956	1957	1958 (Approximately)
U.K.	9.6	15.7	6.3	—1.2
U.S.A.	4.9	7.1	10.4	2.9
Germany	1.2	0.2	0.8	0.1
Switzerland	0.3	1.6	—1.5	0.2
Other countries	0.2	0.1	0.9	0.6
International Bank for Reconstruction & Development	1.4	12.1	32.0	25.3
TOTAL	17.6	36.8	48.9	27.9

*

Indian Private Investments in Pakistan: According to the survey of India's foreign liabilities and assets conducted by the Reserve Bank of India, Indian private investments in Pakistan as on 31-12-1955 amounted to Rs. 17.83 crores. Of this, a sum of Rs. 17.56 crores is accounted for by investments in Pakistan shares, debentures and securities, by Indian joint-stock companies. The balance of Rs. 0.27 crores is accounted for by investment in Pakistan securities, shares and debentures held by banking companies as nominees, agents and custodians on behalf of individual residents in India and Indian partnerships. These figures do not include investments directly owned by individuals resident in India and Indian partnerships. Information on investments after that date is not available as the Reserve Bank did not conduct a further survey. But the Bank has stated that any information with it in this regard does not indicate a significant change in the position.

United States

U.S. Grant for U.P. Agricultural University: The U.P. Agricultural University, which will be patterned after U.S. Land Grant Colleges, received recently a combined dollar and rupee grant of Rs. 1.1 crores from the United States. Two agreements signed by the Government of India and the United States Technical Co-operation Mission provide grants of more than Rs. 1 crore of P. L. 480 Funds and $182,000 (Rs. 12.7 lakhs) to the new University which will combine agricultural education, research and extension under one roof. The P. L. 480 allocation of Rs. 1 crore will be used for the construction of roads, utilities, buildings, laboratories, workshops, hospitals, staff houses and schools. The total construction cost is estimated at Rs. 2.1 crores and the agreement states that subject to the availability of rupees for this purpose, a supplementary agreement will be signed after the start of the Third Five-Year Plan to provide the additional Rs. 1.1 crores estimated to be required. Thus it is apparent that the U.S. Technical Co-operation Mission intends to furnish the funds necessary to make the University fully operational as an educational servicing institution. The Technical Assistance Funds in the agreements (Rs. 12.7 lakhs) provide for the services of two American technicians, and will complete the financing of previous technical assistance of $571,000 (Rs. 27 lakhs), for a total of seven advisors, five consultants and four Indian participants who have been provided by the U.S. Technical Co-operation Mission, in addition to the procurement of books and equipment.

United Kingdom

Sale of Aircraft: In January, India bought United Kingdom aircraft and parts worth £565,029, and aero-engines and parts worth £675,999. January aircraft sales were the largest ever recorded for first month of the year. Total sales of aircraft and parts were valued at £6,616,000 (complete aircraft accounting for £4,400,000) and aero-engines £6,085,000. Electrical appliances, tyres and aeronautical instruments brought total sales for the industry to £13,311,000 for the month.

U.S.S.R.

Vegetables Grown Without Sunlight: Interesting experiments with growing vegetables entirely under artificial light are being conducted by Prof. Y. S. Moshkov in the laboratory of the Agrophysical Institute in Leningrad. In these tests, the light and heat required by the plants is provided by electric lamps, and the soil has been replaced by an artificial nutritive medium. In these conditions, tomatoes ripen in half the usual time of 120 days. The sun is replaced in the laboratory by mirror incandescent lamps.

Austria

Erecting Sugar Factories in India: It is reported a well-known Austrian iron and steel engineering concern will erect four sugar factories in India, in Malegaon, Karagoan, and Rahata. The Austrian concern will construct these plants in conjunction with the West German firm.

NEWS IN BRIEF

INDIAN

The Indian Handicrafts Development Corporation has fixed a target of Rs. 10 crores for handicraft exports in 1960. Export of handicrafts in recent years has steadily been on the rise. In 1959, exports exceeded the target envisaged by the Handicrafts Development Corporation and was of the order of Rs. 7.6 crores.

*

The number of new companies registered in 1959 was the highest during the last three years. As many as 2,399 new companies—75 public and 1,324 private—were registered in 1959 against 1,052 and 909 new companies in 1958 and 1957 respectively.

*

The Government of India have decided to grant ad hoc licences to established importers for the import of fresh fruits from Pakistan during the current half year.

*

During 1959, the new mines of the National Coal Development Corporation produced 12.74 lakh tons of coal. Based on the raisings during December, 1959, the annual rate of production from the old and new mines works out to 5.04 million tons, according to the annual report of the National Coal Development Corporation.

*

India exported 71,000 tons of coir and coir products valued at over Rs. 8 crores in 1958-59. A comparison with the exports of the previous year shows that while export of coir fibre and yarn showed a small decline, export of mats and mattings and carpets and floor rugs recorded a substantial rise.

*

A new agreement has been signed between India and Chile replacing the earlier agreement of 1956. The new agreement, which would be valid up to the end of 1962, envisages import by India of 75,000 tons of Chilean nitrate during the next three years. Chile is expected to take larger quantities of jute manufactures, tea and coir products.

*

Production of sodium hydrosulphite will start in the country for the first time. The plant has been put up by the Travancore-Cochin Chemicals Limited, a major part of whose share capital is owned by the Kerala Government.

*

The total value of exports of leather goods in 1959 was Rs. 28.62 crores as against Rs. 18.36 crores in the preceding year (1958).

*

A two-member World Bank team arrived in New Delhi on 16th March for a three-week tour of railway centres in India. The various projects the team will tour will include new line construction, track doubling, signalling works, various railway yards, electrification works, the Chittaranjan Locomotive Works, the Brahmaputra Bridge in Assam, some of the steel plants etc.

*

As a measure of export promotion, the Government of India have decided to allow drawback of customs and Central excise duty paid on materials used in the manufacture of cork wadding, tea chests, typewriters, mild steel pins and clips, impregnated varnishes, and super-synthetic enamels used in the electrical industry and fishnet twine or cord.

*

The total electricity produced by the public utility power stations in India in November 1959 amounted to 1,234.1 million kwh. of which 994.0 million kwh. were sold to ultimate consumers.

FOREIGN

Six new factory projects, the cost of which will total £700,000, have been approved by the Maltese Government under its Aids to Industry Ordinance.

*

Exports of British drugs and medicines reached a record figure of over £40,000,000 in 1959—an increase of £2,400,000 over 1958. Well over a quarter of the pharmaceutical industry's production is now being exported.

*

Total assistance from British Government Funds to underdeveloped territories has risen from £91,000,000 in 1957-58 to £138,000,000 in the current year, and it is estimated that during the same period there has been a total of about £100,000,000 of private investment in the same regions.

*

It has been officially announced in Italy that an important foreign company in the electronics field is negotiating an agreement with A.T.E.S., a company of the I.R.I. state controlled industrial group. A.T.E.S. has an electronics plant at Aquila in Central Italy.

*

Employment showed an encouraging trend in the U.S. last month, with the number out of work declining against the usual seasonal trend to 4.8 per cent of the labour force.

*

Recommendations for Fiji which would cost the Government £10,761,000 are made in a report published by a three-man commission, headed by Sir Allen Burns. The recommendations include proposals for improving the distribution of land, improving existing industries, starting new ones, like tea and fish canning, and for greater self-government for the Fijians, who make up about 42 per cent of the population.

*

Rumania has signed an agreement with Greece to assist in Greek oil prospecting and to deliver equipment to step up oil production.

*

A total of $50m. is to be spent on a new zinc mining project in the Lake Mattagami Area, north-western Quebec. The great project is to be carried out by Mattagami Mines, financed by the important Noranda Mines, McIntyre Porcupine Mines, and Canadian Exploration.

*

The Canadian steel industry is continuing to operate at high capacity levels this year. For the first two months ingot production rose 24 per cent to 1.1 m tons compared with 888,385 tons in the corresponding period a year ago.

*

The Government of Surinam (West Indies) is seeking a constitutional change which will enable it to borrow money outside Holland, notably in the U.S. A ministerial delegation will visit Holland in May, after a visit to the U.S.

COMPANY AFFAIRS

JAY SHREE TEXTILES LTD.

The Directors have reported that the demand for their Company's products increased during 1959; sales increasing by Rs. 16.10 lakhs over 1958 to Rs. 102.6 lakhs during the year under review. The results could have been still better but for the inadequacy of the import licences for certain essential raw materials, specially for wool tops. The Company has not been able to meet the market requirements in full. A dividend has been recommended to be paid at the rate of 80 nP. per share, subject to tax, on 4,91,800 equity shares of Rs. 10 each, absorbing Rs. 3.93 lakhs.

It is pointed out that the plant to manufacture rubber lined fire fighting hoses has now been erected and it is expected that the products of this plant will be put in the market in the near future. The Company has also obtained the permission from the Government for setting up a high tension electric insulator factory. Some other proposals for increasing the activities of the Company are under consideration.

Messrs. Birla Brothers Pvt. Ltd., the Managing Agents of the Company, expressed their desire to be relieved from the office of the Managing Agents of the Company with effect from the close of 1959 subject to their being appointed as Secretaries and Treasurers. Their resignation was accepted by the Board of Directors and subject to the approval of the Central Government, Messrs. Birla Brothers Pvt. Ltd. were appointed as Secretaries and Treasurers of the Company from January 1, 1960. The Central Government agreed to accord sanction to the said appointment subject to certain modifications.

THE CENTRAL INDIA SPINNING WEAVING AND MANUFACTURING CO. LTD.

The Company has shown a loss of Rs. 52.69 lakhs during the year to June 30, 1959. The main reasons for the heavy loss were the continued disruption and dislocation of normal working caused by the large scale renovation programmes of Company's Mills No. 1 and 2, the unsatisfactory trading conditions for a considerable part of the year and further increase in the cost of production. The uninterrupted rise in cost of living, which determines the dearness allowance payable to workers, and the restrictions imposed from time to time on the availability of essential raw materials and stores, thereby increasing their prices, were further contributory factors.

During the year, prices of Indian cotton increased by Rs. 150 to Rs. 200 per khandi, according to the type of cotton. This was mainly due to the lower crop yield and larger home consumption. Prices of foreign cotton were very low, but the supply was regulated on the basis of past consumption and actual exports of cloth.

The Directors regret that they have not been able to recommend any dividend on the Ordinary and Preference shares and in view of the loss, the Managing Agents have forgone their minimum commission and interest.

ASIAN CABLES CORPORATION LTD.

The Board of Directors of the Asian Cables Corporation Ltd., at a recent meeting, decided on the basis of allottments to the various categories of applicants and the Bombay Stock Exchange approved the same. In all there were more than 5.540 applicants demanding 76,190 Shares for the Public Issue of 25,000 Shares on which Rs. 25 was payable on application. In the case of applicants for 15 Shares to 500 Shares, the allotment is varied from 40 per cent to 25 per cent. A definite percentage could not be allotted in each group as the Shares had to be allotted in lots of 5 only. The highest application for 1,000 Shares has been given an allotment of 20 per cent only. The Company is shortly returning the cheques in the case of applications where no allotment has been made.

UNION CARBIDE INDIA LIMITED

The Directors of Union Carbide India Limited have recommended that a final dividend of 10½ per cent, subject, to deduction of income tax, be paid out of earnings for the year ended 25th December, 1959. This, plus the intrim dividend of 7½ per cent paid to shareholders in November, will bring dividends in respect of the 1959 working of the Company to 18 per cent subject to deduction of income tax and will absorb Rs. 36 lakhs as compared to 14 per cent free of tax and Rs. 28 lakhs respectively for 1958. Earnings during 1959, before tax and after Development Rebate, amount to Rs. 1,35.5 lakhs on gross sales of Rs. 7.69.93 lakhs as compared to 1958 earnings of Rs. 82.85 lakhs on gross sales of Rs. 6,05.07 lakhs.

The principal reasons for the improved results were reduced manufacturing costs and increased sales. A higher volume of production contributed to the reduction in costs and enabled management to reduce selling prices to customers for several of the Company's products. Increased sales of flashlights were possible because of the larger output available from the Lucknow factory of The Eveready Flashlight Company in its first complete year of operation.

The Directors also announced that the rights offering of 8 lakh new shares of Rs. 10 each at a premium of Rs. 2.50 nP. per share in the proportion of two for five held is expected to be made on or about June 1, 1960. The new shares will rank in all respects pari passu with the existing shares except that they will not entitle the holders thereof to any dividend declared at or prior to the Annual General Meeting to be held in the year 1960.

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THE INDIAN OVERSEAS BANK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST. DECEMBER, 1959

To be submitted to the Shareholders at the Twenty-Third Annual General Meeting to be held at the Registered Office of the Company, 151, Mount Road, Madras-2, on Thursday the 31st March, 1960 at 3.30 p.m.

The Directors have pleasure in submitting herewith the Balance Sheet and Profit and Loss Account of the Bank for the year ended 31st December, 1959 together with the Auditors' Report.

1958	PROFITS AND THEIR DISTRIBUTION	1959
Rs. 28,59,616.42	Net Profit for the year	Rs. 33,60,870.72
Rs. 2,32,066.64	Brought forward from last year	Rs. 2,03,141.06
Rs. 30,91,683.06		Rs. 35,64,011.78
	Out of this sum the Directors have made the following appropriations :	
Rs. 12,50,000.00	Provision for taxation	Rs. 12,50,000.00
Rs. 6,00,000.00	Transfer to Reserve Fund	Rs. 6,25,000.00
Nil	Transfer to Development Rebate Reserve	Rs. 75,000.00
Rs. 4,50,000.00	Provision for bonus	Rs. 5,00,000.00
Rs. 23,00,000.00		Rs. 24,50,000.00
	The Directors recommend that the balance be disposed of as under:	
Rs. 5,88,542.00	Payment of dividend (at the rate of 14% per annum subject to tax for the year 1959 as against 10% free of tax for 1958)	Rs. 9,38,000.00
Rs. 2,03,141.06	Carry forward to next year	Rs. 1,76,011.78
Rs. 30,91,683.06		Rs. 35,64,001.78

2. The Bank's business and profits continue to show gratifying progress. During the year, we opened two branches, one at Baliapatam and the other at Tiruppur. Munnar branch was closed.

3. We regret to report the death of Mr. P. V. Raman Chettiar, a member of the Board since inception and wish to place on record the valuable services rendered by him to the Bank.

4. In terms of Section 256 of the Companies Act, 1956 Messrs. M. Ct. Muthiah and Ar. Ramanathan retire and being eligible offer themselves for re-election. Under Section 260 of the Companies Act, 1956 read with Article 82 of the Bank's Articles of Association Mr. V. T. Padmanaban, who was co-opted as a Director on 19th October, 1959 offers himself for re-election.

5. The Shareholders are requested to appoint Auditors for the ensuing year and to fix their remuneration. Messrs. Suri & Co., the retiring Auditors are eligible for re-appointment.

BY ORDER OF THE BOARD

MADRAS,
22nd February, 1960

M. Ct. Muthiah
Chairman

Balance Sheet on next page

THE INDIAN OVERSEAS

Balance Sheet as at

Corresponding figures for 1958 Rs.	Rs.	CAPITAL AND LIABILITIES	Rs. nP.	Rs. nP.
	1,00,00,000	1. **CAPITAL :** **Authorised Capital:** 1,00,000 Shares of Rs. 100 each	1,00,00,000.00	
	75,00,000	**Issued and Subscribed Capital :** 75,000 Shares of Rs. 100 each	75,00,000.00	
		Amount Called up : 75,000 Shares of Rs. 100 each	75,00,000.00	
62,48,125		**Less :** Calls unpaid	47,000.00	74,53,000.00
	38,50,000	2. **RESERVE FUND AND OTHER RESERVES : Reserve Fund :** As per last Balance Sheet .. 44,50,000.00		
	6,00,000	Transfer from Profit and Loss Account 6,25,000.00	50,75,000.00	
	44,50,000			
	7,86,660	**Share Premium :** As per last Balance Sheet	7,86,659.50	
52,36,660	Nil	**Development Rebate Reserve :** Transfer from Profit and Loss Account	75,000.00	59,36,659.50
	11,87,94,605	3. **DEPOSITS AND OTHER ACCOUNTS :** Fixed, Time and Staff Security Deposits	17,20,24,307.01	
	3,70,91,504	Savings Bank Deposits	3,99,95,353.74	
27,93,68,592	12,34,82,483	Current Accounts, Contingency Accounts etc. ..	9,28,45,240.24	30,48,64,900.99
	61,00,000	4. **BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS Etc. :** (i) In India	1,72,50,000.00	
66,98,072	5,98,072	(ii) Outside India	13,50,347.13	1,86,00,347.00
	61,60,045	**Particulars :** (i) Secured by part of Investments per contra ..	1,72,50,000.00	
	5,38,027	(ii) Unsecured	13,50,347.13	
	66,98,072		1,86,00,347.13	
44,10,168		5. **BILLS PAYABLE :**		44,93,914.06
		6. **BILLS FOR COLLECTION BEING BILLS RECEIVABLE—AS PER CONTRA :**		
	52,35,042	(i) Payable in India	80,27,409.81	
4,70,21,269	4,17,86,227	(ii) Payable outside India	4,28,80,662.55	5,09,08,072.36
	7,37,293	7. **OTHER LIABILITIES :** (a) Pension and Gratuity Funds	8,13,014.12	
	75,439	(b) Unclaimed Dividends	75,201.17	
	74,168	(c) Unexpired Discounts	85,099.84	
	15,76,276	(d) Sundries	26,67,571.91	
1,07,16,998	82,53,822	(e) Branch Adjustments	47,77,577.60	84,18,464.64
6,65,20,574		8. **ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS—PER CONTRA :**		7,24,67,905.69
		9. **PROFIT AND LOSS ACCOUNT :**		
	7,94,549	Profit as per Balance Sheet as at 31st December 1958	7,91,683.06	
		Less: Appropriations :		
	5,62,482	Dividends declared	5,88,542.00	
	2,32,067	**Add:** Profit for the year brought from Profit and Loss Account	2,03,141.06	
	28,59,616		33,60,870.72	
	30,91,683	**Less:** Appropriations :	35,64,011.78	
	4,50,000	Provision for Bonus to Staff .. 5,00,000.00		
	12,50,000	Provision for Taxation 12,50,000.00		
	6,00,000	Transfer to Reserve Fund 6,25,000.00		
		Transfer to Development Rebate Reserve 75,000.00		
	Nil			
7,91,683	23,00,000	10. **CONTINGENT LIABILITIES** (i) Claims against the Banking Company not acknowledged as debts	24,50,000.00	11,14,011.78
		(ii) Money for which the Banking Company is contingently liable (Guarantees issued by the Banking Company—Includes Rs. 8,000 Guarantees issued on behalf of the Officers of the Company)	1,30,716.24	
		(iii) Liability on Bills of Exchange Re-discounted	2,69,86,068.02	Nil
		(iv) Liability on account of oustanding Forward Exchange Contracts	6,75,94,333.51	
		(v) Liability on account of Documentary Bills for Collection released on Trust Receipts ..	1,06,210.83	
		(vi) Liability on account of partly paid shares ..	35,000.00	
42,70,12,141			9,48,52,328.60	47,42,57,276.15

BANK LIMITED, MADRAS

31st December, 1959.

Corresponding figures for 1958 Rs.	Rs.	PROPERTY AND ASSETS	Rs. nP.	Rs. nP.
1,85,63,247		1. **CASH :** In hand and with Reserve Bank of India and State Bank (including Foreign Currency Notes) ..		1,74,78,297.45
		2. **BALANCES WITH OTHER BANKS : In Deposit Account :**		
	Nil	(i) In India .. .. Nil		
	Nil	(ii) Outside India .. .. .. Nil	Nil	
		In Current Account :		
	11,40,178	(i) In India	9,72,338.63	
2,41,77,949	2,30,37,771	(ii) Outside India	1,89,70,570.58	1,99,42,909.21
	Nil	3. **MONEY AT CALL AND SHORT NOTICE :**		7,00,000.00
		4. **INVESTMENTS AT OR BELOW MARKET VALUE:** (i) Securities of the Central and State Governments and other Trustee Securities including Treasury Bills of the Central and State Governments	9,54,90,997.06	
	9,10,33,248			
	11,80,470	(ii) (a) Shares fully paid: ordinary shares ..	11,75,856.25	
	10,000	(b) Shares partly paid. ordinary shares ..	15,000.00	
	25,00,000	(iii) Debentures or Bonds	25,00,000.00	
		(iv) Other Investments :		
	18,72,800	(a) Ceylon Government Securities 19,22,800.00		
		(b) United Kingdom Government Securities 35,69,421.33		
	33,21,166	(c) Singapore Loan 7,78,000.00		
	Nil	(d) Federation of Malaya Security Loan 43,06,800.00		
	4,14,466	(e) Treasury Bills of the Government of Burma & 12 years Postal Savings Certificates of Government of Burma 40,20,000.00	1,45,97,021.33	
	75,00,000		Nil	11,37,78,874.64
10,78,32,150	Nil	(v) Gold		
		5. **ADVANCES :** (Other than bad and doubtful debts for which provision has been made to the satisfaction of Auditors)		
		I. Loans, Cash Credits, Overdrafts etc. :		
	5,08,26,936	(i) In India 7,22,03,157.93		
	1,39,75,517	(ii) Outside India 1,89,47,146.99	9,11,50,304.92	
	6,48,02,453	**II. Bills discounted and purchased (excluding Treasury Bills of the Central and State Governments) :**		
	1,92,19,636	(i) Payable in India 2,11,53,363.19		
	7,12,32,597	(ii) Payable outside India .. 7,81,02,555.65		
15,52,54,686	9,04,52,233	**(Particulars of advances as per separate statement.)**	9,92,55,918.84	19,04,06,223.76
		6. **BILLS RECEIVABLE BEING BILLS FOR COLLECTION — AS PER CONTRA**		
	52,35,042	(i) Payable in India	80,27,409.81	
4,70,21,269	4,17,86,227	(ii) Payable outside India	4,28,80,662 55	5,09,08,072.36
6,65,20,574		7. **CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS—PER CONTRA :**		7,24,67,905.69
		8. **PREMISES: Less Depreciation :**		
	11,61,766	At cost as at 31st December, 1958	19,22,786.38	
	7,61,020	Additions during the year	3,03,719.44	
	19,22,786		22,26,505.82	
	Nil	**Less:** Deductions during the year	29,344.89	
	19,22,786		21,97,160.93	
17,37,200	1,85,586	**Less:** Depreciation todate	2,33,560.38	19,63,600.05
		9. **FURNITURE AND FIXTURES : Less Depreciation :**		
	20,13,189	At cost as at 31st December, 1958	29,48,963.80	
	9,46,370	Additions during the year	8,01,885.19	
	29,59,559		37,50,848.99	
	10,595	**Less:** Deduction during the year	14,890.61	
	29,48,964		37,35,958.38	
14,73,353	14,75,611	**Less:** Depreciation to date	18,16,298.91	19,19,659.47
		10. **OTHER ASSETS, INCLUDING SILVER :**		
	15,68,845	(a) Interest etc., receivable on Investments & bills	17,21,513.78	
	5,24,897	(b) Books, Stationery and Stamps	5,95,939.25	
	17,85,121	(c) Income-tax Account	17,13,497.55	
		(d) Buildings under construction, and moneys paid for purchase of properties	2,24,275.25	
	1,51,240			
44,31,713	4,01,610	(e) Sundries	4,36,567.69	46,91,733.52
	Nil	11. **NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS :**		Nil
	Nil	12. **PROFIT AND LOSS ACCOUNT :**		Nil
42,70,12,141				

THE INDIAN OVERSEAS

Profit and Loss Account for

Corresponding figures for 1958 Rs.		EXPENDITURE	Rs.
65,89,016	1.	Interest paid on Deposits, Borrowings etc.	86,31,126.75
49,06,091	2.	Salaries and allowances, Bonus and Provident Fund and Gratuity (Salaries and allowances paid to General Manager Rs. 47,356.45)	56,18,449.04
21,184	3	Directors' and Local Committee Members' fees and allowances	26,649.15
6,55,576	4.	Rent, Taxes, Insurance, Lighting etc.	7,76,009.37
17,356	5.	Law Charges	22,276.70
1,83,130	6.	Postages, Telegrams and Stamps	1,95,106.78
13,906	7.	Auditors' Fee and Expenses	15,444.21
3,37,121	8.	Depreciation on and Repairs to the Banking Company's properties	4,53,042.65
4,06,325	9.	Stationery, Printing, Advertisement etc	4,77,568.61
Nil	10.	Loss from sale of or dealing with non-banking assets	Nil
5,48,355	11.	Other Expenditure	5,35,299.43
28,59,616	12.	Balance of Profit, subject to Income-tax	33,60,870.72
1,65,37,676			2,01,11,843.41

THE INDIAN OVERSEAS BANK LIMITED, MADRAS

Balance Sheet as at 31st December, 1959

Corresponding figures for 1958 Rs.		PARTICULARS OF ADVANCES	Rs. nP.
11,29,51,595	(i)	Debts considered good in respect of which the Banking Company is fully secured.	13,28,06,877.43
2,35,34,338	(ii)	Debts considered good for which the Banking Company holds no other security than the debtors' personal security	3,82,33,610.53
1,87,68,753	(iii)	Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	1,93,65,735.80
Nil	(iv)	Debts considered doubtful or bad not provided for.	Nil
15,52,54,686			19,04,06,223.76
11,43,006	(v)	Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons.	
	(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	6,24,311.28
34,68,919	(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.	23,07,248.78
22,40,895	(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	12,84,765.60
76,22,721			42,66,192.31
1,49,776	(ix)	Due from Banking Companies	5,64,575.65

This statement forms part of the Balance Sheet

S. R. V. Arasu
G. Lakshminarayanan,
A. M. Kadhiresan,
Assistant General Managers

C. P. Doraikannu,
General Manager

M. Ct. Muthiah,
Chairman

O. Rm. M. Sp. Sv. M. Meyyappa Chettiar,
V. S. Nataraja Mudaliar,
Ar. Ramanathan,
M. Ct. Pethachi,
V. T. Padmanaban,
Directors

BANK LIMITED, MADRAS

the Year Ended 31st December, 1959

Corresponding figures for 1958 Rs.		INCOME (Less provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions.)	Rs. nP.
1,12,32,394	1.	Interest and Discount	1,41,93,117.58
52,83,893	2.	Commission, Exchange and Brokerage	58,66,861.94
Nil	3.	Rents	Nil
12,964	4.	Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not carried to Reserve or any particular Fund or Account)	36,747.69
Nil	5.	Net Profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not Credited to Reserve or any particular Fund or Account.)	Nil
Nil	6.	Income from non-banking assets or profit from sale of or dealing with non-banking assets	Nil
8,425	7.	Other Receipts	15,116.20
Nil	8.	Loss, if any	Nil
1,65,37,676			2,01,11,843.41

Auditors' Report

We have audited the annexed Balance Sheet of the INDIAN OVERSEAS BANK LIMITED, MADRAS, as at 31st December, 1959, and the Profit & Loss Account for the year ended that date with the books of accounts at the Central Office and the Indian Branches and the Certified returns received from the Foreign Branches and we report that:

(a) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit, and have found them to be satisfactory;

(b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

(c) in our opinion proper books of account as required by Law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank;

(d) the Bank's Balance Sheet and Profit & Loss Account dealt with by this Report, are in agreement with the books of account and returns.

(e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for Banking Companies, and on such basis the said Balance Sheet gives a true and fair view of the state of the affairs of the Bank, as at 31st December, 1959 and the Profit & Loss Account gives a true and fair view of the Profit for the year ended that date.

Madras,
23rd February, 1960

SURI & CO.,
CHARTERED ACCOUNTANTS

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
December 1958 ..	113.3	96.4	115.1*	112.5*	110.3	108.0	108.3	111.4
January 1959 ..	114.3	103.6	115.1	114.1	110.5	108.4	108.4	112.4
February ,, ..	115.7	104.4	115.9	115.5	110.6	108.1	108 5	113.3
December ,, ..	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January 1960 ..	117.5	100.9	117 6	130.9	121.6	115.1	116.0	118.8
February ,, ..	118 8	96 0	117 9	131.7	120.5	115.6	116.3	119.6
6-2-1960 ..	118.3	96,4	117.4	132.4	120.8	115.5	116.2	119.4
13-2-1960 ..	119.9	95.8	117.4	131.6	120.3	115.5	116.2	120.1
20-2-1960 ..	118.3	95.8	117.9	131.7	120 5	115.6	116.3	119.3
27-2-1960 ..	118.6	95.8	117.9	131.1	120.7	115.6	116.3	119.4
5-3-1960 ..	117.6	96.3	117.9	131.2	121.8	115.4	116.3	118 9

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 =100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	..	..	105	104	—	106	—	—	—
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	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	—	498	—	429	—	173*	168*
1959 May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	162	179*	173*
October	408	427	324	158	406	470	510	166*	441	162	179*	174*
November	405	424	322	158	399	475	511	—	449	—	177*	174*
December	401	420	311	157	389	—	511*	—	441	—	175*	171*
1960 January	403	422	304	159	—	—	509	—	441	—	—	171
February	—	—	—	—	—	—	—	—	448	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED: 11-3-1960 High	11-3-1960 Low	11-3-1960 Average	4-3-1960 High	4-3-1960 Low	4-3-1960 Average	26-2-1960 High	26-2-1960 Low	26-2-1960 Average	19-2-1960 High	19-2-1960 Low	19-2-1960 Average
Gold (per fine tola) ..	132.16	130.56	131.35	132.75	130.25	131.57	132.31	130.53	131.49	132.81	131.25	132.11
Silver (per 100 fine tolas)	218.25	216 81	217.65	217.62	215.25	216.35	215.56	214.50	214.95	215.44	212.94	214.33

SCHEDULED BANKS

(Rs. in Lakhs)

Period (1)	LIABILITIES: Demand (2)	LIABILITIES: Time (3)	LIABILITIES: Total (2+3) (4)	Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5+6) as percentage of (4) (7)	Advances (8)	Bills Discounted (9)	(8+9) as percentage of (4) (10)	Investments in Govt. Securities in India (11)
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
1958-59 ..	735,93	860,33	1,596,26	40,30	83,29	7.74	766,56	133,27†	56.37	565,14
Average of Fridays										
September 1959 ..	741,75	1106,74	1,848,48	42,21	73,60	6.26	799,58	128,41†	50.21	762,18
October ,, ..	738,50	1118,84	1,857,34	41,69	75,12	6.29	795,39	137,83†	50.25	788,34
November ,, ..	737,36	1137,78	1,875,14	44,18	76,78	6.45	781,59	146,31†	49.49	800,78
December ,, ..	731,80	1142,04	1,873,84	43,39	70,03	6.05	800,59	150,29†	50.75	798,02
January 1960 ..	754,54	1131,99	1,886,54	46,23	78,23	6.59	841,75	158,76†	53.03	773,37
February ,, ..	748,29	1149,47	1,897,76	45,11	72,06	6.17	889,52	159,19†	55.26	767,23
Week Ending										
29-1-1960 ..	761,93	1137,04	1,898,07	44,07	70,00	6.01	859,93	158,99†	53.68	784,63
5-2-1960 ..	744,63	1143,10	1,887,73	43,73	65,74	5.80	873,90	158,25†	54.68	783,67
12-2-1960 ..	740,89	1145,21	1,886,10	44,28	76,55	6.41	889,20	159,82†	55.62	759,43
19-2-1960 ..	750,70	1155,71	1 906 41	45,55	71,32	6.13	893,43	159,23†	55.22	761,66
26-2-1960 ..	756,94	1153,84	1,910,78	46,87	74,62	6.36	901,56	159,44†	55 53	764,14
4-3-1960 ..	752 46	1161,23	1,913,69	47.07	79,57	6.62	909,50	158,91†	55 83	757,48

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(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 (4)	Deposit money with the public: Demand liabilities of banks (5)	Deposit money with the public: Other deposits with Reserve Bank† (6)	Total variations in money supply (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 —	2,388,83	1,606,60	782,22	762,36	19,87	+75.94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
September 1958 ..	2,314,52	1,535,02	779,50	765,10	14,40	+5,49
October ,, ..	2,290,08	1,552,70	737,37	721,23	16,14	—24,44
November ,, ..	2,319,38	1,574,14	745,25	727,68	17,57	+29,30
December ,, ..	2,349,85	1,606,45	743,40	726,03	17,38	+30,47
August 1959 ..	2,451,38	1,671,49	779,89	758,35	21,54	—9,50
September ,, ..	2,431,12	1,663,50	767,62	748,10	19,52	—20,26
October ,, ..	2,470,46	1,715,83	754,62	736,44	17,68	+39,24
November ,, ..	2,472,21	1,702,28	769,93	752,49	17.44	+1,75
December ,, ..	2,519,54*	1,752 61	766,93	752,16	14,77	+47,33
January 1960 ..	2,589,91*	1,794 58	795,06	776,89	18,08	+70,37

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

Source: Monthly Bulletin of Reserve Bank.

COMPOSITION OF INDIA'S FOREIGN TRADE EXPORTS

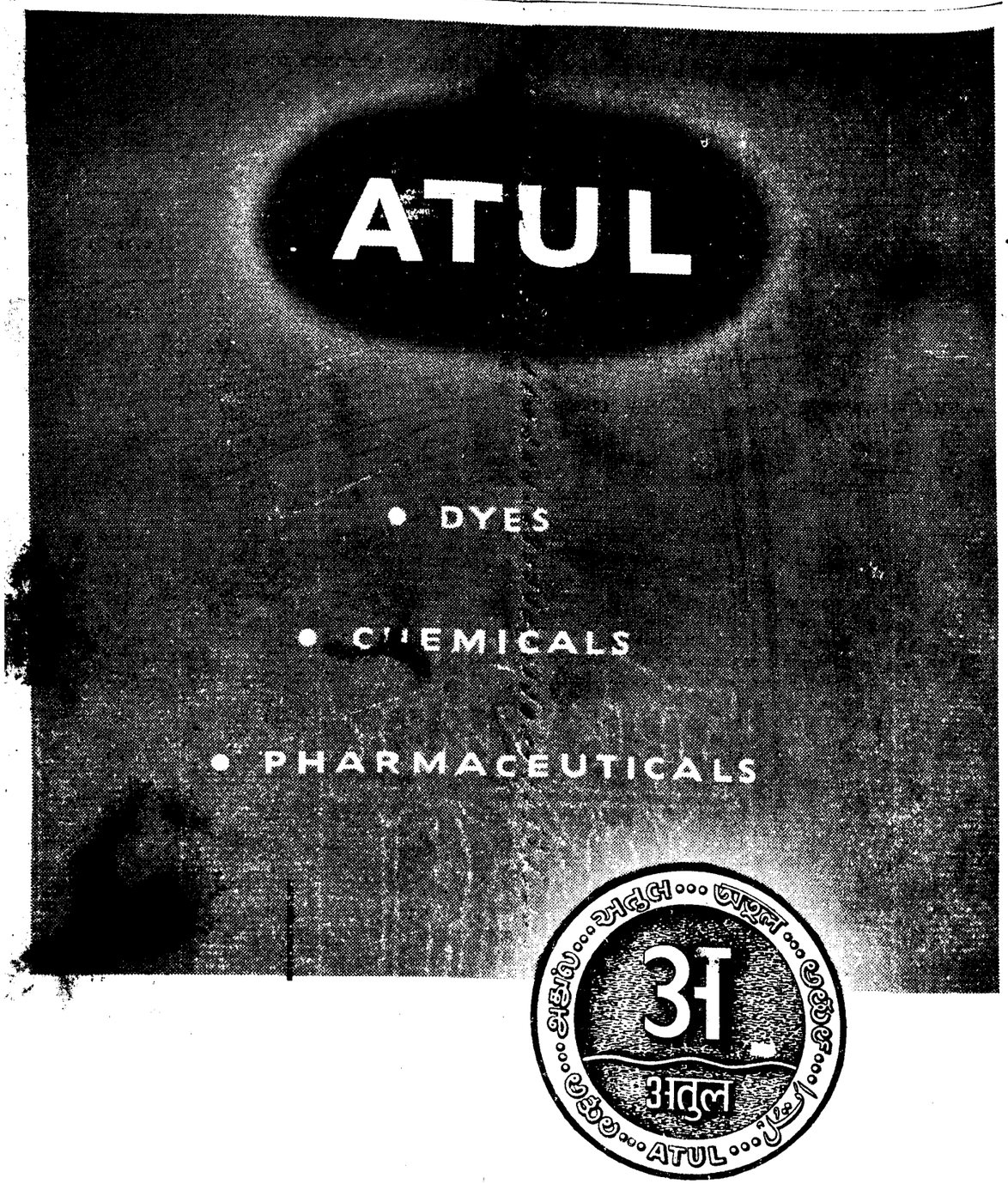
(Rs. Lakhs)

	Jan. to Dec. 1958	Jan. to Dec. 1959	Variation of (2) over (1)
	(1)	(2)	(3)
I. Food			
Fish fresh or simply preserved	5,67	5,86	+ 19
Fish and fish preparations, canned or not	12	24	+ 12
Cashew kernel	15,47	15,18	— 29
Sugar	3,68	2,54	— 1,14
Coffee	7,18	6,25	— 93
Potatoes including seed potatoes (not including sweet potatoes)	1	63	+ 62
Onions	1,88	1,89	+ 1
Tea	136,54	126,39	—10,15
Black pepper	2,98	4,27	+ 1,29
Spices other than black pepper	5,85	5,90	+ 5
Oilseed cake and meal and other vegetable oil residues	7,45	19,46	+12,01
Fruit Preserved and fruit preparations	6	6	Nil
II. Beverages and Tobacco			
Tobacco unmanufactured	14,70	12,93	— 1,77
Tobacco manufactured	1,59	98	— 61
III. Crude Materials, Inedible, Except Fuels			
Hides and skins (except fur skins) undressed	7,17	10,67	+ 3,50
Wool and other animal hair	9,35	12,22	+ 2,87
Raw cotton other than linters	15,20	11,21	— 3,99
Cotton mill waste, Devilled cotton waste, etc.	5,99	5,14	— 85
Oilseeds, oil nuts and oil kernels	34	2,62	+ 2,28
Wood, lumber and cork	1,78	2,14	+ 36
Mica	9,34	10,31	+ 97
Keyanite ore	57	60	+ 3
Hemp and hemp tow and waste	90	93	+ 3
Iron ore and concentrates	9,99	12,93	+ 2,94
Iron and steel scrap	1,63	4,70	+ 3,07
Manganese ore and concentrates	15,58	12,74	— 2,84
Waste materials from textile fabrics	21	24	+ 3
Bones, ivory, horns, hoofs, claws and similar products	2,18	2,41	+ 23
Natural gums, resins, baloam and lacs	7,16	7,95	+ 79
Plants and parts of plants for use in dyeing and tanning	1,23	98	— 25
IV. Mineral Fuels Lubricants & Related Materials			
Mineral jelly and waxes	1,59	1,51	— 8
Coal (anthra cide, bituminous sub-bituminous lignite)	5,33	4,66	— 67
V. Animal and Vegetable Oils and Fats			
Linseed oil (crude, refined or purified)	3,03	2,66	— 37
Ground nut (pea nut) oil (crude or purified	14	5,74	+ 5,60
Castor oil (Crude, refined or purified)	3,05	4,92	+ 1,87
Hydrogenated oils and fats	55	58	+ 3
VI. Chemicals			
Essential vegetable oils	2,09	2,05	— 4
Soap	11	16	+ 5
Chemical elements and compounds	49	67	+ 18
Pigments, paints and varnishes	11	25	+ 14
Medicinal and pharmaceutical products	89	83	— 6

COMPOSITION OF INDIA'S FOREIGN TRADE EXPORTS (CONTD.)

(Rs. Lakhs)

	Jan. to Dec. 1958	Jan. to Dec. 1959	Variation of (2) over (1)
	(1)	(2)	(3)
VII. Manufactured Goods Classified Chiefly by Materials	18.25	28,65	+10,40
Leather	11	13	+ 2
Rubber tyres and tubes	56	59	+ 3
Cigarette paper			
Cotton yarn, thread and grey (unbleached) net mercerized	4,35	2,55	— 1,80
Cotton yarn and thread, bleached (coloured) or mercerized	1,82	2,28	+ 46
Coconut fibre yarn	4,99	5,23	+ 24
Other coir manufactures	3,10	3,47	+ 37
Cotton fabrics grey (unbleached)	21,11	30,66	+ 9,55
Cotton fabrics, other than grey (bleached, dyed, mercerized, printed or otherwise finished)	25,36	30,65	+ 5,29
Silk fabrics	28	38	+ 10
Artificial silk fabrics	4.21	1,73	— 2,48
Carpets, carpeting floor rugs, mats matting, etc. of wool and fine hair excluding art ware	4,52	4,92	+ 40
Woollen and worsted fabrics	48	81	+ 33
Jute twist and yarn	71	87	+ 16
Hessian cloth	57,31	63,60	+ 6,29
Sacking cloth	1,12	1,57	+ 45
Webbings of jute	79	73	— 6
Jute baggering for raw cotton	1,69	2,33	+ 64
Jute corn sacks	5,65	3,17	— 2,48
Jute hessian new bags	6,16	6,73	+ 57
Jute sacking bags new	26,25	26,76	+ 51
Jute wool sacks	2,41	2,68	+ 27
Cement	31	99	+ 68
Pig iron and sponge iron including iron and steel powder	—	1,32	+ 1,32
Table and kitchen knives, forks and spoons of base metals including plated	10	12	+ 2
Crown corks	1	10	+ 9
VIII. Machinery and Transport Equipment	3	13	+ 10
Pumps for liquids			
Oil crushing and refining machinery including oil presses	3	2	— 1
Textile machinery and accessories including bobbins, spools and similar articles	13	20	+ 7
Diesel engine	10	14	+ 4
Sewing machine	20	32	+ 12
Electric ceiling fans	19	32	+ 13
Electric table fans	2	5	+ 3
Electric pedestal fans	—	1	+ 1
Electric batteries, accumulators etc.	16	15	— 1
Steel furniture	13	13	Nil
Bicycles	—	10	+ 10
IX. Miscellaneous Manufactured Articles	2,14	3,01	+ 87
Footwear	1,00	1,44	+ 44
Brass and bronzeware as artware			



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With a Supplement on
GROWTH OF INDIAN COMPANIES

UNDER SECRETARY TO GOVT. OF INDIA
PUBLIC DEPARTMENT

The Eastern Economist

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CONTENTS

Page

Leading Articles:

THE FEDERATION AND THE GOVERNMENT .. 769
INDIA AND THE U.A.R. .. 770
DECONTROL OF SUGAR? .. 771
A DELHI DIARY .. 772
THE WEEK'S NOTES .. 773
Indian Polity; Scientific Research: Taxation; India and Pakistan; Kundah Project.
[illegible] SCENE: [illegible]or Employment .. 777
ECONOMIC REPORT FOR THE U.S.: Convention of the International Executives Association .. 781

The Business World:

LICENSING PROCEDURE: STREAMLINING .. 783
BUSINESS NOTES .. 784
Road Transport; Industry; Trade; Banking; Planning; Companies.
A LETTER TO THE EDITOR .. 786
CURRENT TOPICS,
Impact of Second Plan on Employment .. 788
Sanction of New Industrial Schemes .. 788
A DELHI NOTEBOOK .. 789
WORLDGRAM AND NEWS IN BRIEF .. 790
COMPANY AFFAIRS .. 793
COMMODITY NEWS AND NOTES .. 794
CURRENT STATISTICS .. 803

The Federation and the Government

THE Thirty-third Annual Session of the Federation of Indian Chambers of Commerce and Industry, held on Sunday, Monday and Tuesday this week, failed to raise any major issue of policy, but, nevertheless, has been of significant value. This value might appear a negative one, namely, that there are no major differences now between the outlook of the business community represented by the Federation and that of the Government. But this conclusion takes on positive form when one recognises that, just two years ago, the bitterness was acute, and even a few months back, when an encroachment on the private sector's manufacuring of trucks and tractors was proposed by the Defence Ministry, the climate could not be described as free from acrimony. In the present meeting what was noticeable was, firstly, a passionate desire shown in the President's speech to avoid controversy, and, secondly, the failure of the Prime Minister to raise controversy on both Socialism and Co-operatives. Both speeches must be read in this context as demonstrating that controversy now has an air of unreality. This is specifically true in regard to the size of the Third Plan, but it is also true in the general air of pragmatism which now prevails on both sides.

Now that the goals look agreed, one might ask what are to be the separate contributions of the Government and the business community in a reasonably joint enterprise. The resolutions of the Federation, unfortunately, do not throw very

much light on the special contribution which the Federation proposes to make over the next six years. The particular resolution on national Defence was mistimed in that it called forth, almost immediately, a rebuff from Mr. Krishna Menon. The general resolution on the private sector's participation in Defence enterprises is not likely to be accepted by Parliament, but there is surely ground for participation by the private sector in the fields where costs are lower and secrecy not essential. It is for the business community to show precisely where this can be arranged. When this is done the public sector cannot with any justification refuse participation.

The resolution on the Third Plan was good so far as it went, but the suggestion that the savings of individuals can be left to fructify in their own hands in the great Gladstonian tradition seems to ignore the tremendous changes in magnitudes required for current day finance. It was the fifth and the sixth resolutions, one on the effective working of trade channels and the other on agricultural development, which showed more than any other the particular role of the business community at this time. Undoubtedly, the problem of distribution is the one in which the business community can show its abundant superiority over public sector operation which is both slow and ill-informed. In the agricultural field, as Mr. R. G. Saraiya, who moved the resolution, ably demonstrated, it is possible to carry through a multipurpose effort without an ideological bias. Mr. Saraiya pointed out that the farmer in Bombay dealing with cotton responded readily to change and did not require the machinery of the State for progress. It was a matter of throwing in resources at the right place in fertilizers and insecticides and so on — indeed no more than devising techniques for production. This is really the private sector's field. On the other hand, Mr. Saraiya referred to the need for improved statistics in order first to assess and then to revaluate the significance of each item; surely here the public sector could do a better job. Why cannot there be a sensible division of labour between the public and the private sectors with no blurred edges and no constant bickering on areas of control?

The natural division of labour between the Government and the business community should be the natural difference between the general administration and the development of production and distribution. The Government has as yet too much to do in the general field of political and social change for it to encroach heavily on the private production and distribution apparatus where it is working well. Even where it is not working well there is much to be said for a joint public-private operation. This is no more than to say that in the production and distribution fields expertise is necessarily a component of an abiding solution. All in all, one might hazard the comment on this meeting that although it was not conducive to original thinking, it had a reassuring effect on both sides. There has probably been no meeting in recent years where the concensus of agreement was so large and where the possibilities of further co-operation have seemed so promising. That itself must be reckoned good; it may even be that it is better to travel thus hopefully than to arrive.

India and the U.A.R.

BETWEEN President Nasser's first visit to India in April 1955 and the current second visit, many vital developments have taken place. Five years ago he paid a visit to this country as head only of the Egyptian State. Now he is in our midst as head of the United Arab Republic. This is a change of much greater significance than appears on surface, symbolising, as it does, the urge of the Arab World to put an end to its balkanization. But the decisive fact which has produced a profound impact on the political and economic trends in Egypt, the Middle East and the wider international stage is altogether different. It is the new personality acquired by President Nasser after he emerged from the Suez crisis a bigger, as well as a wiser, man.

In the fateful month of July 1956 President Nasser's arms deal with Russia touched off a spark which blazed into a conflagration. In a mood of bitter resentment America and Britain withdrew their offers of loan assistance for the Aswan High Dam in the belief that this economic sanction would secure rectification of President Nasser's desperate decision. But he hit back by the nationalisation of the Suez Canal Company which should have put the West European powers affected by it on their guard not to take a precipitate, retaliatory action. But that was not to be. The tripartite aggression on Egypt, impatiently planned and carried out by Britain, France and Israel, provided an excellent opportunity to Russia to interpose as a saviour of oppressed Egypt and to emerge with moral and material influence in the Middle East at heavy cost to the traditional hold of the West European powers.

India did not approve of the manner in which nationalisation was rushed through, but she endorsed Egypt's legal and moral right to that decision and action. Above all, she stood firmly by her approach to the settlement of the crisis on the basis of Egypt's sovereign right to the Suez Canal territory and succeeded in the position she took. She was invited to accept a role of major obligation in the stationing of the United Nations Emergency Force on the Egypt-Israel border. There was more that India did in Egypt's hour of crisis. The blocking of Egypt's holdings of sterling by Britain imposed a payments crisis on her and here India came with an offer of trade within her limited potential on terms intended to ease Egypt's payments difficulty. Earlier in April 1955, India and Egypt had signed a treaty for trade and cultural ties. This offer gave a concrete new meaning to those ties.

The uprooting of Western influence and planting of increased Russian influence were not matters of President Nasser's deliberate choice. Consistently with his policy of positive neutrality and non-involvement with power blocs, he had to bide his time until the injury caused to Egypt's relations with the West was healed by rapprochement in course of time. Since the formation of the United Arab Republic more than two years ago, President Nasser has directed his energy, without prejudice to his country's prestige, to responding to a change for the normalization of relations with the West. That process was not slow in developing.

Britain and the UAR have resumed diplomatic relations, the financial tangle has been solved and

he way has been cleared for the UAR to let its rade take its direction without artificial diversion o the Communist bloc. The same policy has been pplied to economic co-operation. Apart from he Russian credit for the Aswan High Dam, the JAR has obtained foreign credits to the tune of Rs. 240 crores. These credits have been promised by countries of different political complexions— America, West Germany, Japan, Switzerland, Russia and Yugoslavia. In this readiness to accept assistance from any friendly country is to be found a basis of identity in the foreign economic policies of India and the UAR.

The UAR has set on the path of modernisation of her economy with an accent on industrialisation. There is an element of similarity between India's and the UAR's approach to growth. The steel plant at Helwan in the vicinity of Cairo, whose two blast furnaces have gone into production and two more are to follow soon, is symbolic of the UAR's determination to industrialise rapidly. Priority has also been given to cotton textiles, electricity, fertilizers, cement, selected engineering industries, consumer goods industries and, in the case of Syria, petroleum refining, oil prospecting, minerals, and so forth. The National Planning Commission is directing the execution of the First Five-Year Plan, including a complementary component for the Northern Region of Syria.

President Nasser's 12-day itinerary has been planned with the predominant objective of giving him a close view of some of our major development projects. Already on the eve of his arrival here, a trade agreement was signed between the two countries. Its notable feature is its unconventional approach to the expansion of trade. Non-traditional items have been selected in the agreement — rice export from the UAR and export of unconventional goods besides jute, tea, etc. from India. The discussions which, President Nasser's team of experts will have with our Ministers and the Planning Commission are bound to result in closer economic co-operation in the technical and training spheres. The auspices are good. We speak a common language and our economic interests are set in a common framework in which there are few opportunities for friction. There is known to be much personal understanding between the leaders in both countries; this must now extend to their peoples.

Decontrol of Sugar?

MR. S. K. Patil, the Union Food and Agriculture Minister, deserves felicitations on the signal success his imaginative sugar policy has achieved. The various incentives given by him to the mill industry in the beginning of the current crushing season to boost output have borne good fruit; already over 400,000 tons more sugar has been produced compared to the last season, thus belying the early misgivings about their adequacy. Indications are that production this year will exceed 23 lakh tons, surpassing the Second Plan target by about 50,000 tons. It is a matter of great satisfaction that the increase in sugar output has not been achieved at the expense of khandsari manufacture, which too is expected to reach the record figure of 5 lakh tons. Cane supplies to the mill sector have obviously been diverted from gur making—a healthy development which, should it persist in future, will go a long way in obviating wasteful use of our limited cane resources and help bring about their balanced distribution for the manufacture of the three organic sweetening agents—gur, khandsari and sugar.

The distinct improvement in the supply position of sugar has naturally brought forth demand from the mill industry that the commodity should be decontrolled both in respect of price and distribution. Sahu Jagdish Parsad in his Presidential address to the annual meeting of the Indian Sugar Mills' Association last week quite openly reiterated this demand. He made the point that, whereas distribution control had little justification when enough supplies were available to meet consumption, price decontrol would enable the industry to attract more cane by offering higher prices to the grower in competition with khandsari manufacturers, thereby increasing sugar output further.

On the face of it, both these contentions have considerable weight. But the industry's argument that price decontrol is necessary for stepping up production appears to be fallacious on closer scrutiny, especially at the present juncture when the agriculturist being busy with the rabi harvest has no time to keep himself occupied with gur making. Khandsari manufacturers, too, have little incentive to compete with sugar mills for cane supplies when they know that easy availability of crystal sugar will only keep down prices of their product. Moreover, the mills which want to avail of the concession of 50 per cent rebate on the basic excise duty on their production in excess of the 1957-58 and 1958-59 average, should be in a position to buy cane at a price upto three annas per maund higher than the minimum fixed by the Government. Why should they expect the consumer to pay more for swelling their profit? The industry's argument for price decontrol implies this; its cost of production is quite rigid.

The case for abolition of controls on distribution, however, is sound; as the ISMA President pointed out, there is little justification for keeping impediments in the way of normal trade in sugar when the current year's output will not only fully meet the demand, which according to all indications is levelling off, but also leave sufficient surplus for building up the proposed buffer stock of 2.5 lakh tons. The experience with controls in India has been none-too-happy and the sooner the unnecessary controls are done away with the better it will be. Mr. Patil's assurance that controls will not remain for a day longer than necessary is, therefore, reassuring. He, need not be hustled into taking a false step; the sugar industry can well leave this difficult decision in public sector hands when they are as understanding as those of the Food Minister.

The permanent solution of our sugar problem lies in improving the yield of cane per acre and its quality in the two key States of Bihar and U.P. which account for the bulk of our sugar output. It is time that greater attention is paid to this factor. The two State Governments which realise a good amount of revenue from the cane cess will do well to utilise it on development of cane instead of frittering it away for other purposes. Will Mr. Patil initiate steps in this direction? Modernisation of the mill industry in these two States should also be helpful in increasing production.

A DELHI DIARY

INFLOW AND OUTFLOW

I HAVE been cogitating (Cogito, Ergo Sum?) on the problem of how crowds in New Delhi assemble and then dissolve. The reason which prompts this deep introspection is the unhappy turnout when President Nasser arrived, at least in my locality where I expected a substantial crowd. I do not know what other people think about other places, but perhaps on these occasions, a sum total would be even less satisfactory than the piecemeal picture. My impression is that for three good reasons the attendance at this particular turnout was low. The first, and most important reason, was that Tuesday was a holiday on account of Id. In New Delhi much the most important factor in producing a crowd is the impounding of a large number of men and women in Secretariat buildings, and then opening the sluice gates at fixed hours (generally 5 o'clock) to let them loose on all the roads by whatever conveyances they have managed, over a long life, to acquire. The fact that Tuesday was a holiday meant there was no impounding; therefore, there was no outflow. Surely, this was the most important lesson to be learnt on the occasion—that a V.I.P. should never arrive on a holiday if he is to be given a rousing reception. The outflow on to the roads is in direct correlation with the inflow into the Secretariat buildings. It is what the planners would call a "controlled outflow". How could the outflow on Tuesday be controlled when the inflow had been so foolishly left unarranged? Secondly,—and I mean no disrespect to V.I.P.s—we have been having too many lately—everyone (including my two children) treats a Head of Foreign State as being a subject of such repeated recurrence that all the original excitement of flags and motorcades has departed. The decline was quite rapid after President Eisenhower's arrival in December and even Comrade Khrushchev felt the declining marginal utility of V.I.P.s. Thirdly, one must always count on the weather. Last Tuesday was warm and uninviting in the afternoon. Why must V.I.P.s come when the sun is exhibiting some of its most vicious characteristics?

People are asking me to prophesy what will happen to Mr. Chou En-lai. I hope that the inflow will be controlled and the outflow suitably arranged, if a crowd is required. I greatly fear that April 19 will be much worse than March 29 from climatic point of view. It does seem to me, therefore, quite apart from the black flags which threaten to intervene, that it would be best if Mr. Chou En-lai's arrival is as private as we can make it. Have I said too much?

THE AYES HAVE IT

There was a little excitement in Delhi on March 30 when the Bombay High Court's decision on the Governor's order in the Nanavati case was due to be announced. Not a few of the controversialists were disappointed that the High Court did not rule the Governor's order constitutionally wrong. It was, it is true, a close shave, with two judges holding that the conditions attached to the order were invalid and this (under an abstruse interpretation) invalidated the entire order. They were overruled by the three and a new rule, of which I was completely unaware, that where there was doubt, the order should have the benefit of the doubt. In the net result, the High Court with great dignity has expressed its regret at the use of these powers but has not impunged the Governor's order. We now await the Supreme Court's decision with great expectations.

THE PRIME MINISTER'S TESTAMENT

While we wait for due processes of law to set matters right in this case, there happens to be in another area a rising opportunity for excitement. I refer to the political debate now shortly due with Rajaji's arrival in Delhi; but since his major utterances are only to occur next week, I need only confine myself to the indirect attack which the Prime Minister made on the Swatantra Party in his speech at the annual meeting of the Federation of Indian Chambers of Commerce and Industry on March 27. By a process, curiously roundabout, the Forum of Free Enterprise encountered the assault intended for the Swatantra leader, and the public sector-private sector controversy was whipped into a political issue though happily the area of controversy between the sectors is negligible. I was disappointed at this turn in the Prime Minister's speech, because it began so well with a testament of his faith and with a moving description of the springs of his actions. He spoke with great feeling of how he was sustained by the love of the Indian people, particularly peasants, and how he had in the last ten years seen the improvement in their standard of living. That was the main purpose of his life and his reward. It was not a religious, but nevertheless a spiritual, fount which gave him strength, not merely to live but also to die. He would not regret departure, because he knew that the trust reposed in him by the Indian people had been fulfilled. It was so poignant a note that the Prime Minister had the whole of his audience in his emotional hold. If he had continued in the form of a testament without involving Socialism and idle controversy with the Swatantra Party, what a different meeting it might have been!

A curious diversion was created by the Prime Minister in regard to a "slighting" reference to co-operatives in the President's speech. I have been unable, after diligent research, to find the offending words and it seemed a pity that so much was made by so great a man of so little. The Prime Minister seemed anxious to add zest to his speech with a spice of controversy, not knowing that he is greatest when he is outside controversy. In controversy — as in the constant Mr. Krishna Menon incidents — he seems terribly partisan and unobjective.

APRIL 1—ALL FOOLS DAY

Today is April 1 and I wonder who is being fooled by whom. An unpleasant friend of mine has drawn my attention to Mr. Manubhai Shah's promise that the small car will somehow emerge sometime from some public sector apparatus. Exactly how, when and where is discreetly hidden from the public view. But if this is a public sector apparatus which has not yet made up its mind of where, what, and how, may I say that we of the general public of lower income group feel that this is becoming a cruel joke. When a public sector apparatus is still thinking about what to do, the fruits of action may be many years ahead. Why does not the Government make up its mind and tell us the whole truth here and now? (In what year is this car coming forth at Rs. 6000?) Promises without form, shape, and substance have already gone too far. So, say, we all!

ARGUS.

THE WEEK'S NOTES

Indian Polity

J.P.'S UTOPIA

IT IS not surprising that the speeches at the Seminar held last Sunday in New Delhi on Mr. Jaya Prakash Narayan's thesis for the reconstruction of Indian polity were mostly critical. At the Oxford Seminar held last December, when Mr. Narayan himself participated, the reception was also more or less similar. In fact, ever since "J.P." propounded his thesis, in spite of the interest it evoked, doubts have been expressed over the validity of its assumptions as well as its practicability. It was J.P.'s contention that Indian democracy today was tending towards disguised autocracy. He was critical of bureaucratic centralization, the party system and the prevailing system of direct election. Therefore, he presented a polity described as "communitarian," which was an idealised model of ancient Indian polity. What he pleaded for was an agro-industrial economy, based upon reorganisation of society into small and more or less self-sufficient communities. At the same time, he held that the new polity must be an integrated structure of miniature welfare States and a system of "Government by committee" at all levels was expected to prevent the concentration of power in the hands of a few personalities or a narrowly based ruling class.

Few would deny that democracy here must have roots in and be sustained by Indian heritage and must respond to the specific needs and problems of the country. But no one can shut one's eyes to the factors that have made a certain degree of centralism not only desirable, but necessary at this stage of our political and economic development. There is, for example, the rapid growth in population which has posed a great problem. This cannot be tackled by individual States, let alone the village communities. Again, in some of the most strategic sector of the economy like large-scale power production and industrial enterprises, one has to reconcile to centralisation. As a result of the growing sense of national unity and its expression at the national level, it might become necessary for the economy and polity being directed and regulated from the Centre. At the same time, one has to see to it that the trend towards centralisation does not exercise a malign influence over our growth. There is a considerable range of activities like agricultural development, cooperatives, housing, local communication, etc., which directly concern the village communities and where the maximum local enthusiasm and effort should be tapped to fruitful channels. The programme of "democratic decentralisation" recently launched in some of the States can have far-reaching implications but it remains to be seen whether the local bodies will succeed in keeping above sectional conflicts and act in the best interests of the community as a whole. It cannot also be denied that small communities can also be oligarchic and most of the villages today are of that type. The fact is in his excessive zeal to fight the present trend towards centralism, Mr Narayan has presented a document which cannot be implemented as a political programme.

Scientific Research

STRICTER SCRUTINY

DURING THE Lok Sabha discussion over the demands for grants for the Ministry of Scientific Research and Cultural Affairs, some members referred to the lack of "proper rules" governing recruitment to the national laboratories and the "growth of nepotism." It is understandable that since the recent tragedy of Dr. Joseph, a Delhi scientist who committed suicide, the question of scientific research as well as that of making conditions congenial for scientists should be engaging considerable public attention. Research, however is like a delicate plant and one should be tolerant to even certain deficiencies lest carping criticism may have the effect of causing more harm than good. It is in this light that one should look at the work done by the national laboratories. Granting that research work cannot be judged by immediate results and many other countries are spending substantially larger amounts on research, there are certain aspects that call for immediate attention.

There has been an impression that the results from these laboratories have not been commensurate with the money spent on them. This is not based on any hearsay, but on the testimony of the Estimates Committee which has recently submitted its report. The Commitee has also said that as some complaints were heard with regard to some of the national laboratories about lack of proper atmosphere conducive to scientific development and research activities, it discussed the matter with the representative of the Ministry and the members were assured that there was no real basis for such complaints. Whether these "complaints" had anything to do with the question of "irregularities" in appointments as alleged in the Lok Sabha is a matter which the Minister will obviously go through (as he promised) if specific instances are brought to him. But the real difficulty seems to be elsewhere. For instance, there are reports that in many laboratories, there is no systematic attempt at co-ordination or supervision of work done at different levels. It may be argued that any rigorous check will only have the effect of dampening enthusiasm and curbing initiative. It is difficult to be dogmatic here. But the Estimates Committee itself has stressed that for the proposed Reviewing Committee to be appointed next year, no one associated with any of the National Laboratories should be asked to be the head. It has also urged that the Committee should consist of eminent men from science and industry including one or two outstanding scientists from abroad. This is an excellent suggestion that should admit of no difficulty in being followed.

A criticism often levelled is that the research programmes of the Council of Scientific and Industrial Research are not much related to the needs of the country. It has also been stated that 50 per cent of the processes that had been released by the Council would not really have been commercially exploitable. This is indeed an unhappy state of affairs. The Estimates Committee also points out that it was informed by the representative of the Ministry that Industry had not taken much interest in the results of the researches carried out by the CSIR and there was a tendency on the part of Industry to borrow the know-how from outside even though the national laboratories had been successful in evolving some solutions. Whatever the reasons for this, it is a sad commentary on the present state of collaboration between the national laboratories and Industry. It will be to the benefit of both if, as the Committee has suggested, representatives of Industry are associated with the research projects and schemes of the national laboratories at all stages.

Taxation

NEEDED SIMPLIFICATION OF SALES LEVY

THE PLEA of the Sales Tax Sub-Committee of the Federation of Indian Chambers of Commerce and Industry that the Central Government should convene a conference of the State Finance Ministers and representatives of businessmen to discuss the basic questions

arising out of this levy and its administration deserves sympathetic consideration by the Union Finance Ministry. The sub-committee has made a number of useful suggestions which if implemented should obviate, without, of course, affecting the revenues of the States from this source, unnecessary harrassment to the business community against which it has been complainng quite vociferously for sometime past.

Most of the difficulties of the trade on this score, as pointed out by a memorandum submitted to the Prime Minister recently by the Dehra Dun General Merchants' Association, arise out of the complex nature of the sales tax laws in various States and the multiplicity of the rates at which the impost is levied on different commodities. The complexity of the Act, the memorandum says, puts it beyond the full comprehension of even an educated trader, not to speak of the illiterate section of the community for which it is an intolerable proposition. The remedy suggested for this by the FICCI sub-committee is quite practicable and needs to be tried. The sub-committee has suggested that sales tax on articles which are subject to excise duty should be amalgamated with the latter and the proceeds distributed among the States as is being done in case of cotton textiles, sugar and tobacco. Similarly, in regard to a large category of imports, not effected directly by the actual users, a small surcharge on customs duty can be collected in place of sales tax. These steps will not only considerably lessen the vexations and difficulties faced by the business community, but would as well help in checking evasion of the tax.

The Union Government will also do well in taking note of the sub-committee's suggestion in regard to sales tax on export products and in advising the State Governments to decrease the incidence of this levy on such goods to make them more competitive in foreign markets. The need to boost our exports can hardly be over-emphasised as long as heavy capital goods continue to take a big toll of our foreign exchange earnings. Revenue considerations may not permit State Governments to exempt industrial raw materials or accessories from the imposition of sales tax even though the manufactured product is also invariably subject to such a levy, but an attempt should be made to devise ways and means to grant exporters 'ad hoc' rebate of this tax paid at the intermediatary stage of production.

India and Pakistan

UNRESOLVED DEADLOCK AND NEW HITCHES

ONE SWALLOW does not make a summer. This indeed is true of the coldness that has bedevilled Indo-Pakistan relations since the very inception of the latter. The conclusion of an agreement between India and Pakistan a fortnight ago providing for freer trade between them had raised hopes that relations between the two neighbours would straighten out in the near future. But these hopes have receded during the past fews days due to the failure of the last week's Morarji-Shoaib talks at Rawalpindi on the outstanding financial issues between the two countries and the recrudescence of some hitches in the negotiations now being conducted by their representatives under the aegies of the World Bank in Washington over the Indus canal waters dispute.

It is regrettable that the two Finance Ministers could not resolve some of the basic issues pertaining to the outstanding financial matters, despite the fact that the ground for their talks had been painstakingly prepared by the officials of the two countries, who in September last had been entrusted with the task of "obtaining an agreed picture" of their claims and counter claims. Mr. Morarji Desai in his statement in the Lok Sabha on Wednesday revealed that the negotiations broke down on the question of determination of the partition debt, arrears of income-tax, pensionary liabilities and allocation of certain defence assets which involve large sums of money. He said he could not take a snap decision on these matters. This shows that the gulf between the demands of the two countries is so wide that it cannot be bridged easily. Pakistan appears to be unwilling to scale down her tall claims about income-tax arrears.

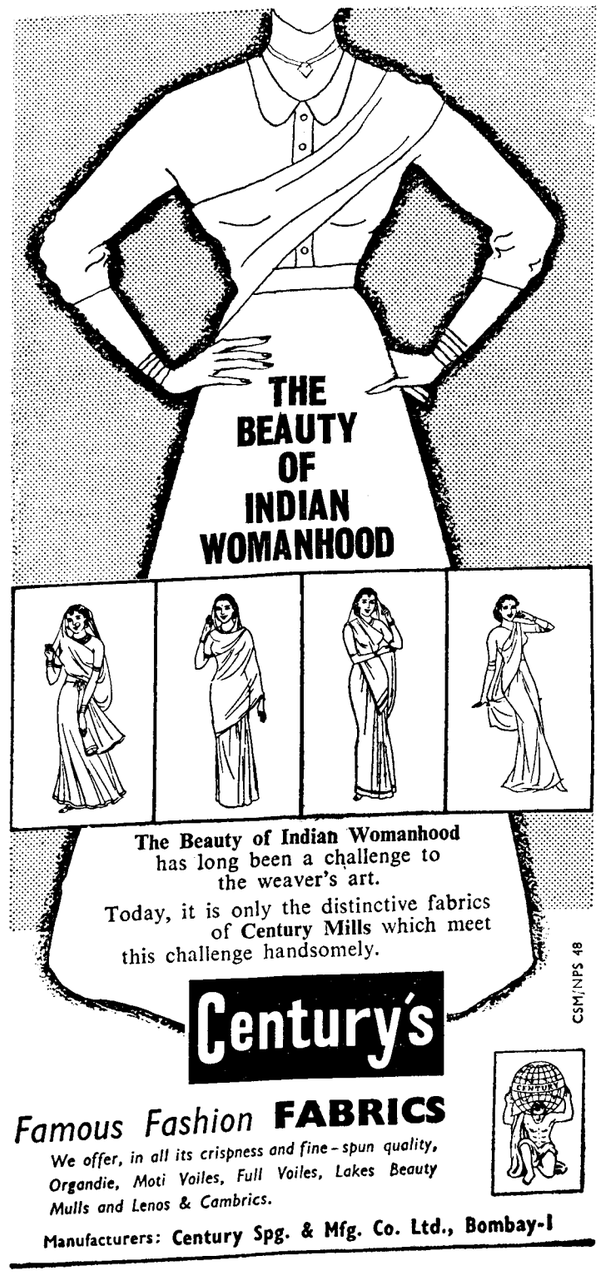
More disconcerting, however, are the reports suggesting that a new deadlock has been reached in the Washington talks over the distribution of the waters of the Indus river system between the two countries. Only a few days ago, it was reported that these negotiations were happily nearing completion and a treaty would be ready for signing during the Commonwealth Prime Ministers' Conference in London in May next. It now transpires that Pakistan is seeking to re-open some of the basic issues on which agreement had been reached long ago; she is now objecting to even small storages being built on the tributaries of the Chanab for the utilisation of some of their waters by Kashmir and has put forth a claim that India should supply 30 per cent, instead of 20 per cent as agreed earlier, of the waters from the three eastern rivers (exclusively earmarked for utilisation by India according to the World Bank plan of 1952) for the development needs of Pakistan. That this news should have been received in New Delhi with deep dismay is understandable; India's plans for properly feeding the Rajasthan canal and the Sirhind feeder from the impounded waters of Sutlej are in the danger of being delayed.

The continuance of the stalemate in regard to the outstanding financial issues between India and Pakistan and the confronting of the new deadlock in the negotiations over the canal waters dispute are pointers to the fact that despite pious platitudes of friendship and euphemism expressed by Pakistani leaders in their recent statements, Pakistan is still not anxious to smoothen out her relations with this country. Has this anything to do with the solution of the Kashmir problem? Perhaps yes. Pakistan apparantly wants to link all these issues and coerce India to accept her dictation on Kashmir. For how otherwise is explained her unwillingness to resile from the rigid position she has again taken on problems which looked like being solved satisfactorily only a few days ago.

Kundah Project

INDO-CANADIAN COLLABORATION

THE COMMISSIONING of the first 20 m.w. generator in the Kundah project by Prime Minister Nehru last week is a landmark in the history of power development in Madras State. It has a two-fold significance. Firstly, this would enable the State to be less exposed to the periodical power shortage that threatens to cripple industry and agriculture in the State. Secondly, it is a symbol of co-operation between India and Canada. Besides contributing all the machinery and equipment worth Rs. 9 crores and more, Canada has lent its technical assistance in the completion of the project. One unique feature of the Project is the maximum use that was made of both machinery and manual labour. Workers who were mostly drawn from the plains toiled hard in the very cold climate of the project area and supplemented the work of machine with the result the project was completed in the record time.



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The number and amount of prizes in each series will be as follows:

EACH SERIES OF Rs. 100 BONDS

1 Prize of Rs. 25,000	Rs. 25,000
2 Prizes of Rs. 10,000	Rs. 20,000
5 Prizes of Rs. 5,000	Rs. 25,000
12 Prizes of Rs. 1,000	Rs. 12,000
20 Prizes of Rs. 500	Rs. 10,000
Total amount of prize money quarterly in each series of one lakh pieces	Rs. 92,000

EACH SERIES OF Rs. 5 BONDS.

1 Prize of Rs. 7,500	Rs. 7,500
2 Prizes of Rs. 2,500	Rs. 5,000
10 Prizes of Rs. 1,000	Rs. 10,000
20 Prizes of Rs. 500	Rs. 10,000
25 Prizes of Rs. 100	Rs. 2,500
220 Prizes of Rs. 50	Rs. 11,000
Total amount of prize money quarterly in each series of ten lakhs pieces	Rs. 46,000

All prize-money will be paid in cash and will not be liable to tax under the Indian Income-Tax Act, 1922.

PAYMENT OF PRIZE: The holder of a prize-winning Bond may present his claim **together with the Bond** at any time after the date of the relative draw at any of the following offices:

(i) the offices of the Reserve Bank of India, Bombay, Calcutta, New Delhi, Madras, Bangalore and Nagpur,

(ii) branches of the State Bank of India, State Bank of Hyderabad and State Bank of Mysore conducting Government Treasury business,

(iii) Treasuries and Sub-treasuries in India other than those at any place referred to in item (i) or at any place where there is a branch of any of the banks referred to in item (ii); and

(iv) all Head Post Offices.

The Prize money will be paid to him at the office at which he has presented the Bond after the claim has been admitted by the Reserve Bank of India.

PUBLICATION OF WINNING NUMBER: The particulars of the prize-winning Bonds will be published in the Gazette of India and the press as soon as possible after the date of the relative draw.

REPAYMENT: Prize Bonds will be repaid at par on or after the 1st April 1965 **on presentation.**

Further particulars can be obtained at any of the offices authorised to receive subscriptions.

The European Scene

INVESTMENT FOR EMPLOYMENT

From Our Special West European Correspondent

PARIS, March 26.

PERIODIC reviews on this page of the progress of Italy's ten-year development plan always begin with a warning against seeking to transfer lessons learnt in Italian experience to India's case. Mediterranean poverty and backwardness are indeed sometimes indistinguishable for the tourist from conditions in parts of India. But the economist knows that development problems must always be thought out afresh in terms of their local context. Once that reservation is made, however, it is instructive to look from time to time at Italy's progress, for one sees there some of the surprises and paradoxes that planning encounters everywhere. The ones that most interest us are those contected with the volume and composition of investment required to eradicate unemployment and to equalise conditions between differently favoured regions of one country. When stated in general terms, Italy's ambitions in these fields are much the same as India's, though the magnitude and acuity of their difficulties might differ.

The Italian plan has as its first objective the realisation of full employment in the ten years 1955-1964. This would be achieved, the authors calculated, by the creation of four million new jobs. The technological reorganisation required for that would throw 800,000 out of work, so there would be 3,200,000 extra jobs at the end of the decade. Meanwhile emigration would drain off 800,000 workers. Now we will set these ambitions against the facts of planned development to date. A full analysis is available of the situation in the first four years of the plan, up to the end of 1958; but we will bring in later the provisional figures for 1959 which give a rather more encouraging impression.

Supposing that the expansion of employment forecast for the whole decade were being achieved uniformly each year, at the end of the first four years new jobs plus emigration should have absorbed 1,600,000 men. In fact, results at the end of 1958 were 15 to 25 per cent behind these calculations. Emigration had drained off more than expected (350,000 instead of 320,000) but the expansion of employment had taken in only 1 million workers instead of 1,280,000. This lag was not due to generally slower progress in economic growth than foreseen. On the contrary, national income increased by 5.2 per cent each year whereas the planners had hoped for only 5 per cent. In other words, progress measured by national income was better than expected and yet the expansion of employment was less than expected.

Nevertheless, employment did increase. In that four years 750,000 new job-seekers came on to the labour market and they all found work, plus a proportion of those previously unemployed. And yet applicants for work registered at labour bureaux remained stationary, at around 1.8 to 1.9 million. This is the paradox of the number of jobs increasing faster than the number of known unemployed while the number of registered unemployed remained constant — or even increases as it has done in parts of India. The explanation is that the same economic growth that provided the new jobs also converted some disguised unemployment and under-employment into open unemployment. In the conditions created by economic expansion, especially if it is accompanied by inflation, many underemployed artisans and women find that they have to go into the labour market. This seems to be an inevitable phase: the unemployment problem appears to get worse, or at least declares itself to be bigger than was thought, when the economy passes from stagnation to expansion.

Another curious feature is that not only did the faster-than-expected increase in national income go with a slower-than-expected increase in employment, but it was achieved with a smaller volume of investment than was forecast. Investment outlays in Italy have been running behind schedule, particularly in productive investments as distinct from housing. The planners were too pessimistic about the amount of investment that would be needed to achieve a given increase in national income, while they were too optimistic about the amount of extra employment that would be created by a given investment. The explanation in both cases is technological progress, which increased the productivity of capital (so that one had to invest less to expand income) but also increased the productivity of labour (so that one had to invest more to expand employment).

Their errors on these two points were particularly glaring in the most progressive parts of industry, in the growing points or pilot sectors. It was there that capital was invested in preference to other sectors and it was there too that technological progress was fastest. Thus the planners' mistake was, as it were, compounded. Calculations based on averages were upset when investment capital flowed by preference to those uses where its effects on national revenue were greatest and its effects on employment were least.

The consequences of this error show up in reckonings of the quantum of investment required to provide one extra job. According to the authors of the Italian plan, an average investment of 2.7 million lire (about Rs. 20,600) should have provided one new job. But in the poor south of Italy, an investment of 131 milliard lire created only 33,000 jobs, which works out at about 4 million lire per head (Rs. 30,500). In Sicily which is even poorer, outlays of 101 milliard lire provided work for 22,000 men, which is an everage of 5 million lire per head (Rs. 38,000), while in certain capital-intensive industries such as chemicals the figure was nearer 13 million lire (about Rs. 1 lakh) per job. By way of comparison I will mention that the French development plan for Algeria estimates at 4,712 milliard francs the quantum of investment required to provide 876,000 new jobs, an average of 5.4 million francs (about Rs. 54,000) per head.

Most of the extra employment that has been created has been in the private sector. A recent official review of the progress of the plan says that this will continue to be so: the burden of solving the unemployment problem falls on private enterprise not on the public sector. But then it is true in general that most of the results of planning in Italy so far have been due to private

enterprise. The interventions of the State have been more limited than the authors of the plan foresaw and less heroic than the critics of the Christian Democrat Government would like to see.

The provisional statistics for 1959 show that the pace of growth has accelerated and suggest that the impact of expansion on employment has been more encouraging. Last year the increase in national revenue at constant prices was 5.8 per cent, a sharp improvement over the 5.2 per cent average of the previous four years and of course well ahead of the planned 5 per cent. Agricultural progress was negligeable, the main contribution coming from industry where output increased by 10 per cent, against 2.8 per cent in 1958 (the year of the mild recession) and 8.2 per cent in 1957. This jump forward seems, this time, to have been accompanied by a considerable expansion in employment and a real reduction in the amount of unemployment. The number of unsatisfied demands for work registered in the labour bureaux fell by 6.2 per cent to around 1,630,000. But for the reasons given the demands registered at labour bureaux are not a perfect index of the progress of employment because they include requests for work coming from people who previously did not count themselves as unemployed, e.g. womenfolk. A better index is the number of job-seekers who have previously had a job but are now out of work plus the number of young people seeking their first job. That total fell last year from 1,340,000 to 946,000.

So it may be that the disappointing results from the employment angle of Italy's growth in the first four years of her plan were a temporary phase, and that hereafter the creation of new jobs will keep pace with the expansion of national revenue. That is a hazardous extrapolation from one year's figures. Italian employment statistics cannot really be interpreted without information about emigration, both permanent emigration to Australia, etc., and the movement of migrant labour to the neighbouring countries of the Common Market. But, though the subsequent improvement is still doubtful, the initial difficulties are certain and may be expected to be encountered in India: the employment potential of industrial investment is apt to be over-estimated even where it succeeds in swelling national income and it is, moreover, responsible for uncovering much under-employment that was not reckoned with in first estimates.

Similar causes limit the equalising effect of development as between regions. Investment tends naturally to grow fastest in the already industrialised parts of the country. Per capita income in the south of Italy were 43 per cent of northern incomes in 1950; though they increased fairly rapidly up to 1954 and then in the first years of the plan, they are still only 44 per cent of northern revenues. The plan has so far succeeded in that it has raised incomes for the country as a whole at about the rate foreseen, or somewhat better, but it has done very little to eradicate the great inequality between the industrialised north and the poor south. If total employment had increased more quickly, then one might have seen a migration of labour from the south to the north; while if unemployment began to disappear so that labour costs become an urgent consideration, one might see a migration of private industry from the north to the south. Both these things happened successively in the U.S.A. But as long as the pool of jobless labour is substantial, private enterprise will not equalise conditions throughout the country.. For that, massive and continuous intervention by the State seems to be necessary.

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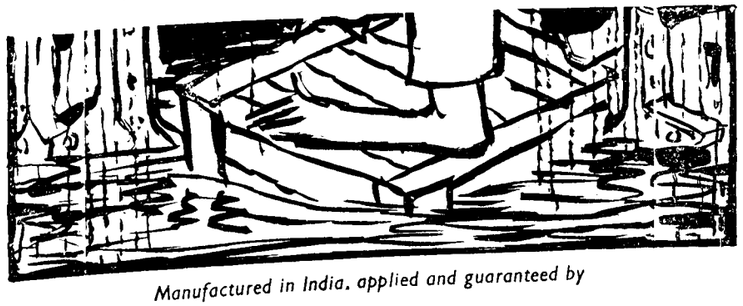
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STP 44



Economic Report from the U.S.

CONVENTION OF THE INTERNATIONAL EXECUTIVES ASSOCIATION

By GUY SIMS FITCH

NEW YORK, March 22.

IF there is one fact that emerges from the forty-third annual convention of the International Executives Association, it is the clear reaffirmation that U.S. isolationism in economic affairs — no less than in political affairs — has long since passed into the realm of history. At few previous gatherings of this type have government officials and private businessmen joined in such unqualified statements about the need for expanded commercial relationships between the U.S. and the other free nations of this shrinking world. And it is in this context that one must view the new U.S. Government programme to help American businessmen expand their export trade. This programme, which was announced with much fanfare, is receiving major emphasis as an important component of U.S. Foreign Economic Policy.

There is no doubt that U.S. officials are looking toward increased shipments of goods to other countries as a means of augmenting U.S. receipts on international transactions and hence of reducing the annoyingly large balance-of-payments deficits of the past two years. Yet to assess the programme merely in this light, or to see in it a sign of U.S. economic weakness, is to miss its great significance in the field of international economic relationships, as noted by U.S. Assistant-Secretary of the Treasury T. Graydon Upton in the meeting's keynote address. The U.S. objective in seeking to reinforce its balance of payment position stems from a situation of strength and is "in many respects unique in world history." As he put it, "our ability to purchase our import needs is not in jeopardy. Our gold reserves remain large and world confidence in the dollar remains strong." Why, then, this new emphasis on export expansion? Because, to use again Mr. Upton's words, "we must make absolutely certain that these facts continue to be true." In other words, the United States must retain the strength it now possesses as the world's most important trading partner. Far from expressing rationalized and insular self-interest this view is based on the conviction of realistic men to the effect that the U.S. trade potential and the well-being of free peoples in other parts of the world are closely interrelated. In the past, this has usually been couched in terms of U.S. imports — the more goods Americans bought from other countries, the more dollars those countries would have to spend for American goods.

It is now, however, the other way round. The more goods other countries buy from the U.S., the more money Americans will have to spend abroad. And with U.S. imports increasing spectacularly last year to a total both unprecedented and unexpected in its magnitude, U.S. officials now are stressing the need for a healthy expansion in U.S. exports to restore what they consider a more "normal" balance between the two. It is recognized, of course, that U.S. exports have exceeded imports throughout the post-war period. They did so again last year. This export surplus has been one of the main sources for large-scale U.S. spending abroad, from which America's trading partners have benefited in many ways. The spending, or capital outflow, has taken such form as U.S. Government economic aid and military support, private investment, tourism etc. Thus, the new American export effort has a meaning that extends far beyond the narrow element of self-interest — although there is that in it, too, of course—for behind this effort lies the determination to maintain those liberal trade, aid and investment programmes of the U.S. from which other nations have gained substantial economic and political advantage.

In this sense, what has been called "America's stake in world trade" — the title of Mr. Upton's keynote address — could just as easily and fittingly be called "the world's stake in America's trade."



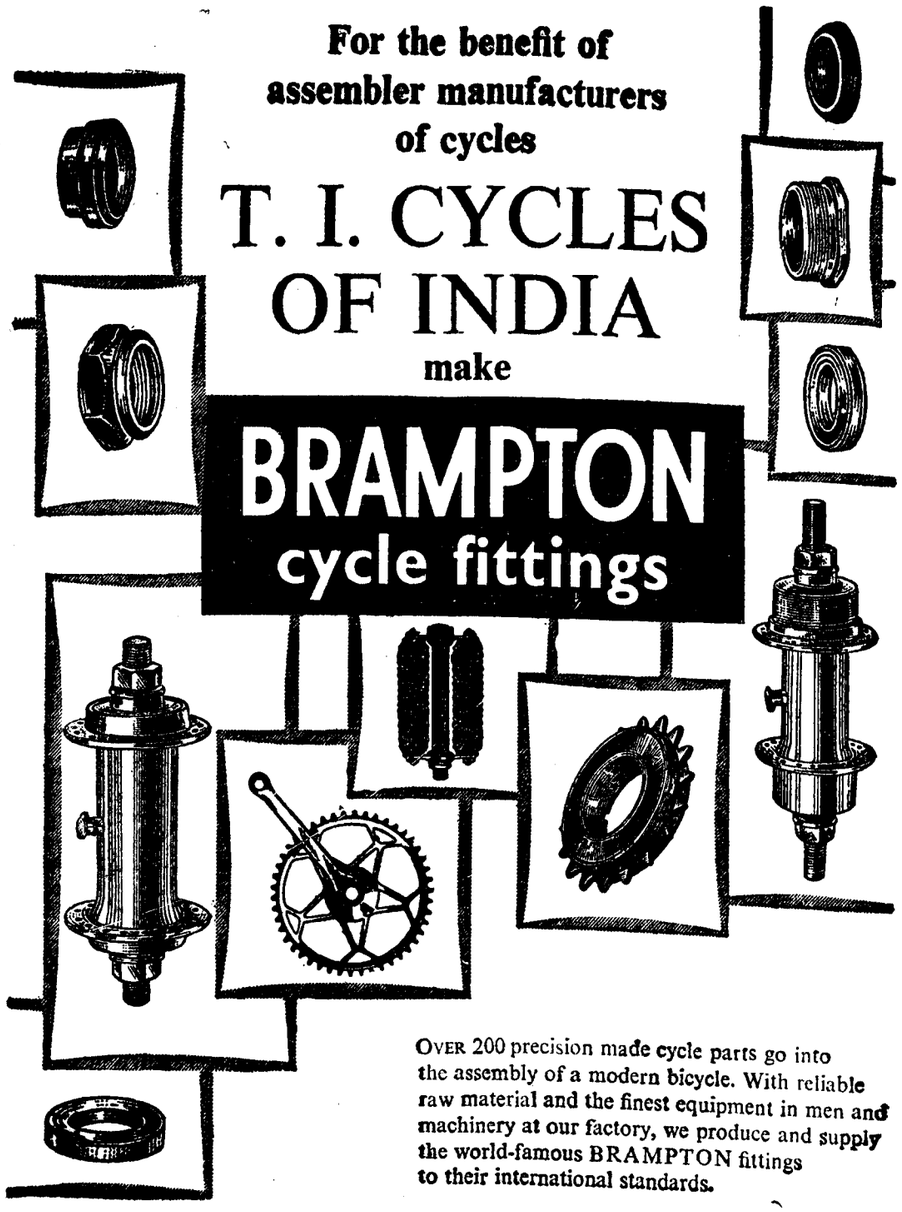
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THE BUSINESS WORLD

Licensing Procedure: Streamlining

PERHAPS never before it seemed so evidently necessary that the procedural impediments that delay the process of industrial growth should be removed. A significant amount of spade work has recently been done for the coming into existence of many new industries as well as the expansion of the existing ones. The Government of India was repeatedly approached, therefore, through the representatives of the Federation of the Indian Chambers of Commerce and Industry, so that some sort of streamlining could be brought about in the licensing procedure. After a number of discussions at various stages the Union Ministry of Commerce and Industry has announced new arrangements that have been made to expedite speedy disposal of such applications.

Broadly these applications have three main aspects: first, seeking the approval in respect of capacity, location etc. after consideration by the Licensing Committee set up under the Industries (Development and Regulation) Act; second, the approval of the foreign exchange expenditure on the import of plant and machinery and, third, the approval to the terms of foreign collaboration, if any, in the project.

In the first instance it has been decided that the Licensing authority will meet at more frequent intervals than in the past. Although this will be quite helpful, yet the number of applications pouring in before the Committee has increased to such an extent that this may not be enough. As a positive step to save time certain other decisions have been taken with a view to enabling applications to be disposed of without reference to the Committee.

Industrial undertakings, new units or schemes for expansion, which employ less than 100 persons and whose fixed assets (land, buildings and machinery) are less thas Rs. 10 lakhs of value, can proceed without reference to the licensing authority. This liberalization, however, does not apply to acquisition, installation and working of spindles and looms for the manufacture of cotton and non-cotton textiles which require a prior permit from the Textile Commissioner. Similarly, it does not apply to the creation of new productive capacity in iron and steel including re-rolling industry.

There are certain industries in which there is considerable scope for expansion of capacity and a prima facie case exists when the new units may be helped to be started or expansion allowed in the existing units. A list of such industries will be prepared from time to time in which the Industries Act licences will be freely approved and the extra capacity may be sanctioned without reference to the Committee. The present list includes mostly the manufacture of engineering, chemical, glass, refractory and pottery goods. Apart from this, the licensing authority will continue to give special attention to those cases which are associated with major projects or developments in industries in which regional considerations, availability of raw materials, transport problems and other similar factors play an important role.

It is considered that in the case of certain industries it may not be possible to sanction fresh capital. Maybe, already large capacity has been licensed and additional capacity is not necessary. In several cases it involves the import of raw materials. A list of these industries which will, of course, be subject to frequent changes, will be announced so that the applications concerning these may be rejected without reference to the licensing authority.

Keeping in view the limited amount of foreign exchange available to finance the importation of plant and machinery required by industry, the possibility of grant of import licences is limited to the cases where either the applicant himself can make satisfactory arrangements for raising external finance or Government have facilities in the shape of credits or payments arrangements with particular countries to finance such imports. It may be pointed out that currently facilities are available from the U.S.A. and other countries like U.S.S.R., Czechoslovakia, Poland, etc. with which rupee payment agreements have been entered into, which may be utilised for such imports. As far as the raising of external finance by the applicants is concerned, the forms of financing acceptable to Government are either investment in the equity capital of the company or long-term loans where the payment is likely to fall due after 10 years or so. Short term deferred payments are generally discouraged and are allowed only in the cases where the imports of plant and machinery are likely to result in quick saving or earning of foreign exchange to enable the repayments to be made.

In respect of the import of machinery out of the credit offers by the Government, it is specified that the applicant must clearly state the country from which imports have to be made rather than just indicate a currency area in vague terms. Moreover, to avoid delays, alternative sources of supply too have to be stated. It is also necessary for them to indicate their ability to repay, if the cash import licence is given to them against the credit available to the Government.

In respect of collaboration — technical and financial — between the foreign and Indian entrepreneurs, it is stated that the draft agreement should be made available which has to be considered on its merits. Broad principles concerning the terms have, however, been laid down. It is pointed out that the agreements involving recurring payments should have a limited period of life not exceeding 10 years, though its exten-

sion with the approval of the Government is acceptable. Then it should not involve any restriction on exports from India. If it is not possible to get freedom to export to all countries, permission to export to some countries must be there. Again, whereas the imports of capital goods may be convenient from the same country as the collaborator's, the Government is averse to approving any restrictions in this respect on the Indian firm. Another feature which concerns the payment of minimum royalty to the foreign collaborators states that when the payments are related to turnover, no payment should be guaranteed regardless of the turnover of the company.

Thus it is gratifying to find that the initiative taken in this matter by the Federation of the Indian Chambers of Commerce and Industry has borne fruit and the Ministry of Commerce and Industry has responded by facilitating the licensing of industrial units and also the imports of capital goods necessary for them. This revision and simplification of the procedure is certainly going to be of considerable help to the industry.

Business Notes

Road Transport

SUGGESTIONS ON MASANI REPORT

THE TRANSPORT DEVELOPMENT COUNCIL which held its 2-day session here on March 26 and 27, made a number of recommendations to the Government on the proposals contained in the Report of the Road Transport Reorganization Committee, presided over by Mr. M. R. Masani. When this Council was inaugurated, the Minister for Transport gave an assurance that, consistently with the Council's status as the highest advisory body, a convention will be observed by his Minister to accept its recommendations as a rule. It is to be trusted that this assurance will be translated into action.

Most of the recommendations made by the Council on the Masani Committee's proposals aim at rationalization or liberalization of the departmental procedures at the State level. To this class belong the recommendations approved by the Council on the constitution of claims tribunals, investigation into road accidents, reform of the composition of the membership of the State Transport Authority, supply of statistics regarding vehicles to the members of the public on payment, establishment of transport advisory committees at the State level, reform of dual control of the police and transport departments in regard to enforcement, and so forth. These recommendations should not present any difficulty in being accepted and implemented by the State Governments.

But it is in the second category of financial and organizational recommendations that the significance of the last session of the Council is to be found. Intensive utilisation of vehicles and economies in operating costs can be procured if, as the Masani Committee suggested, viable units are insisted upon or co-operative societies of operators are encouraged. Pilot schemes for co-operatives, it has been suggested, should be launched in Madras, West Bengal, Kerala, Delhi and Orissa. But the one in Kerala has already been set up.

Outside this co-operative sector, how is viability of operating units to be obtained? It would appear that for this purpose licensing policy will have to be deliberately utilized. The Council, it cannot be said, has faced its responsibility in a forthright manner on this question. It could have made proposals for two or three patterns of viable units for acceptance according to the discretion of the State Governments. Instead of that, it has found escape in remitting this question to the State Governments for their "consideration".

On the question of provision of credit to operators for purchasing vehicles, the Masani Committee had suggested the setting up of finance corporations at the State level. Few believed that this recommendation would be seriously considered or energetically pursued. Here again, the Council remitted the matter to the State Governments instead of pronouncing its own positive views.

The Council, it is reported, has accepted the principle of consolidation of motor vehicle taxes and their integration into a single-point tax. It is not clear from the available report of the proceedings whether the ceiling for the single point tax has been accepted at the level of present taxation prevailing in Madras, as recommended by the Masani Committee. This recommendation of the Council should be considered as the acid test of the intention of the State Governments to accept the convention of acting on the recommendations of the Council, except where they are objectionable or impracticable.

It would, however, be naive to expect that this revolutionary reform of single point motor vehicle taxation will be accepted in the near future. Road transport has always received, and even now it continues to receive, a discriminatory treatment in respect of taxation. Half the additional tax revenue proposed by the Union Finance Minister in the Budget for 1960-61 comes from motor transport taxation on diesel fuel and vehicles. Instead of lightening the burden of taxation and merging the taxes into a single tax, Government's policy runs in the reverse direction to make that burden heavier and to add to the multiplicity of the taxes. Along with the Exchequer, the principal beneficiaries of this policy are the railways. It is not without justification that Mr. Masani described the Railway Board as the most powerful lobby in this country.

Industry

RECOVERY IN 1959

QUITE A significant rise was registered in industrial production during 1959 which was in sharp contrast to the record of the previous two years. The rise during the year, according to the Index for Industrial Production (1951 = 100), was of the order of 8.4 per cent against 1.7 per cent and 3.5 per cent during 1958 and 1957 respectively. The annual report of the Ministry of Commerce and Industry for 1959-60 throws some fresh light on this rise. An interesting observation is that "actually the increase in industrial production has been even larger than the index would suggest". This is essentially due to the fact that since the base year of the index (1951) several industries have grown up. These new industries like the penicillin, therefore, do not enter into the index. Moreover the weightage in favour of traditional industries like cotton textiles, jute and sugar is very heavy and industries which have grown recently figure comparatively less prominently. To form a proper estimate of the industrial expansion, it is necessary that the index ought to be given a new shape to include the industries which are of comparatively new origin.

Taking into account the overall industrial output, the single most important factor that was responsible for this acceleration was perhaps the increased import of capital goods, components and industrial raw materials. Though the restrictions on foreign exchange expenditure continued during the year, it was possible to increase the quantum of licensing to the private sector as a result of increased availability of foreign assistance during the year. For instance, approvals of the issue of import licences for capital goods amounted to Rs. 48.6 crores against Rs. 5.4 crores during the previous year. The total value of such approvals, including approvals against inflow of fresh foreign private capital, on deferred payments, and on cash basis was as much as Rs. 96.8 crores during 1959 as compared to Rs. 41.7 crores in 1958. The paper industry which is struggling to remove domestic shortages was given top priority and got approvals for capital goods imports to the extent of Rs. 29.4 crores. Basic chemicals, automobile and ancillery industries and non-ferrous metal industries got Rs. 13.2 crores, Rs. 6.3 crores and Rs. 5.4 crores respectively. The cotton textile industry also got a fair share of Rs. 13.5 crores for modernisation and replacements. It is quite evident, therefore, that the private sector has responded very well to the facilities provided by way of approvals for capital imports. In the years to come also, the private sector can be expected to deliver goods if the necessary facilities are provided for the healthy growth of industry.

Trade

BARTER SCRAP EXPORT PROGRAMME

TRADE REACTION in Bombay to the barter scrap export programme for 1960, reported to have been finalized by the Iron and Steel Controller, has been rather sharp. All the three aspects of the barter programme—the ceiling fixed for barter exports, the formula adopted for distribution on barter quotas, and the basis of barter—have been subjected to severe criticism by the commercial community. Perhaps the most pertinent of these criticisms relates to the Government's decision regarding the ceiling for barter export. It is reliably understood that the tonnage ceiling of scrap exports under barter has been fixed at 2,40,000 tons. Last year, total exports of ferrous scrap to Japan stood around 2,40,000 tons, of which exports under barter were just 1,60,000 tons. It is contended by trade circles that, in the prevailing circumstances, fixation of any ceiling for barter export is unwarranted, inasmuch as the country has to import about 6,00,000 tons of steel during the year. The indigenous collection of scrap is estimated at around one million tons a year, out of which domestic consumption forms a mere fraction. It is argued that, if proper incentives are given to exporters by removing the ceiling and allowing all participants in the export trade to import finished steel in exchange for scrap, the country would stand to gain considerably. This would not only save foreign exchange but also enable India to meet adequately its finished steel requirements in exchange for the excess scrap available within the country. This will at once provide a fillip to the collection of scrap and impart life to the local scrap market.

With regard to the formula adopted for distribution of barter quotas, the Iron and Steel Controller is said to have adopted a formula based entirely on the individual barter performance of last year. Shippers who were successful in completing their export-import commitments under last year's barter have thus been awarded 80 per cent of their barter tonnage of that year as their barter export quota for the current year. Those who applied for extensions of time for completion of their barter deals and/or created irregularities have been awarded a lower export quota of 40 to 60 per cent. As far as newcomers are concerned, the total tonnage apportioned is said to be very little. It is further added that, while the total ceiling has been fixed at 2,40,000 tons, the tonnage actually assigned to exporters is only 1,80,000, leaving a balance of 60,000 tons still unallotted. No indications are available as to the way in which this is going to be distributed, which leaves the trade guessing.

In respect of the basis of barter, again, trade circles feel rather disappointed. Under the barter export programme, the allottee has to import finished steel against exports of scrap as per the ferrous scrap export policy. It is stated that the Controller has stipulated that the C.I.F. value of their steel imports should not exceed the two-thirds equivalent of the F.O.B. value of their exports. Under the completed barter programme, however, the C.I.F. value of finished steel imports allowed used to be the full F.O.B. value of scrap exported. Barter participants are unable to appreciate the one-third reduction in imports thus that has been stipulated in the current barter policy.

Banking

THE CENTRAL BANK OF INDIA

THE DEPOSITS of the Central Bank of India that have crossed the Rs. 180 crores level during the year 1959 place it as the largest Scheduled Bank in India, with, of course, the exception of the State Bank of India. One measure of this bank's importance in the banking structure of the country is that in relation to the total deposits of all scheduled banks, the Central Bank contributed 9.9 per cent. There was even larger increase in the figure of advances which rose to nearly Rs. 120 crores at the end of 1959. This, again, is a reflection on the Bank's efficient utilisation of its funds because during the year not a small number of banks failed to register any considerable rise in the advances. It is interesting to observe that the percentage of the advances to deposits of all scheduled banks was 50.7 at the end of 1959 while in the case of this bank it comes to around 66.6.

The Chairman of the Bank, Sir Homi Mody, K.B.E., observed at the annual general meeting that the net improvement in the earnings potential of the Bank was nullified to some extent by the heavy increase in total operating cost, of which establishment expenses account for as much as Rs. 27.8 lakhs, reaching a very high figure of Rs. 334.4 lakhs, which represents an increase of almost Rs. 1 crore in the past five years. The percentage of establishment expenses to net income comes to 65.1 per cent which seems quite exhorbitant. It is perhaps this factor which has been responsible for showing an actual drop in the net profits by about Rs. 2 lakhs during the year. The percentage of net profit to gross earnings has been sliding down from year to year — from 13.7 per cent in 1955 to 11 per cent during the year under review. The Chairman has therefore, rightly laid stress on the need to improve efficiency and discipline among the staff. It can only be through a higher productivity of the staff and their happier relations with the management that capacity of the bank to earn more can be achieved.

Planning

NEEDED SHIFT IN INVESTMENT PATTERN

IN HIS Presidential address to the latest Annual General Meeting of the Bombay Chamber of Commerce and Industry, held last week in Bombay, Mr. N. Dandekar made a number of comments on the pattern of investment expenditure during the Third Five-Year Plan

eriod. These are at once timely and thought-provoking, and it will amply repay the Planning Commission, which is busy at the moment finalizing various aspects of the Third Plan, carefully to go through this address.

The main emphasis of Mr. Dandekar was that, in order to improve the efficiency of the administrative machinery and also maximise our foreign exchange resources, "the accent in the Third Five-Year Plan must be on investment outlays that are directly productive." Investment outlay on such projects alone, he maintained, would keep deficit financing within "digestable" limits. Even here, he wanted that there should be a decisive preference based on a given order of priority. According to Mr. Dandekar, the order of priority should be "(i) expenditure for developing full productive potential of existing installed capacities; (ii) expenditure on projects (including those for producing consumer goods) which involve a relatively short time-lag between investment and the resulting production; and (iii) among the projects in the two preceding categories, again, preference must be exercised in favour of those that constitute the core of the Plan—food, fuel, transport and power—concerning which past experience has conclusively shown that the country hardly ever has enough, and never too much. (Only in steel, for example, are we likely to be self-sufficient, if not over-installed, at the end of the Second Plan."

The main merit of the pattern of investment outlined above lies in the fact that it seeks to minimise the stresses and strains on the economy. At the same time, it will not only maximize our foreign exchange resources but also does not give rise to a runaway inflation, thereby bringing in its wake a round of demands for higher wages and all the attendant labour unrest. As a matter of fact, most of the difficulties of the past two or three years could be traced mainly, if not wholly, to a neglect, broadly, of consumer goods industries and agriculture by the Planning Commission. A fundamental shift in the priorities on investment expenditure is, therefore, the most urgent, even as it is the most important, factor in order to determine the future course of Planning in this country.

Companies

APPOINTMENT OF SECRETARIES

AN ADVISORY BOARD has been decided to be set up for standardising the basic qualifications for appointments as Company Secretaries and holding the qualifying examination. It is expected to start functioning from April 1, 1960, and will consist of experienced representatives of the profession, nominees of the Federation of Indian Chambers of Commerce and Industry and the Associated Chambers of Commerce and representatives of Union Ministries. The tenure of the Board members will be for one year in the first instance. The Secretary of the Department of Company Law Administration will be the Chairman of the Advisory Board. All members of the Board except the nominees of the Federation of Indian Chambers of Commerce and Industry and of the Associated Chambers of Commerce will be nominated by the Central Government.

For some time now, the Government have been considering measures for developing the profession of Company Secretaries on healthy lines. Unlike the English Companies Act, the Indian Companies Act does not enjoin the compulsory employment of qualified Secretaries by companies. The need for having professionally trained personnel to shoulder this responsibility is, however, increasingly recognised both in the Public and Private sectors. While the time is not yet ripe for establishing a Statutory Institute of Company Secretaries (similar to the Institute of Chartered Accountants or the Institute of Cost and Works Accountants now functioning in the country), an effective way of giving impetus to the development of the Company Secretaries' profession at this stage would be to help in standardising the basic qualifications needed for manning such posts and holding the qualifying examinations on a non-statutory basis with the assistance of a competent advisory board. It is with this objective that the Advisory Board is now being set up.

Letter to the Editor

"BUDGET DEFICITS AND CREATED MONEY 1959-60"

There is a widespread belief (including by the iter of the Special Article on "The Budget Deficits d Created Money 1959-60" in your issue of March 11, 30) that the PL 480 assistance provides cushion ainst deficit financing. But this is completely wrong. e figures of deficit financing given in the budget cument are arrived at after taking credit for the 480 assistance. So far, the PL 480 funds have crued to the Government not so much as grants or ns direct by the U.S. Government as subscriptions to vernment loans by the State Bank of India out of PL 480 counterpart deposits maintained with it the U.S. Embassy, a fact which has not received equate recognition.

The above observations, with regard to the cushion- effect, also apply to foreign aid to the public sector, here, again, the budget deficit is calculated after ing credit for foreign aid.

Yours faithfully,
"ORVEEEM"

MBAY,
ted 15-3-60.

[The Special Article attempted to explain:

(i) Why money supply with the public rose by 422 crores of rupees, whereas deficit financing through the media of treasury bills was resorted to to the tune of 1,086 crores of rupees?

(ii) What were the cushions available — additional production and import of consumer goods — to absorb the additional inflationary pressures unleashed through the new created money?

If the Government added to the money supply by relying on deficit financing to meet its obligations and simultaneously provided the community with additional consumer goods, (whether produced within the economy or imported from outside) such additional goods and additional money would match each other, partially or wholly, i.e. inflationery pressures would be checked or cushioned, We never mentioned that P.L. 480 proceeds are a part or counterpart of deficit financing. Thus, when we concluded, "If the whole of this (unutilised P.L. 480 funds of the order of Rs. 153 crores) is utilised in the last year of the Second Plan, it will match the deficit financing in that period," we never implied that deficit financing of Rs 153 crores would vanish once the import of wheat worth 153 crores of rupees took place.—Editor.]

THE JAY SHREE TEA GARDENS LTD.

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Shareholders of this Company will be held on Friday the 29th April, 1960 at 2.30 P.M. at 8, India Exchange Place, Calcutta to transact the following business:

1. To receive and consider the Directors' Report and pass the audited accounts for the year ended 31st December, 1959.

2. To confirm as the final dividend for the year ended 31st December 1959 the interim dividend @ Rs. 1.40 nP per share (subject to deduction of tax) already declared by the Board in respect of the existing 585690 Equity Shares.

3. To consider and if thought fit to pass with or without modifications, the following resolutions in respect of the appointment of Directors.

   (a) "RESOLVED that Shri M. L. Shah who has attained the age of 65 years and who retires by rotation be and is hereby reappointed a Director of the Company and it is hereby specifically declared that the age limit prescribed in Section 280 of the Companies Act 1956 shall not apply to him."

   (b) "RESOLVED that Shri D. N. Bhattacharjee be and is hereby appointed a Director of the Company.

4. To approve payment of additional remuneration to Auditors (M/s. Singhi & Co.) for the year 1959 for audit of the accounts of the amalgamated subsidiary company.

6. To appoint Auditors for the current year and to fix their remuneration.

AS SPECIAL BUSINESS:

6. To consider and if thought fit to pass with or without modification, the following resolution to be proposed as a special Resolution.

   "RESOLVED that payment of dividend at Rs 6/- per share of Rs. 100/- each or pro rata on the amount paid up thereon, for the year ended 31st December 1959 in respect of 3453 Redeemable Cumulative Preference Shares of the Company and the company bearing and paying tax, if any, due to be deducted thereon be and is hereby confirmed."

7. To transact any other business that may be transacted at such meeting.

8. The Share Transfer Registers will remain closed from 28th April, 1960, to 29th April, 1960, both days inclusive.

By order of the Board
Per Pro. THE JAY SHREE TEA GARDENS LIMITED:
B. P. KEDIA,
Chief Executive.

India Exchange,
Calcutta,
the 17th March, 1960.

Note: 1. A member entitled to attend and vote at the meeting may appoint a proxy in place of himself and such proxy need not be a member. The Explanatory Statements as required in pursuance of Sub-Section 2 of Section 173 of Companies Act 1956 in respect of Item No. 3 and 6 are given below:

ORDINARY RESOLUTION NO. 3(a).

Shri M. L. Shah, a Director of the Company since 1946 retires by rotation. As he has attained the age of 65 years his re-appointment as a Director of the Company requires the resolution of Shareholders specifically declarging that the age limit prescribed in Section 280 of the Companies Act 1956 shall not apply to him. The Company has received special notice from a member notifying his intention to move the resolution set out in the item.

Shri M. L. Shah has been a member of the Board of Directors of the Company since long and it is in the interest of the Company that he should continue to be Director of the Company.

ORDINARY RESOLUTION NO. 3(b)

Shri D. N. Bhattacharjee was appointed as an additional Director with effect from 14th September 1959 by the Board of Directors of the Company under Section 260 of the Companies Act 1956 and as such cases to hold office at the conclusion of this Annual General Meeting. Notice proposing his appointment as Director has been duly received.

Shri D. N. Bhattacharjee who is the present Chairman of Bengal Millowners' Association and Bengal National Chamber of Commerce and Industry, is an industrialist of wide experience and it is in the interest of the Company to avail of his services as a Director.

SPECIAL RESOLUTION NO. 6.

The resolution is self explanatory. The dividend as proposed therein is normal dividend payable on the Preference Shares of the Company. The said dividend has bees directed to be paid by the Board in view of the Interim Dividend paid to Equity Shareholders.

In view of the fact that the provisions of the Finance Bill 1960 have created certain anomalies in respect of incidence of tax on tax free dividends payable to Preference Shareholders it has been considered necessary to obtain shareholders' approval to Company bearing and paying the tax in respect of dividend to Preference Shareholders.

Current Topics

IMPACT OF SECOND PLAN ON EMPLOYMENT

The additional employment in establishments in the public sector since the beginning of the Second Plan i.e. April 1956, up to March, 1959, is estimated at 11.39 lakhs. The number of persons employed in the public sector at the end of March, 1959 was 63.74 lakhs.

THIS is revealed by a study undertaken by the National Employment Service of the Labour Ministry to examine the impact of the Second Five-Year Plan on employment generated in the public sector. Information regarding the increase in employment was sought from 27,781 establishments in the public sector, of which 23,653 i.e., 85.1 per cent submitted returns.

At the beginning of the Second Plan, employment in public sector establishments, on the basis of returns received from them, was 45.3 lakhs, which increased to 53.9 lakhs at the end of December 1958 i.e., a rise of 18.9 per cent during that period. Taking into account the increase during the following quarter (January to March 1959), it has been estimated that the rise in employment by the end of March, 1959 was of the order of 21.8 per cent.

Of the establishments that submitted returns, 4,438 were new establishments, which came into existence after the beginning of the Second Plan. These establishments alone reported an additional employment of 3.3 lakhs at the end of December, 1958.

In the Central Government, the largest increase took place in the railways, in which employment increased by nearly 82,000. Posts and Telegraphs provided additional jobs for about 37,000, Educational and Scientific Services for about 10,000, Medical and Health Services for about 1,700 and other departments for 48,000. Activities connected with mining and quarrying provided additional employment for nearly 4,000 and the C.P.W.D. for 4,500, not counting those employed under contractors.

An analysis of the additional employment in different reporting industries and services in the public sector, both at the Centre and in the States, showed that over half the increase (4.84 lakhs) occurred in 'services', which included the educational services, medical and health services, legal, community and personnel services and administrative offices. The largest increase occurred in administrative offices and departments where employment rose from 20.5 lakhs to 24.0 lakhs. This may give an impression that activities under the Second Plan have generated employment for merely clerical and administrative personnel. But this is not so, as many offices which are treated as 'administrative' are manned not only by clerical and administrative personnel but also by professional and technical personnel.

According to the Study, employment in the public sector works out to 4 per cent of the total working population in India. The corresponding percentage was 24.3 in Great Britain and 12.0 in the USA in 1950. This indicates that one out of 25 in the working population is engaged in the public sector in India as against one out of 4 in the UK and one out of 8 in the USA. Although these figures are not strictly comparable, it is clear that the share of employment in the public sector in India is still very low despite the planned economy and nationalisation of essential industries and services. In the report embodying these findings, it is stated that 'comparing the employment targets in the public sector during the Plan, it is observed that 44 7 per cent of the Plan target has been achieved during the first three years. This percentage would be certainly more if correct figures of employment in construction were available'. As regards creation of employment during the remaining period of the Plan, it is anticipated that employment will now be generated at an accelerated pace as a result of the 'multiplier' effect of investments already made and also as a result of investments yet to be made.

SANCTION FOR NEW INDUSTRIAL SCHEMES

The Union Ministry of Commerce and Industry has formulated broad principles to govern the sanctioning of new industrial undertakings in the country. These decisions have been taken in order to expedite the disposal of cases requiring Government's sanction.

THE sanction which industrial projects require from the Commerce and Industry Ministry fall broadly under three heads:

(i) Approval to the terms of foreign collaboration in the project, if any;

(ii) Approval in regard to capacity, location, etc., after consideration by the Licensing Committee; and

(iii) Approval of the foreign exchange expenditure for the import of plant and machinery.

Regarding agreements with overseas firms for technical collaboration or financial participation, the need to consider each case on its merit cannot be dispensed with. The broad principle, however, is that technical collaboration agreements should have a limited period of life, and, as a rule, not exceed ten years. Another point to which the Government attach importance is that the agreement should not lay down any restrictions on exports from India. Even if it is not possible to get freedom to export to all countries, permission for exports to some countries should be necessarily there.

A number of measures have been taken to speed up the disposal of applications seeking Government's approval for capacity, location, etc. of new units. Besides meeting at more frequent intervals, the Licensing Committee has decided that in some industries, where it is not proposed to sanction fresh capacity, all future applications may be turned down without reference to it during the next 6 to 12 months. Again, a list of industries, for which licences would be freely given, has also been drawn up by the Committee. Another major step taken, of late, in this regard is the Government's decision that industries employing less than 100 workers and having fixed assets of less than Rs. 10 lakhs need not obtain any licence whatsoever under the Industries (Development and Regulation) Act. As a result of these measures, the Licensing Committee will now mainly deal with cases relating to major projects or development of industries where regional considerations, availability of raw materials, port problems and similar factors play an important part.

In view of the country's limited foreign exchange resources, the possibilities of obtaining import licences for capital goods are limited to cases where either (i) the applicant himself can make satisfactory arrangements for raising external finance or (ii) Government have facilities in the shape of credits or payment arrangements with particular countries to finance such imports.

A DELHI NOTEBOOK

WORLD BANK MISSION

THE World Bank Mission has arrived here for its normal periodic survey of the economic situation of India. More than usual interest, however, attaches to the current visit of the Mission for it has come at a time when the framework of the Third Five-Year Plan is being finalised. The Mission will naturally be interested in a study of the Third Plan and is likely to hold discussions with the Government of India and the Planning Commission on the feasibility of its execution.

The Mission will stay in Delhi for about a week before it leaves on a 21-days' tour of the country. It will reach Calcutta on April 3 and visit various industrial centres in West Bengal and the neighbouring States before flying to Madras on April 11. It will be in Bangalore on April 18. The Mission returns to Delhi on April 23 and is scheduled to leave for Washington on May 21.

OIL PRODUCTS

The Government of India has taken several measures in the recent past to correct the current imbalance between the consumption and the production of motor spirit and high speed diesel oil. The output of motor spirit in the existing oil refineries has been reduced to the minimum and that of deficit products like HSD oil and kerosene is being stepped up. The minimum flash point requirement of HSD oil has been reduced from 150°F to 131°F to enable the refineries to increase its production at the expense of motor spirit. The production pattern of the two public sector refineries, to be set up at Gauhati and Barauni, is being so designed as to have greater output of the middle distillates.

The budget proposals for 1960-61 include an additional excise levy of 25 nP. per imperial gallon on high speed diesel oil which will reduce the existing price/tax advantage in its favour and thus arrest its growing consumption. HSD oil will now be subject to an excise duty of Rs. 1.40 per imperial gallon as against an impost of 1.48 per imperial gallon of motor spirit.

PAPER MACHINERY MANUFACTURE

The following firms have been licensed under the Industries (Development and Regulation) Act, 1951, for the manufacture of complete paper-making plants in collaboration with foreign interests (name of the Indian concern, foreign collaborators and annual rated capacity respectively):

(1) Tata Locomotive and Engineering Co. Ltd., Bombay; A Johnson and Co., Sweden and K.M.W., Sweden; two complete paper-making plants of a capacity of 50 tons per day.

(2) Paper Mill Plant and Machinery Manufacturers Ltd., Bombay; James Bertram, UK; four paper and pulp making plants of a capacity of 4 to 10 tons per day and 1000 tons of accessories.

(3) F.W. Heilgers and Company (P) Ltd., Calcutta; Earnest Scott and Co. Ltd., James Bertram and Sons Ltd., and Bertrams Ltd. (all of UK); one paper-making plant of 50 tons per day capacity and equipment for making plants of a total weight of 1900 tons.

(4) Garden Reach Workshop, Calcutta; Walmsley (Bury) Group and Millspaugh Group, both of UK; One paper plant.

(5) Utkal Machinery (P) Ltd., Orissa; Gutehoffnungshutte Sterkrade Aktiengesellschaft, Heinrich Koppers and J. M. Voith (all of West Germany); machinery for the production of paper, pulp and card board among other industrial machinery, depending on orders.

(6) Paper and Pulp Conversions Ltd., Poona; Ide Kikai Ltd., Japan; two small-scale paper/board mills of 1000/1500 tons per year capacity or equivalent machinery.

(7) Rohtas Industries Ltd., Dalmianagar; Ide Kakai Ltd., Japan, two paper/board plants of 4 to 10 tons per day capacity.

(8) National Iron and Steel Co. Ltd.. Calcutta; Millspaugh Ltd. and Loudwater Paper Plant Ltd., both of U.K.; small and medium scale pulp machinery of a capacity of 5 to 10 tons per day—2 plants initially and 6 plants ultimately.

The scheme of M/s. Eastern Paper Mills Ltd., Calcutta, to manufacture machinery for one 20-ton complete automatic board mill and two 10-ton complete automatic board mills or alternatively six non-automatic complete board mills and two 2-ton capacity small paper-making plants has been approved for grant of a licence under the Industries Act.

FERTILIZERS

Tata-Fison combination has decided to go ahead with its plans to set up a plant for the manufacture of 100,000 tons of triple superphosphate (equivalent to 2,50,000 tons of single superphosphate). The project will cost £7 million and the two parties are likely to share the investment half and half. The site for the plant has not yet been decided. Tatas are said to be in favour of its being located on the West Coast.

This ambitious scheme is by no means the end of Fison's development plans in India. They are manufacturers of N.P.K. mixtures and wish to enter the field of manufacture of nitrogenous and potassium fertilizers in this country in course of time.

COAL WASHERY

The Hindustan Steel has entered into a contract with the Coppee Company of Great Britain for the supply of machinery and equipment for the coal preparation plant to be set up at Bhojudih, in West Bengal. The project will cost about Rs. 2 crores. Half of the expenditure, it is understood, will be incurred on the procurement of India-made material and labour. The plant consists of a separation unit for the larger sizes and a cyclone washing machine for the "smalls." The cyclone type washery, it is stated, will be the first of its kind to be installed in India. The plant will be commissioned into operation in 1962.

BRIEFS

Informed sources indicate that in view of the difficult resources position, it may not be possible for the present to set up any Low Temperature Carbonisation Plant, as recommended by the Expert Committee on Synthetic Oil Project. There are, therefore, no early prospects of obviating the present wasteful method of soft coke production.

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The Government of India, it is understood, would explore the possibility of supplementary purchases of cloves from Zanzibar in exchange for additional exports of Indian products. The Zanzibar cloves delegation was recently informed that foreign exchange difficulties did not permit India to increase the present import quota for cloves.

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The Union Government is exploring the possibilities of importing some further quantities of cotton under the U.S. Public Law 480 Programme, it is learnt.

*

A plant to manufacture "Ovaltine" in collaboration with a foreign firm will be installed by 1961 at Ghaziabad, near Delhi.

WORLDGRAM

India

Production of Industrial Machinery: Production of indutsrial machinery in the country has nearly doubled since the beginning of the Second Plan period. Details of industrial machinery manufacture in 1959 show that not only has production increased in established fields, but several new lines of manufacture have also been taken up for the first time in the country. A significant rise was recorded in the production of sugar mill machinery in 1959. As against Rs. 32 lakhs worth of machinery fabricated in 1956, the 1959 production was valued at about Rs. 2.5 crores. The production of spinning and weaving machinery increased by about 25 per cent in 1959 compared with the previous year. Jute mill machinery worth about Rs. 1.8 crores was produced in 1959. A number of schemes for the manufacture of mining machinery in collaboration with foreign agencies were approved during the year. Manufacture of constructional machinery in 1959 was double that of the previous year and valued at about Rs. 62 lakhs. The rise in production of tea machinery was from Rs. 53 lakhs in 1957 to Rs. 82 lakhs in the last year. Production of chemical and pharmaceutical machinery amounted to about Rs. 75 lakhs in 1959 as against Rs. 41 lakhs in 1957. Production of other types of machinery like oil machinery, flour mill machinery, agricultural machinery etc. also recorded rise during the last year.

*

Manufacture of Watches: An agreement was signed recently between the Government of India and the Citizen Watch Company of Japan for the establishment of a watch factory in India. The proposed watch factory which will be in the public sector will be located at Bangalore near the Hindustan Machine Tools Ltd. and will undertake the manufacture of low and medium priced watches which will be full lever 17-jewel type with shock absorber device. The factory is expected to go into production in 1962. Beginning with an annual output of 1,20,000 watches in the second year, it will attain full production of 3,60,000 wathes from the sixth year onwards. The indigenous content of the watches will also progressively rise from 54 per cent at the beginning to about 84 per cent by the time full production is attained. Only items like main and hair springs, shock absorbers, and for some time, jewels may have to be imported. The capital cost of the plant and the equipment over the five year period when full production will be achieved, is estimated to be about Rs. 70 to 80 lakhs including the cost of the jigs and tools manufacturing plant. Inclusive of the cost of factory blocks and services, the total capital cost will be about Rs. 1 crore to Rs. 1.25 crores.

*

Industrial Furnaces Scheme: OFU LYNX Private Ltd. has been established in Calcutta to design and supply industrial reheating furnaces of all types. The scheme took shape after Lynx Machinery Company applied itself to the idea of creating indigenous capacity in industrial furnaces. However, it soon became clear that without expert technical assistance from abroad this could not be done. A proposal was made to OFU Ofenbau Union of Dusseldorf, in West Germany, for their participation leading to the formation of this Company. OFU Ofenbau Union are one of the largest designers and builders of industrial re-heating furnaces in Europe. All types of furnaces required by the metallurgical, chemical and cemaric industries as well as gas producers are designed and supplied by them. Indeed this requires technical know-how and experience of a high order. OFU in Germany have also research facilities in their establisrment at Dusseldorf. OFU furnaces are well-known in India. The first furnace was supplied to Bhadravati in 1934 which was followed by supplies to the Rolling Mills at Negapattam and the Steel Works at Jamshedpur. After the war furnaces were again supplied by them to Kanpur, Bombay, Calcutta and again to Jamshedpur. Of even greater importance is the supply of furnaces for the steel plant at Rourkela, where furnaces required are for a total of Rs. 60 million rupees. The promoters of this Company are OFU Germany and Lynx Machinery Company of Calcutta. In this Company OFU will hold 49 per cent of the shares and the remaining 51 per cent will be held by Indian shareholders. The technical control would be in the hands of OFU.

*

Cotton Textiles Production: The production by cotton textile mills during February 1960 was provisionally estimated at 138 million lbs. of yarn and 402 million yards of cloth. At the end of February 1960, composite units of the cotton textile industry carried an estimated stock of 2.60 lakh bales of cloth comprising 1.40 lakh bales of unsold cloth and 1.20 lakh bales of cloth sold but not lifted.

*

Manufacture of Rubber Chemicals: An Indian firm has been permitted to manufacture rubber chemicals in India. It has already placed orders for capital goods. The factory is expected to go into production during 1961. The present requirements of rubber chemicals are of the order of 900-1000 tons per annum of accelerators anti-oxidants. They are expected to go up to 2,500 - 3,000 tons per annum by the end of the Third Five-Year Plan. The firm has been licensed for a capacity of 2,250 tons per annum. The foreign exchange element in the cost of the project is about Rs. 40 lakhs.

*

Boot Making Machinery: Czechoslovakia have obtained an order for boot making machinery for a new plant to be attached to the Defence Ministry's Harness and Saddlery Factory at Kanpur. The new plant will cost about Rs. 3.5 lakhs. Delivery is expected by the end of this year.

*

Manufacture of Sulphur: The National Industrial Development Corporation has set up a subsidiary company for the manufacture of sulphur, sulphuric acid and other products from the pyrites deposits in the Amjor area of Bihar State. The Pyrites and Chemicals Development Company Limited, which will undertake this public sector project, will have an authorised capital of Rs. 5 crores. The entire capital will be held by the National Industrial Development Corporation. It may be recalled that the National Industrial Development Corporation had engaged a Norwegian expert for studying the pyrite deposits in Bihar and for recommending measures for the exploitation of this valuable mineral, and commercial production of sulphur from these ores. The company has now been set up after the expert had favourably reported on the project. The estimated cost of the project will be between Rs. 6 and Rs. 7 crores. The company will undertake the mining of large quantities of pyrites ore which would be smelted for the production of sulphur. The smelting capacity of the project will be 200 to 300 tons of sulphur every day and it is proposed to expand this capacity later.

*

Cement Industry: Since 1947 there has been a steady expansion of the industry. In 1947 there were 18 cement producing factories which produced 1.44 million tons of cement, while in 1958 tre factories number increased to 31 producing 6.06 million tons. In the Second Five-Year Plan, it is stated cement ranks next in importance to iron and steel as a development commodity and hence a high place is to be given to it in the scheme of priority. A firm capacity of nearly 10 million tons is expected to be reached during the second Plan period. Assistance from the Development Loan Fund and the Technical Co-operation Mission of tre United States has been utilized to meet some of foreign exchange requirements for cement expansion schemes. It is expected that by 1962 a substantial part of the country's requirements of cement machinery will be met from indigenous production. Efforts are being made to develop export market for cement. Out of a quota of 4 lakh tons of cement set apart for export, contract for export of 3,01,410 tonr have been concluded and nearly 2,39,000 tons have been exported up to the end of January, 1960.

*

Building of a Indian Fertilizer Factory: A new factory at Ennore, near Madras, which would produce about 51,000 tons per annum of compound fertilizers based on ammonium phosphate is to be built by the British firm of Simon-Carves Ltd., of Stockport, Cheshire. The contract, which is valued at about £3,000,000 has been placed by the East Indian Distilleries & Sugar Factories Ltd. In addition to the compound fertilizer plant, the factory will include plants for the production of synthetic ammonia, sulphuric acid and phospheric acid, together with equipment for handling incoming raw materials and outgoing finished products. The factory is scheduled to come into production in two years.

United Kingdom

New Type Artificial Lenses for the Eye: A British eye surgeon, Mr. D. P. Choyce, of Southend General Hospital has devised a new type of artificial lens for introduction in the eye. This all-British invention is the result of collaboration between Mr. Choyce, Imperial Chemical Industries (which produced thin sheets of "perspex" in colour ranging from light blue to black) and Rayners Ltd., a firm of optical engineers.

U.S.S.R.

Exports of Petroleum: Exports of petroleum products from Russia in thousand metric tons have been as under:

	Crude	Major Petroleum Products
1955 ..	2,920	6,000
1956 ..	3,900	5,900
1957 ..	5,920	5,850
1958 ..	8,020	5,150

Exports of crude from other Communist countries in 1958 were as follows (in thousand tons):

Albania	130
Bulgaria	150
Rumania	100

The main recipients of Russian crude were Argentina, 670,000 tons, Uruguay, 1100,000 tons, Eastern Europe, 2,150,000 tons, Egypt, 1,330,000 tons and Communist bloc countries 4.8 million tons. In 1957. Russia exported 908,000 metric tons of kerosene, fifty per cent of which was exported to the Communist bloc.

United States

Economic Aid to U.A.R.: The United States and the United Arab Republic have signed three aid and trade agreements involving a total of £16.5 million (Egyptian) ($37,355,000) for application in the Egyptian region. The first contract provides for a 30 year American economic aid loan of nearly $7 million, to be used for road, bridge, railway and telephone projects. Under the second agreement, the U.A.R. is to import $15 million worth of American tobacco, cotton seed, soya bean oil and corn. The third contract provides that $12.5 million obtained from the prior sale of U.S. agricultural products is to be loaned to the U.A.R. projects to be chosen at a later date. All payments are to be made in Egyptian pounds.

Yugoslavia

Production of Consumer Goods to Increase: The Yugoslav State Secretary for Commodity Exchange, Marijan Brecelj, declared at a press conference that this year's output of consumer goods in Yugoslavia would be markedly higher than last year. Among other things, this year's production of refrigerators will be 170 per cent, bicycles 27 per cent, motorcycles 56 per cent, various other household appliances 100 per cent and automobiles 105 per cent, above the corresponding figures of last year. Import of consumer goods will be 25 per cent higher than last year, and the funds for these purposes have already been allocated to the enterprises. The production of raw material and semi-finished goods will increase by 17 per cent and their import by 20 per cent.

Australia

American Small Cars to be Made in Australia: While the Australian motoring public in speculating on the new car which Ford will produce this year to hold its place in new motor vehicle registrations, it has been announced that American small cars are to be made locally in a bid for a share of the Australian market. The Studebaker-Packard Corporation will start production of Studebaker cars and trucks at Tottenham, one of Melbourne's western suburbs. The cars will be made at the Tottenham works of the Canada Cycle and Motor Co. (Victoria) Pty. Ltd., which has a one-acre assembly plant, and will have about a 50 per cent Australian content. The plant will produce the Studebaker Lark car and station wagon, as well as the Hawk and the Studebaker truck range.

I.L.O.

Technical Conferenee to be Held in Africa: A technical conference on Africa will be held by the International Labour Organization next December, in an African country still to be decided upon. The conference will have two items on its agenda: (a) vocational and technical training, and (b) relations between employers and workers, including freedom of association, joint consultation and collective bargaining. There will also be a general debate on the basis of a report to be presented by ILO Director-General Mr David A. Morse. The report will deal with the development of the economic and social situation in Africa and will contain a chaper on the education of workers. In drawing up plans for the conference, the ILO's Governing Body emphasized that the conference would be technical, not political.

NEWS IN BRIEF

INDIAN

The National Industrial Development Corporation has set up a subsidiary company for the manufacture of sulphur, sulphuric acid and other products from the pyrites deposits in the Amjor area of Bihar State.

*

A sum of Rs. 3.5 crores per annum is estimated to be the additional amount of subscription to accrue to the General Provident Fund as a result of compulsory deduction from Central Government employees.

*

Recent investigations at the Indian Veterinary Research Institute, Izatnagar, have shown that Peepal leaves can provide the essential nutrients to cattle and serve as a complete fodder.

*

About Rs. 35,35,000 were sanctioned as grants-in-aid to 2,268 social welfare institutions by the Central Social Welfare Board at its last meeting held in New Delhi.

*

The Government of India propose to ratify the I.L.O. Convention concerning discrimination in respect of employment and occupation.

*

The Government of India have decided that manufacture of freeze dried BCG vaccine should be taken up on an experimental basis at the BCG Vaccine Laboratory, Madras. The production of freeze dried vaccine is expected to begin by the middle of this year.

*

A Rs. 11.37 crore plan for co-operative development for 1960-61 has been prepared by the National Co-operative Development and Warehousing Board through which most of the Central assistance to States for Co-operative development is routed.

*

Mr. P. L. Bhandari was unanimously elected President of the Federation of Andhra Pradesh Chambers of Commerce and Industry at its 43rd Annual General Meeting held at Hyderabad on 23rd March, 1960.

*

The Minister of Industry, Mr Manubhai Shah, told the Lok Sabha, recently that export of electric fans during 1959 numbered approximately 38,000 valued at Rs. 38.5 lakhs.

*

India will soon be importing rice from U.A.R. An agreement to this effect was signed recently. The agreement provides for the import of one lakh tons of rice from U.A.R. against non-convertible Indian rupee which will be utilised by the sellers for purchasing from India jute, tea and certain non-traditional items.

*

An anticipated shortage in the supply of DDT for the national malaria eradication programme this year has been met by an agreement signed between the Government of India and the U.S. Technical Co-operation Mission.

FOREIGN

The U.S. Government is making a grant of $4m. to the West Indies Federation to assist the Federal Government in establishing its proposed Development Loan and Guaranty Fund. The Fund will be used to provide long-term credit facilities for private investment in industry and tourism.

*

West German oil production totalled 5,102,758 metric tons last year as against 4,431,596 metric tons in 1958. The main oil producing areas were still the region of Hanover, the Emsland and territory between the Ems and Weser rivers.

*

The United States had a balance of payments deficit of $1,800m. with Western Europe in 1959, the Commerce Department reported recently. In its survey of current business, the Department said the U.S. had an overall deficit of $3,702m. in its balance of international payments last year.

*

The new £A3.5m. tyre factory of B.F. Goodrich, Australia, was opened recently. The works, an Australian-American partnership between Goodrich International and Ampol Petroleum, will produce 1,100 tyres a day.

*

Foreign investment in Italy was running at record levels last year. In the first six months of 1959 the capital inflow is provisionally estimated to have reached over $180m. compared with $170m. in the whole of 1958.

*

The West German Klockner concern has secured a £2.3m. order to build a copper mill in Chile. The cost includes supplies as well as the engineering of the project.

*

Spain's new basic tariff law—under which broadly speaking, the 'ad valorem' principle will replace customs duties levied on a weight basis—will probably be promulgated about April 20, according to the Director-General of Foreign Trade.

*

Rootes, Fiat, Renault and Borgward have been selected from among 18 companies which submitted provisional specifications for the establishment of a £3m. car plant in Cairo with an annual production of 12,000 units of 2.5 litre engine capacity.

*

World and U.K. productions of plastics have both doubled since 1950, according to Dr. R. Breeching, development director and technical director of Imperial Chemical Industries.

*

The World Bank has made a loan equivalent to $66m. for the development of high grade iron ore deposits in the Islamic Republic of Mauritania in North West Africa.

*

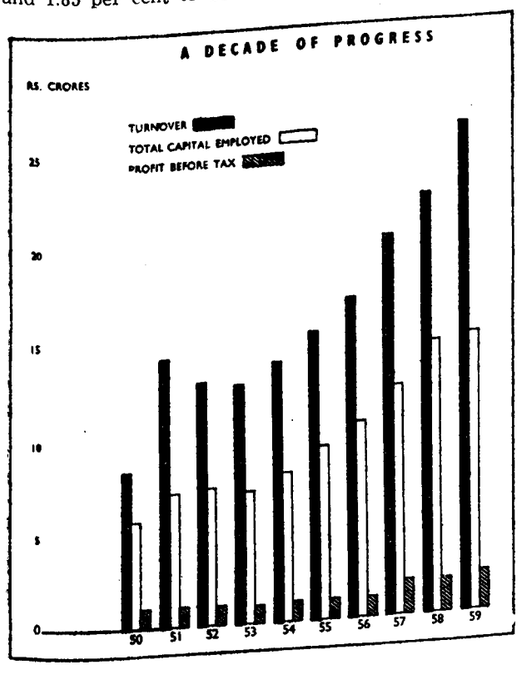
The Export-Import Bank has approved loans totalling $17.9m. to two Spanish electric power companies to be spent on American-made installations and techical services. Both loans are repayable over a 15-year period.

COMPANY AFFAIRS

DUNLOP RUBBER

Perhaps the most significant point to emerge from the report of the Dunlop Rubber Co. (India) Ltd., for the year to December 31, 1959, is the sixteen per cent increase in the sale proceeds over the previous year. With a turnover of nearly Rs. 26 crores, the Company has recorded a profit of Rs. 1.18 crores after providing for depreciation, interest and taxation, as against Rs. 82 lakhs during the previous year. Transfer to Development Rebate Reserve was to the extent of Rs. 17 lakhs and the provision for taxation was lower at Rs. 74.8 lakhs as against last year's Rs. 88.1 lakhs. In fact, it was due to the recent changes in the tax structure that tax on the company's profits was reduced considerably. As against this, all dividends are subject to deduction of tax, the estimated amount of such deduction being Rs. 21 lakhs. A dividend on ordinary shares for the year at the rate of 21.5 per cent was proposed to be paid absorbing Rs. 64.5 lakhs. The graph below shows the progress of the company during the last ten years.

It is interesting to observe that out of the year's revenue of the company, 59.5 per cent was absorbed for goods and services, 8.8 per cent for salaries and wages, 23.4 per cent for excise and custom taxes, 1.97 per cent depreciation, 0.81 per cent for interest on loans and 1.81 per cent for bonus to staff. There was left only 1.85 per cent for net dividends to shareholders and 1.85 per cent to be retained by the company.



THE JAY SHREE TEA GARDENS

From the annual report of the Company it appears that, apart from tea, it is engaged in diverse industrial activities. As a natural consequence, therefore, the directors have decided to change the name to **"Jay Shree Tea & Industries Ltd."** which was approved by the Shareholders at the general meeting. In this connection, the Central Government has been approached for their formal consent.

The directors consider that year 1959 proved to be quite satisfactory. The price averages of teas of South Indian gardens belonging to the Company were perhaps the highest in the districts in which they are situated. North Indian gardens, excepting Darjeeling unit, earned comparatively lower prices. The Company's programme of replacement and modernisation of the tea factories was continued during 1959. In almost all the gardens, additional new machines of latest designs have either been installed or are being installed with a view to improve the quality of the teas. This, according to the directors, is the only way of keeping the cost of production at competitive levels in the long run.

There was a rise in the sale proceeds during the year ended December 31, 1959, to Rs. 2.39 crores against Rs. 1.87 crores last year. Accordingly, the profits increased substantially and after providing depreciation and taxation it came to Rs. 14.62 lakhs against Rs. 9.71 lakhs during the previous year. A sum of Rs. 1.25 lakhs has been transferred to Development Rebate Reserve and Rs. 6 lakhs to General Reserve. An interim dividend at the rate of Rs. 1.40 per share of Rs. 10 each, subject to deduction of tax (already declared), was paid absorbing Rs. 8.2 lakhs.

The Company's 100 per cent subsidiary, Messrs. Woodcrafts (Assam) Ltd., was amalgamated with the company with effect from May 1, 1959. This factory has obtained permission from the Government for further expansion of the plywood plant. The plywood factory acquired at Calcutta during the year has been named as "Jayshree Plywoods."

The Company is also placing orders for the plant and equipment necessary to manufacture 100 tons of superphosphate and 50 tons of sulphuric acid per day. The Company has obtained a loan through the United Commercial Bank Ltd., under the Refinance Scheme for putting up this plant which is likely to go into production by the end of 1960 or early 1961.

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COMMODITY NEWS AND NOTES

RISING TREND IN MINERAL PRODUCTION IN INDIA

The rising trend in mineral production which has been evident since 1955 continued during 1958 and the value of mineral output at Rs. 1373 million represented an increase of Rs. 80 million or about 6 per cent over the total value of production in the previous year, according to the latest publication brought out by the Indian Bureau of Mines. These figures, however, do not include petroleum and minerals falling under the Atomic Energy Act, 1948. This increase was mainly due to the increase in the production of coal and non-metallic minerals. Coal, with an output of 46.07 million metric tons, was the leading commodity and was valued at Rs. 899 million. Next in order of value were manganese ore (Rs. 112.4 million), salt (Rs. 84.6 million), gold (Rs. 50 million), iron ore (Rs. 48.5 million), mica (Rs. 25.2 million) and ilmenite (Rs. 18.3 million). Mineral output in 1958 accounted for 1.2 per cent of the net national income of India.

RELEASE OF SUGAR

The Government of India has decided to release 1.75 lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, North Bihar and Punjab except a small quantity which will be released to each factory for sale to its employees. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orissa, Madras, Kerala, Bombay State, Himachal Pradesh, Assam, Manipur and Tripura from factories in the controlled region will be made only to the nominees of the State Governments. In case of Punjab and Jammu and Kashmir, allotments will be made direct to the State Governments or to their nominees. Allotments to Delhi will continue to be made on the existing basis. Allotment will be made at prices fixed under Notification No. GSR 1188/Ess. Com/Sugar dated October 25, 1959. The controlled ex-factory price for U.P. and North Bihar factories is Rs. 37.85 per maund and for factories in Punjab Rs. 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed f.o.r. destination prices in respect of allotments made to Kanpur and Calcutta will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

PRICES OF SUGAR AND KHANDSARI

Mr. A. M. Thomas, Deputy Minister of Food, said in the Lok Sabha recently that the Central Government allotted specific quotas of sugar to the States from each monthly release. It was for the State Governments to arrange proper distribution at reasonable prices. According to information received from the State Governments, prices at approved shops remained generally at proper levels during January and February and there had generally been no increase. However, in Calcutta where State Government had left the trade free, the prices went up but with the implementation of the scheme of distribution introduced by the State Government they were coming down. In a written reply to another question Mr. Thomas said that the price of khandsari sugar was at present ranging from Rs. 25 to Rs. 44 per maund depending on quality. Due to variations in quality and other reasons, statutory control of khandsari prices presented special difficulties. The present price situation was the result of a psychology of scarcity in the market which had been diminishing with increasing production of sugar.

PRODUCTION OF SULPHUR

The Minister of Industry, Mr. Manubhai Shah, stated in the Lok Sabha that Government had decided to float a Subsidiary Corporation to N.I.D.C. to implement the project for the manufacture of sulphur from pyrites in Bihar. After completing legal formalities, the Subsidiary Corporation would be registered at an early date.

Mr. Shah, who was replying to a question by Mr. S. C. Samanta and three others, said that the report submitted by the Norwegian expert had commented favourably upon the feasibility and the economics of the project. Subsequently, the Bihar State Government had been consulted in regard to prospecting and mining leases which were expected to be obtained shortly. Technical staff for the mining of the ore was being recruited. A quantity of 1,000 to 2,000 tons of ore was to be sent in the near future for large-scale tests to Norway for enabling the experts to design the plant and machinery.

CONTROL OVER CEMENT DISTRIBUTION

The Government of India have advised all State Governments to abolish with immediate effect the system of licensing of cement stockists. With the abolition of this system, the only effective provision of Cement Control will be regarding the fixation of prices by State Governments for sale and purchase.

The circumstances which originally required a comprehensive distribution control over cement have changed consequent on the supply of cement out-running demand. Certain measures have already been taken to relax distribution control, e.g., widening the marketing zones of cement factories, removing distribution control at stockists' level and withdrawal of restrictions on use of cement.

THE SASSOON SPINNING AND WEAVING COMPANY LIMITED

NOTICE

NOTICE IS HEREBY GIVEN THAT THE Eighty-seventh Annual General Meeting of the Shareholders of the Sassoon Spinning and Weaving Company Limited will be held at the Registered Office of the Company, Mafatlal House, Back Bay Reclamation, Bombay-1, on Tuesday, the 19th April, 1960, at 3-45 p.m. (S.T.), to transact the following business:—

1. To approve and adopt the Directors' Report, Audited Balance Sheet and Profit and Loss Account for the year ended 31st December, 1959,
2. To declare a dividend.
3. To elect a Director in place of Shri Yogindra N. Mafatlal, who retires by rotation under Article 159 of the Articles of Association of the Company, but being eligible offers himself for re-election.
4. To elect a Director in place of Shri Kaushikprasad Chandulal, who retires by rotation under Article 159 of the Articles of Association of the Company, but being eligible, offers himself for re-election.
5. To elect a Director in place of Shri Bhupendra Bhikhabhai, who retires by rotation under Article 159 of the Articles of Association of the Company, but being eligible, offers himself for re-election.
6. To appoint Auditors for the current year and to fix their remuneration.

AND NOTICE IS HEREBY FURTHER GIVEN that the following business will be transacted as **Special Business** at the said meeting:—

7/9. To consider and if thought fit, to pass the **Special Resolutions,** with or without modifications, as posted to the shareholders.

By Order of the Board of Directors,

M. G. Investment Corporation Private Limited.
ARVIND N. MAFATLAL,
Director,
Managing Agents.

"Mafatlal House"
Back Bay Reclamation,
Bombay-1, dated 4th March, 1960.

N.B. — (1) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business under item 7 to 9 set out under the Notice has been posted to all shareholders separately.

(2) A member entitled to attend and to 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.

(3) The Transfer Books of the Company will remain closed from Friday, the 18th March, 1960 to Friday, the 8th April, 1960, both days inclusive.

(4) Dividend as recommended by the Directors, when declared at the Annual General Meeting, will be paid from Monday, the 16th May, 1960 to Tuesday, the 30th August, 1960, at the United Commercial Bank Ltd., Reclamation Branch, Bombay-1, during banking hours and thereafter at the Registered Office of the Company during office hours, excepting on Saturdays, to those Shareholders whose names are on the Register of Members of the Company on Friday, the 8th April, 1960.

(5) The draft terms of arrangements referred to in Special Resolution Nos. 1, 2 and 3 are kept open for inspection at the Registered Office of the Company, Mafatlal House, Back Bay Reclamation, Bombay-1, between 11-00 a.m. and 1-00 p.m. (S.T.) on all working days.

Shareholders are requested to intimate the Company immediately any change in their registered addresses.

THE STANDARD MILLS COMPANY LIMITED

NOTICE

NOTICE is hereby given that the Sixty-fifth Annual General Meeting of THE STANDARD MILLS COMPANY LIMITED will be held at the Registered Office of the Company at Mafatlal House, Back Bay Reclamation, Bombay 1, on Tuesday, 19th April, 1960, at 4-30 p.m. (S.T.), to transact the following business:

(1) To receive, consider and adopt the Directors' Report and the audited Balance Sheet and Profit and Loss Account of the Company for the year ended 31st December, 1959.

(2) To sanction the declaration of Dividends on 1st and 2nd Preference Shares and on Ordinary Shares.

(3) To elect a Director in place of Shri Arvind N. Mafatlal, who retires by rotation under Article 161 of the Articles of Association of the Company and being eligible offers himself for re-election.

(4) To elect a Director in place of Shri Kaushikprasad Chandulal, who retires by rotation under Article 161 of the Articles of Association of the Company and being eligible offers himself for re-election.

(5) To elect a Director in place of Shri Jayantilal D. Vasa, who retires by rotation under Article 161 of the Articles of Association of the Company and being eligible offers himself for re-election.

(6) To appoint Auditors for the current year and to fix their remuneration.

AND NOTICE IS HEREBY FURTHER GIVEN that the following business shall be transacted at the said Meeting as Special Business :

(7) To consider and if thought fit to pass with or without modification the following Resolution as a SPECIAL RESOLUTION :

RESOLVED THAT in accordance with the provisions of Section 360 and other applicable provisions (if any) of the Companies Act, 1956, the Company hereby approves, confirms, and consents to Leave and Licence arrangements between the Company and Messrs. Mafatlal Gagalbhai & Co. Private Ltd. an associate of Messrs. Mafatlal Gagalbhai and Sons, the Managing Agents of the Company, for allowing the Company under Leave and Licence the use of some portion of their Office premises in Rustom Building, Veer Nariman Road, Bombay 1, to keep the records of the Company on payment by the Company to Messrs. Mafatlal Gagalbhai & Co. Private Ltd., a sum of Rs. 175.66 nP. per month as compensation for such use with liberty to the Directors of the Company to agree with them to any additions, reductions or alterations in the said space or compensation as the Directors may think fit from time to time. This arrangement will come into force from 1st January, 1960 and will be subject to termination by one month's notice on either side."

By Order of the Board,
FOR THE STANDARD MILLS CO., LTD.,
MAFATLAL GAGALBHAI & SONS,
Managing Agents.

MAFATLAL HOUSE,
BACK BAY RECLAMATION.
BOMBAY, Dated 4th March, 1960.

N.B. : (1) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business under Item 7 has been posted to all shareholders.

(2) 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.

(3) The Transfer Books of the Company will remain closed for the purpose of payment of Dividends from Tuesday, 22nd March, 1960, to Thursday, 14th April, 1960 (both days inclusive), as already advertised.

(4) The Dividends when sanctioned will be made payable from Monday, 16th May, 1960, to Tuesday, 30th August, 1960, 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 except Saturday to those shareholders whose names stand on the Register on Thursday, 14th April, 1960. The shareholders are requested to intimate immediately any change in their registered address to the Company.

(5) Letter dated 29th February, 1960 from Messrs. Mafatlal Gagalbhai & Co. Private Ltd., conveying the arrangement for allowing the Company under Leave and Licence the use of some portion of the Office premises in Rustom Building, Veer Nariman Road, Bombay 1, is open for inspection at the Registered Office of the Company between 3 p.m. to 5 p.m. (S.T.), from Mondays to Fridays and from 11 a.m. to 1. p.m. (S.T.) on Saturdays.

THE MAFATLAL FINE SPINNING AND MANUFACTURING COMPANY LTD.

NOTICE

NOTICE is hereby given that the Twenty-ninth Annual General Meeting of the Shareholders of THE MAFATLAL FINE SPINNING AND MANUFACTURING COMPANY LIMITED, will be held at the Registered Office, "Mafatlal House," Back Bay Reclamation, Bombay, on Tuesday, the 19th day of April 1960, at 3-00 p.m. (S.T.), to transact the following business:

1. To receive and adopt the Directors Report and the Audited Balance Sheet and Profit and Loss Account for the year ended 31st December, 1959.

2. To sanction declaration of Dividends on 1st Preference, 2nd Preference and Ordinary shares and Bonus Dividend on Ordinary shares.

3. To elect a Director in place of Shri Yogindra N. Mafatlal who retires by rotation under Article 134 of the Articles of Association and being eligible offers himself for re-election.

4. To elect a Director in place of Shri Kumudchandra K. Mahadevia who retires by rotation under Article 134 of the Articles of Association and being eligible offers himself for re-election.

5. To elect a Director in place of Shri Hemant B. Mafatlal who retires by rotation under Article 134 of the Articles of Association and being eligible offers himself for re-election.

6. To appoint Auditors for the current year and to fix their remuneration.

NOTICE is further given that the following business will be transacted as SPECIAL BUSINESS in this Meeting:

7. To consider and if thought fit to pass the following Resolution as SPECIAL RESOLUTION with or without any modifications :

SPECIAL RESOLUTION

"RESOLVED THAT in accordance with the provisions of Section 360 and other applicable provisions (if any) of the Companies Act, 1956, the Company hereby approves of, confirms and consents to Leave and Licence arrangement between the Company and Messrs. Mafatlal Gagalbhai & Co., Private Ltd. an associate of Messrs. Navinchandra Purshotamdas & Co. Ltd. the Managing Agents of the Company, for allowing the Company under Leave and Licence the use of some portion of their Office premises in Rustom Building, Veer Nariman Road, Bombay-1, to keep the records of the Company on Payment by the Company to Messrs. Mafatlal Gagalbhai & Co. Private Ltd. a sum of Rs. 87.83 per month as compensation for such use with liberty to the Directors of the Company to agree with them to any additions, reductions or alterations in the said space or compensation as the Directors may think fit from time to time. This arrangement will come into force from 1st January 1960 and will be subject to termination by one month's notice on either side."

By Order of the Board of Directors,
NAVINCHANDRA PURSHOTAMDAS & CO., LTD.,
YOGINDRA N. MAFATLAL,
Director,
Managing Agents.

MAFATLAL HOUSE,
BACK BAY RECLAMATION,
BOMBAY 1, 4th March, 1960.

N.B. : (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER.

(b) The Explanatory Statement relating to the Special Resolution referred to in item No. 7 as required under Section 173(2) of the Companies Act, 1956 has been posted to the shareholders individually along with this Notice.

(c) The Transfer Books of the Company will be closed from Friday, 18th March to Thursday, 14th April, 1960, both days inclusive.

(d) The Dividends, as recommended by the Directors when sanctioned by the shareholders will be paid at The Bank of Baroda Ltd., Reclamation Branch, Bombay 1, from Monday, 23rd May, 1960 to Tuesday, the 30th August, 1960, during business hours and thereafter at the Registered Office of the Company during office hours, excepting Saturdays and holidays, to those shareholders whose names are on the Company's Register on 14th April, 1960. Shareholders are requested to intimate to the Company any change in their Registered Address.

(e) The draft terms of arrangement referred to in Special Resolution in item No. 7 of the Notice are open for inspection at the Registered Office of the Company at Mafatlal House, Back Bay Reclamation, Bombay 1, on any working day between 11 a.m. to 1 p.m. (S.T.)

Company Meetings

INDIAN SUGAR MILLS ASSOCIATION

Sahu Jagdish Prasad's Address

DECONTROL OF SUGAR NECESSARY FOR INCREASING PRODUCTION AND BRINGING DOWN SUGAR PRICES

In his Presidential Address at the 27th Annual General Meeting of the Indian Sugar Mills Association, held at New Delhi on the 24th March, 1960, Sahu Jagdish Prasad, President of the Association said:-

DECLINE IN PRODUCTION

To us in the sugar industry, the last year has again been a year of declining production, shortages and high consumer prices. Against the peak figure of 20.29 lakh tons in 1956-57, production in 1958-59 was only 19.18 lakh tons. This drop of 1.11 lakh tons over the last two years may by itself not appear to be serious; but it has to be considered in the context of an addition of 3 lakh tons to the installed capacity of the industry during the same period. In effect, therefore, the actual drop was much larger.

STEADY RISE IN CONSUMPTION

Against this decline in production, consumption of sugar in the country has been rising steadily. From 19.86 lakh tons in 1956-57, consumption last year rose to 20.66 lakh tons. It would have been still higher at 21 lakh tons or so but for Government's restricting the releases from mills following short-fall in production. This year too consumption has been kept within limits through Government's deliberate policy of regulated releases at the rate of 1.75 lakh tons per month. Even at this rate, this year's consumption will be 21 lakh tons.

PRICE CONTROL

While deterioration in crop conditions contributed towards the fall in production, the main reason was the imposition of control on ex-factory prices of sugar and that too at uneconomic levels, particularly when there was no control on the other two competitors for cane i.e. gur and khandsari. As was pointed out by my predecessor last year, the controlled price levied in July, 1958, was much below the price that was agreed to in the discussions between the representatives of the industry and the Government in July, 1958. Far from giving an incentive to the industry to produce more, the controlled price did not even cover the cost of production fully. Last year, when the sugar recovery came down from 9.93 to 9.60 in U.P. and from 9.91 to 9.78 in Bihar due to inferior quality of cane and the production costs increased further, the industry approached the Government for appropriate upward revision in prices to compensate the factories for this loss. But the Government did not find its way to revise the prices and the factories had to suffar further. It is true that the matter of fair price was referred by the Government to the Tariff Commission whose report is presently under Government's consideration, but meanwhile two seasons have passed and the third is on, without redress of the industry's grievance regarding uneconomic prices.

While therefore the sugar industry was faced with an unremunerative price, the gur and khandsari interests being free from any such stifling controls, took advantage of the position by attracting cane away from the factories.

ADVERSE EFFECT OF KHANDSARI GROWTH

Sugar production is to a great extent affected by the production and prices of gur and khandsari. If, because of better gur and khandsari prices, the cane grower gets higher returns by converting his cane to gur or selling it to the khandsari, increasing supplies of cane normally meant for sugar factories are diverted to gur and khandsari and sugar production to that extent suffers. This is what has precisely happened during the last two years.

The net realisation of a sugar factory in Northern India after paying a tax element of Rs. 13.16 per maund from the ceiling price of Rs. 37.85 is only Rs. 24.69 per maund. Against this, there being no control on khandsari prices, the khandsari manufacturer's net realisation is about Rs. 30 to Rs. 40, after paying a tax of only Rs. 3.24 | Rs. 4.16 per maund. Thus, khandsari producer gets easily 50 per cent more for his product than the crystal sugar manufacturer even though khandsari is comparatively a much inferior product. Similarly, the gur producer, who is free from any tax burden, realises Rs. 16 to Rs. 18 per maund even though the sucrose content of gur is only about half that of sugar. The excess realisation of gur producer as compared to a crystal sugar manufacturer, on the basis of the sugar content, thus becomes obvious.

The excess realisation enabled the khandsari manufacturer to increase his production at the cost of crystal sugar. The sugar factories in West U.P., Central U.P. and the Punjab have been the main sufferers of the competition from power crushers and khandsaris, and the drop in their production at 34 per cent, from 1956-57 peak level has been quite severe in spite of the substantial expansions effected by them. In certain individual cases, the decline has been as high as 50 per cent. The nominal excise duty levied on khandsari from March last year, has hardly made a difference to the relative advantages of khandsaris. The result is that last year's khandsari production is estimated to have increased from under 1 lakh tons before 1956-57 to about 3.50 lakh tons. On every maund of sugarcane diverted from the sugar factory towards khandsari manufacture, the country has lost approximately 1.5 seers of sugar, due to the inefficiency and low recovery of the latter as compared with the former. Thus, the diversion of cane to khandsari made possible by control on sugar prices has not only reduced production of sugar factories, but it has also resulted in the actual loss of about 1.5 lakh tons of sugar in the process. This is an avoidable waste at least partially of the limited food resources available to the country.

It might be of interest to note here that it is only in the controlled area that sugar production declined, while in other regions there was actually some improvement.

RISE IN PRICES

With a widening gap between production and consumption, reserve stocks in the country declined from 4,28,000 tons at the close of 1956-57 to 3,30,000 tons in 1957-58 and to 1,53,000 tons at the close of the last season, that is, 1958-59. But for restricted releases from the mills, reserve stocks would have declined further. This apparently, created a bullish psychology in the markets and prices. Government, instead of going to the root of the problem and appreciating the need for maximising production and devising ways and means accordingly, tightened controls further. The proportion of direct allotments to Government nominees was gradually increased. In June last, the quota of U.P. and North Bihar mills was cut down to 30 per cent, while that of Punjab suspended altogether. In July, there was complete suspension of releases to mills and the entire quantity was taken over by the Government for sale by their allottees. Government also fixed the basis of prices to be charged by the wholesalers. In some places, rationing was also introduced. But, all these measures did not improve the situation.

CRITICS OF THE INDUSTRY NOT JUSTIFIED

Understandably, there was strong resentment against rising prices in the Parliament and elsewhere. But, unfortunately for the industry, the debates and discussion in Parliament and elsewhere instead of helping a proper assessment of the position, only led to much uninformed and unjustified criticicm of the industry. It was evident from the then Food Minister's statement in the Lok Sabha in August last that the prices continued to be at a reasonable level until the beginning of May and the controlled rate fixed for U.P., North Bihar and the Punab were generally effective. In July, the Government took over the entire stocks with the mills in the controlled area. Profiteering by the mills, if any, could therefore have taken place only during the months of May and June. During these two months, the total quantity of sugar released by the Government was 3.75 lakh tons. Out of this quantity, 1.31 lakh tons was allotted directly by the Government to their nominees, 1.24 lakh tons was given for sale to factories situated in non-controlled areas and the balance 1.20 lakh tons was released to mills in the controlled area. The allegation about profiteering thus could relate only to 1.20 lakh tons which was sold by mills in the controlled area. This quota of 1.20 lakh tons forms only 32 per cent of the total release. It is hardly convincing, and even against the estabilshed concepts of economics, to suggest that the factories which contributed only 32 per cent of the supply could manipulate the prices or exploit the situation to push up the prices.

The actual position was that while fall ir production created fears of shortage, the manner and timing of control and the faulty distribution arrangements made thereafter turned this into a scare of scarcity which resulted in the rise in prices. It is significant that even though Government control over distribution has been complete for about 9 months now, the position has hardly improved and prices continue to be high. It is, therefore, unfortunate that even though the industry is in no way responsible for supplies and prices in the market now, criticism against it still persists from some quarters. Our critics do not sufficiently appreciate that a sugar factory is under law obliged to deliver whatever it produces to Government nominees at Government fixed prices. And if after the goods leave the factory, and are allotted to different markets as per Government arrangements, the prices in the wholesale or the retail market rule high, the industry can hardly be blamed. It only shows that the distributive arrangements and machinery evolved by Government have been faulty and have not been able to replace, with any amount of success, the normal distribution channels. The result is that the psychology of scarcity which resulted from a short-fall in production in the previous two years persists this year also in spite of the increase in production.

The fact is that the method of approach to such problems adopted by the Government is fundamentally different from the approach advocated by the industry. Whenever the country experiences shortage of some commodity the usual action taken by the Government is to control its distribution. But so long as the supply remains insufficient to meet the demand, no amount of regimentation can prevent the continuance of scarcity conditions, and the consequent rise in prices. Controls can never provide an escape from the normal law of supply and demand. It is exactly with this in view that the industry always advocates tackling the production angle in such cases. If production in sufficient to meet the demand, prices will inevitably find their normal level.

SHIFT IN EMPHASIS FROM DISTRIBUTION TO PRODUCTION

I am glad to find greater appreciation at the hands of the Government of the view point advocated by the Industry, as a consequence of which, there has been a shift from emphasis on distributive measures only to increased production. The new sugar policy initiated by the Food Minister this year, is a great step forward in this direction, as it provides incentives for increased production both to the growers and to the Industry.

The incentives have had wholesome effect on production. By 7th of March this year, we had produced 2.98 lakh tons more than last year, the actual production by that date being 17.26 lakh tons against only 14.28 lakh tons for the corresponding period last year. There have, however, been disquieting reports of increasing pressure on cane supplies from khandsari since last month. This, I am afraid, might affect the position to some extent, which otherwise would have been still more promising.

MAXIMISATION OF PRODUCTION

As stated by me earlier, and as duly appreciated now by Government also, it is only by increasing the present production appreciably to a level where the fear of scarcity will no longer exist and a satisfactory stock position will be built, that the sugar price position will get stabilized. This year there is sufficient cane available. Sugar factories have also the requisite prodution capacity. Production could, therefore, be raised still further if factories were in a position to attract requisite supplies of cane for their crushing. This could be possible only if, in competition with khandsari and gur, sugar factories could draw their supplies of cane to crush to their maximum capacity. It is in this context that the Industry has been urging removal of control on sugar prices. The abolition of controls would on the one side, remove the scare of scarcity and on the other would enable factories to draw sufficient cane supplies by paying competitive cane prices.

There has been criticism that such a policy might raise the consumer prices still further. There is, however, no ground for such an apprehension. It is true that for paying competitive cane prics the ex-factory prices will have to be raised from the present controlled rate of Rs. 37.85 nP. per maund. But this by itself will not mean higher prices for the consumer. Even this higher price will be lower than the overall price he has to pay now, not only for crystal sugar but also for its alternative, khandsari sugar and gur.

RIGID COST STRUCTURE

We often hear criticism that the Sugar Industry in this country, has in spite of the protection at the cost of the consumer, not tried to make sugar available to the consumer at cheaper prices. This has the natural implication that the Industry here is either not working as efficiently as its counterparts in other countries or it is making undue profits at the cost of the consumer. But in making such allegations, the fact of the rigid and regulated conditions under which the Industry works here is conveniently overlooked. These are too well and commonly known to require a detailed mention by me here. In fact, as Government spokesmen themselves have often admitted, sugar is the most regulated Industry in the country. A look at the Industry's cost structure will show how rigid it is. Against the ex-factory price of Rs. 37.85 nP. per maund, fixed by the Government, the price of cane accounts for Rs. 16.55 nP. taxes for Rs. 13.16 nP. manufacturing charges including salaries and wages for Rs. 6.05, nP. leaving. only Rs. 2.19 nP. to meet overhead expenses, to allow for profits subject to taxation, and also to provide for reserves out of which to replace machinery when worn out, at today's enhanced costs, which is more than seven times the original installed value.

HIGHER TAX BURDEN

It should be realised that one of the main reasons for the relatively higher prices that the consumer has to pay is the heavy burden of taxes. The way in which the burden has increased over the last few years shows that the Central and State Governments treat the sugar Industry as an inexhaustible source of ever-increasing revenue. State Governments collect about Rs. 10 crores annually as cane cess and spend a very meagre portion of it on sugarcane development which is the primary object of the imposition of this cess. The Central Government raises about Rs. 58 crores a year through excise duty. Sugar factories also pay annually Rs. 1 crore as Co-operative Societies' commission. The tax burden of the Industry has increased by about 4.5 times since 1946-47.

CANE DEVELOPMENT

Besides, the high incidence of cost of cane also accounts for comparatively higher cost of production of our factories. Adequate quantity and quality of sugarcane is of basic importance to a healthy and growing sugar Industry. And here, much remains to be done. Although sugarcane development schemes were started in 1948-49, not much improvement has been effected so far. Although in the matter of total cane production we are nearing the target set for the Second Plan, in the matter of yield per acre and the sugar contents in cane per acre, we have made hardly any progress. Our position when compared to other cane producing countries is also very backward.

The target of 100 million tons of cane fixed by the Indian Central Sugarcane Committee for the Third Plan will necessitate raising the yield per acre to 20 tons or about 50 per cent more than the present average. The effort required to effect such an increase will be tremendous. But, unless something really substantial is done and conserted and co-ordinated steps are taken, the position cannot improve.

POOR FINANCIAL POSITION

The imposition of control brought to the fore the uneconomic nature of the Industry's working and its poor financial position. I may here refer to the results of the study conducted by the Association of Indian Industry and Trade for the seasons 1954-55 to 1957-58. It covered the factories producing 88 per cent to 92 per cent of the country's output of sugar and should, therefore. be considered as fully representative of the Industry. The study has shown an alarmingly poor financial position of the Industry. Many units are actually incurring losses and returns on capital and also reserves are declining. The Industry in the North, particularly, is faced with near-crisis conditions.

NEED FOR ADEQUATE ALLOWANCE FOR REHABILITATION

While on this subject, I would like to refer to the urgency of rehabilitation and modernisation in the Industry. Most of the existing plants were put up over 25 years ago, and are due for large scale replacement and modernisation for which large funds are required. As will be appreciated, the prices of sugar machinery machinery between 1931 to 1937 and now have increased by six to seven times. For example, the cost of a Co-operative sugar factory that has gone into production recently, namely, Bazpur in Nainital District, is Rs. 1,40,00,000. If compared to the cost of a factory of identical capacity erected between 1930 and 1936, it shows a rise of more than 650 per cent. It is quite clear, therefore, that the normal depreciation will be wholly inadequate to cover even a fraction of the rehabilitation charges.

Moreover, all the funds available with the Industry including equity capital, depreciation and reserves of all kinds have been employed for expanding the capacity of the factories and are represented by the current block. As a matter of fact, over a period of 10 years or so, the borrowing of the Industry as a whole against the block, apart from current borrowings from stocks etc. has increased very substantially. The consumer has been directly benefited by the increase in capacity because this has led to a lower cost of production, being taken into account when the reasonable price of sugar for him is determined. I would, therefore, urge upon the Government to formulate a realistic price policy, which, besides meeting the cost of production fully, would also provide for the rehabilitation requirements which is necessary to ensure the Industry's growth and development.

The Stock Exchange
Bombay
Essay Competition

Under the auspices of the Shantilal J. Smarrak Fund and M. C. Baxi Prize Funl, the Exchange invites essays on the following subjects:

(a) The Origin and Growth of the Stock Market in India—With special reference to the Stock Exchange at Bombay.

(b) The Future Role of the Stock Market in India.

The panel of Judges consists of Shri A. D. Shroff, Director of Tata Sons, Ltd., Dr. B. K. Madan, Executive Director of the Reserve Bank of India, and Shri H. T. Parekh, General Manager of the Industrial Credit and Investment Corporation of India, Ltd.

There are three prizes as under:

(i) Shantilal J. Smarak Prize	Rs. 2,500
(ii) M. C. Baxi Prize	Rs. 1,500
(iii) Third Prize	Rs. 1,000

Additional prizes may be awarded on the recommendation of the Judges.

The last date for submission of essays is the 31st of July, 1960.

Copies of the Rules and Regulations for the Essay Competition can be had from the Exchange on request.

THE CENTRAL BANK OF INDIA LTD.

Speech delivered by Sir Homi Mody, K.B.E., Chairman, The Central Bank of India Ltd., at its Forty-ninth Annual General Meeting held on Wednesday, the 30th day of March, 1960.

Ladies and Gentlemen,

IN presenting to you the Annual Report of the Directors and the audited statement of Accounts, I shall begin with a few observations on the economic situation in India and abroad.

2. During the year under review, there was an appreciable improvement in the political and economic climate of the world as a whole. Thare was a welcome thaw in the cold war and a general expansion of world trade. Industrial production was on the up-grade and reached higher levels in most countries. At the same time, there was greater awareness, on the part of the industrially advanced nations, of the necessity of helping in the economic development of under-developed areas, and it is possible foreign aid on a substantially larger scale might be available to our country in the coming years, with prospects of a more even spread amongst the countries which are in a position to lend.

1959: A YEAR OF GROWTH

3. As was to be expected, there was a marked expansion of economic activity in India in 1959. Agricultural production which had slumped badly in 1957-58, staged a welcome recovery in the following year, with the index number moving up from about 114 to 131. This improvement, which was due more to favourable seasonal conditions than to any other factor, should not, however, lull us into a false sense of security, because, with the alarmingly rapid growth of our population, a sustained and accelerating increase in agricultural production is a fundamental condition of our economic progress.

4. Industrial production also recorded a sizeable improvement and, in particular, there was a substantial increase in the output of capital and intermediate goods. Industries like iron and steel, non-ferrous metals, electric power and automobiles showed considerable progress; consumer goods industries registered only a meagre improvement. The general index which had been moving very slowly in previous years, rose from 139.7 in 1958 to 149.4 in the first ten months of 1959.

RISING PRICES

5. The most disquieting feature in our economy is the persistently upward movement of the general price level. The index number of wholesale prices showed a net rise of 7 points to 117.5 in 1959, and it has risen by a further two points in the first two months of this year. All groups of commodities are experiencing an upward pressure, which is evidently a reflection of the strain which the large development programmes are placing on the available supplies.

6. A progressive increase in commodity prices implies, of course, a corresponding fall in money's worth. The deterioration in the value of the rupee, which has amounted to as much as 29 per cent since India became independent, cannot be disregarded on the ground that this is a phenomenon which is not peculiar to this country. Indeed, in a pitifully backward economy like ours, the maintenance of price stability is of the utmost importance for the very reason that the people's capacity to bear additional burdens is limited. As the Governor of the Reserve Bank recently stated, the task of maintaining stability in the value of the currency is not within the sole competence of the monetary authorities. For this purpose, as he rightly pointed out, "fiscal and monetary policy must be integrated—fiscal policy including, of course, a policy with regard to deficit financing."

7. Government should, therefore, undertake a reappraisal of the programmes they have been pursuing in these last few years. Mounting fiscal burdens, industrial imbalances and abnormal deficit financing can have only one result—a creeping and, therefore, all the more dangerous inflation, which neither the monetary weapon nor selective credit controls can put right. In this connection, I would reiterate a suggestion I made at the last of the series of instructive lectures delivered by Sir Oliver Franks in Bombay that the time had come for the appointment of an independent body of experts for making a survey of our monetary system at this crucial stage of our developoment. Such a Committee would be able to tell us, among other things, how far our programmes of development are related to the maintenance of a reasonable price level, to what extent the working of the monetary system has been conducive to the maintenance of stability and how imperative is the need for harmonising the monetary, credit and fiscal policies of Government. My suggestion has received a fair measures of public support, but it may be too much to hope any action will follow.

PLANNING

8. Meanwhile, the pattern which Government have set themselves in proceeding apace. The Second Five-Year Plan which started off with a flourish, and which, after its formulation, had its targets periodically scaled upwards with a cheerful disregard of such mundane considerations as means and resources, is nearing its end, with the hard core to which it had to be reduced implemented with the aid of large foreign credits, heavy deficit financing and bouts of fresh taxation. Its chequered career has apparently taught little to our planners. The Third Five-Year Plan is now being hammered out, in respect of which the net foreign exchange requirements are expected to be about Rs 2,000 crores. Even if, as seems likely, foreign credit of this magnitude is obtainable, should we not bestow some thought on the way we are mortgaging our future? Apart from that, are we receiving value for the money that is spent and are the objectives of our economic policy being achieved in full measure? It is time our planners rid themselves of such meaningless slogans as "take-off stage" and "self-generating economy" and did some hard thinking, always remembering that the Plans are for the people and not the people for the Plans.

9. It is a matter for satisfaction that, at the present moment, a reconnaissance team nominated by the World Bank and headed by Sir Oliver Franks is engaged in the task of assessing the size, scope and content of the Third Plan and the extent of external aid that its implementation would need. Let us hope the deliberations of this expert body may assist in the formulation of a well-balanced plan which would take India substantially farther on the road to economic advance without exacting too heavy a price in the process

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MONEY SUPPLY

10. The inflationary trend has naturally been reflected in the additions to money supply. During the year under review, money supply with the public increased by Rs 170 crores, the increase being more than twice as large as in the previous year. This was due to an improvement in both the foreign exchange position and in the lending operations of banks. The foreign balances held by the Reserve Bank, which had fallen by Rs 109 crores in 1958, recorded a net rise of Rs 24 crores in the year under review, thanks to the generous assistance received by India from foreign countries. Simultaneously, there was an expansion of Rs 129 crores in the credit advanced by commercial banks to the private sector, compared with an increase of only Rs 22 crores in the previous year, and this helped further to add to the volume of monetary circulation.

11. Deposits of Scheduled Banks continued to rise and reached the figure of Rs 1,827 crores, showing an increase of Rs 253 crores during the year. An interesting feature is that demand liabilities which had contracted in 1958, now show a modest increase. Presumably, money is becoming more useable owing to the quickened tempo of business activity.

12. Scheduled Banks' credit moved up during the year by Rs 99 crores. There has been in the last few years a steady advance in the volume of industrial finance provided by Banks, and this has to a certain extent had the effect of blurring the distinction between the busy and the slack season. As a result of various factors, the investment portfolio of Banks showed a substantial rise, mostly in Government Securities.

CREDIT SQUEEZE

13. I shall refer to only one other item in this survey of economic and banking conditions. The Reserve Bank have recently thought fit to apply the credit squeeze and have issued certain directives to Banks. The question which arises, however, is how far limitations placed on bank credit can serve as a corrective to the general advance of the price level in the prevailing situation. The experience of selective credit controls is none too encouraging. On this, I shall only quote the following from the Report of the Board of the Reserve Bank issued in August 1959:—

> "Selective controls are not designed to correct the general inflationary pressures within the economy; nor is their success to be judged precisely by the extent to which the prices of the relevant commodities have fallen. The controls may be expected to exercise only a limited, perhaps a marginal, effect on prices, more particularly when Banks have large liquid resources."

14. In this connection, I would invite the Reserve Bank's attention to an article which appeared in the "Financial Times" of the 19th February, which refers to the credit agreement recently concluded in Norway after discussion between the Ministry of Finance and the Bank of Norway, on the one hand, and the Joint Consultation Council representing the country's Banks and Life Insurance Companies, on the other. Consideration might be given to the advisability of instituting some such consultative machinery between the Reserve Bank and the Scheduled Banks in our country.

THE BANK'S PROGRESS

15. I shall now proceed to deal with some of the salient points in the Bank's Balance Sheet and Statement of Accounts for the year.

16. You will notice at the outset that the Subscribed Capital at Rs 3.15 crores shows an increase of Rs 45,750 as compared to 1958. You will also find an item of a little over Rs. 1 lac as Share Premium Account. Both these are the result of the decision taken at the last Annual Meeting to allot the Shares represented by Fractional Certificates and Coupons that had remained unpresented for many years by their original holders.

17. Another new item, which finds a place in the Balance Sheet, is the Development Rebate Reserve amounting to Rs 75,000, which has been created out of the year's earnings. The Sinking Fund in respect of Lands and Buildings, which used to be grouped in the past with the 'Reserves,' has now been placed under 'Other Liabilities' as required by the Banking Companies Act.

18. You will have noticed that the total of our Balance Sheet figures has crossed the Rs. 200-crore mark. It now stands at Rs 223 crores, representing an increase of Rs. 24 crores over the figures of the previous year. The aggregate working funds were also higher at Rs. 192.74 crores at the end of the year.

DEPOSITS AND ADVANCES

19. The total of our Deposits again registered an increase and stood at a little over Rs. 180 crores. A particularly satisfactory feature is the way in which Demand Deposits have started moving up. In relation to the total Deposits of all Scheduled Banks in the country, our share amounts to 9.9%, which is a measure of the place we hold in the banking structure of the country.

20. There was an even larger increase in our figure of Advances which rose to nearly Rs. 120 crores at the end of 1959. This necessitated recourse to borrowings from Banks to a greater extent than in 1958. The advent of the busy season, which normally brings about a heavier demand for bank accommodation for financing the movement of crops, was delayed last year, resulting in funds lying idle for a good part of the second half of the year. In addition, the Reserve Bank's curb on foodgrains advances curtailed the lending activities of many of our Branches located in predominantly agricultural areas. But for this, the average of our Advances for the year, which was nearly Rs. 119 crores, would have been still higher. The peak was touched in May when the record figure of over Rs. 128 crores was attained. Our Bank accounted for 12.4% of all Scheduled Banks' advances outstanding at the end of the year.

21. The Investment portfolio was augmented in the course of the year by Rs. 1.99 crores and amounted to Rs. 54.92 crores. For the first time after many years, the total market value of our holdings has exceeded the book value by a margin of something like Rs. 30 lacs. When we consider how far we have come from the disastrous position which existed in 1952, we have cause for infinite satisfaction at the turn that has taken place in our fortunes.

PROFIT AND LOSS ACCOUNT

22. Turning to the Profit and Loss Account, the first thing that attracts notice is the improvement of Rs. 48.68 lacs in our gross earnings, despite the increased deduction of tax at source. Owing to the larger volume of business handled under Advances and Bills, there was an increase of Rs. 44.60 lacs in earnings by way of interest, exchange and commission. Contrary-wise, on the debit side, interest charges were up by Rs. 18 lacs on account of the increase in Deposits. The resultant net improvement in our earning potential was, however, nullified by the heavy increase in total operating cost, of which Establishment Expenses accounted for as much as Rs. 27.83 lacs, reaching the very high

figure of Rs. 334.38 lacs, which represents an increase of almost Rs. 1 crore in the past five years. In relation to the gross earnings and net income, the ratio of establishment expenses for the year works out to 37 per cent and 65.1 per cent respectively.

23. Despite the expansion in our gross earnings, it is disappointing to find that the net profits, far from showing an improvement, actually disclose a drop of about Rs. 2 lacs from the 1958 figure. The percentage of net profits in relation to gross earnings has been sliding down from year to year, as shown by the decline from 13.7 per cent in 1955 to 11 per cent in 1959. It is primarily due to the incidence of the mounting Establishment Charges, to which I have referred. This downward trend in profits could be arrested in only one way, and that is, by the entire staff striving to improve efficiency, discipline and happier relations between them and the Management, and thereby contributing to the development of the Bank's business. Now that a Tribunal has been appointed with comprehensive terms of reference, I shall content myself with expressing the fervent hope that its findings may result in the creation of happier and healthier conditions for all who are engaged or have an interest in the development of our banking system.

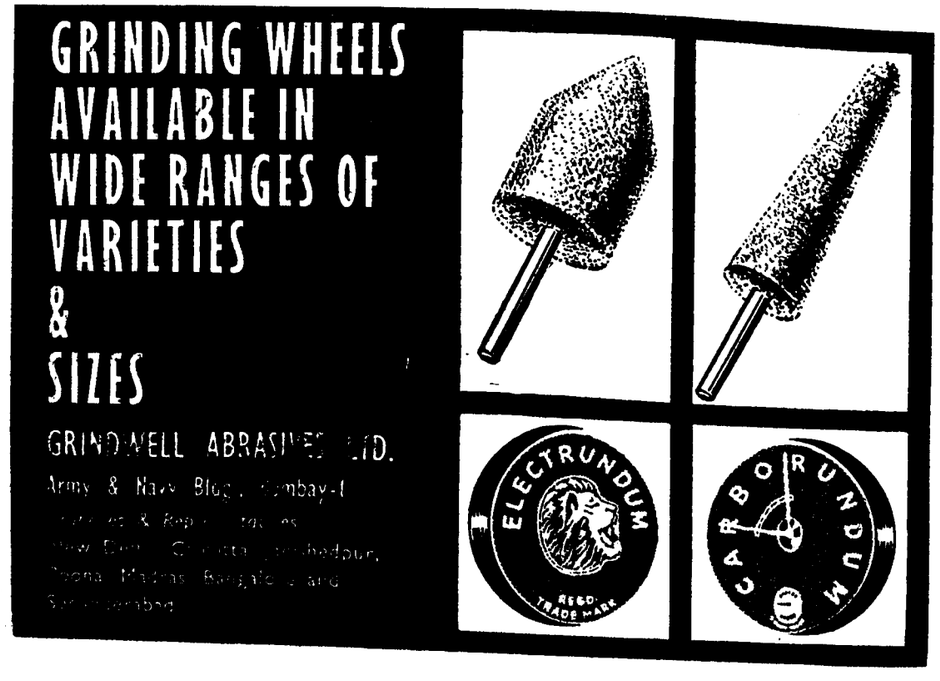
24. During the year, we opened 18 new Offices and closed down 10 unprofitable ones, leaving 306 Offices at the close of the accounting period.

DIVIDEND

25. I think I should give some explanation of the Board's recommendation regarding the Dividend payable to Shareholders. The Board decided that, while compulsorily deducting at source the tax payable on Dividend, as required by the law, the Bank should, nevertheless, pass on to Shareholders the two benefits accruing to the Bank, viz., reduction in the tax payable by the Bank from 51½ per cent to 45 per cent and the abolition of the Excess Dividend Tax. As you will remember, an Interim Dividend of Rs. 1.90 per share, subject to tax, which is equivalent to Rs. 1.33 net, was paid for the half-year ended 30th June. It was felt that if a final Dividend of Rs. 2.40 per share, subject to tax, which works out to Rs. 1.68 net, was declared, the object in view, viz., sharing with the Shareholders the benefits accruing to the Bank, would be achieved. Accordingly, if this recommendation is accepted by you, the Shareholders will get a net Dividend of Rs. 3.01 per share, as against Rs. 3.50 per share paid for 1958, which, I hope, will not be considered unsatisfactory in view of the prevailing conditions.

26. After being associated with the Bank for nearly thirty years, Mr. Dinshaw D. Romer recently resigned his place on the Board of Directors. His knowledge of legal and business matters and his sound judgment were of great value, and his colleagues were sorry he had to sever his connection on account of failing health. They have placed on record their appreciation of the valuable services rendered by him during his long association with the Bank.

27. Before I conclude, I am sure you would wish me to express our grateful acknowledgments to our Vice-Chairman, Mr C. H. Bhabha, who has been devoting so much of his time and energies to the affairs of the Bank. He has done not a little for the improvement and expansion of its business, and we greatly appreciate the ungrudging service he has been rendering to the Bank. Our General Manager, Mr. N. K. Karanjia, has been continuing to shoulder the heavy burden of his office with rare zeal and devotion, and it must be a matter of great satisfaction to him that, under his able stewardship, the Bank has been making such satisfactory progress. To Mr. F. C. Cooper, the Deputy Manager, Mr. V. C. Patel, the Chief Accountant, the other Officers-in-Charge at the Head Office and the Branches, the members of the Staff and the Local Advisory Committees at various centres, I would also like to convey our grateful thanks. With goodwill on all sides, I am confident the Bank will play an even more useful and progressive role in the future in the development of the commerce and industry of the country.



CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
December	1958 ..	113.3	96.4	115.1*	112.5*	110.3	108.0	108.3	111.4
January	1959 ..	114.3	103.6	115.1	114.1	110.5	108.4	108.4	112.4
February	,, ..	115.7	104.4	115.9	115.5	110.6	108.1	108.5	113.3
December	,, ..	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January	1960 ..	117.5	100.9	117.6	130.9	121.6	115.1	116.0	118.8
February	,, ..	118 8	96 0	117.9	131.7	120.5	115.6	116.3	119.6
13-2-1960	..	119.9	95.8	117.4	131.6	120.3	115.5	116.2	120.1
20-2-1960	..	118.3	95.8	117.9	131.7	120.5	115.6	116.3	119.3
27-2-1960	..	118.6	95.8	117.9	131.1	120.7	115.6	116.3	119.4
5-3-1960	..	117.6	96.3	117.9	131.2	121.7	115.7	116.5	119.0
12-3-1960	..	116.7	96,1	117.8	131.6	121.2	115.8	116.6	118.6

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 =100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	-	106	—	—	—
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	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	—	429	—	173*	168*
1959 May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165*	433	164	178	173*
September	403	422	319	156	399	465	510	162*	434	162	179*	173*
October	408	427	324	158	406	470	510	166*	441	162	179*	174*
November	405	424	322	158	399	475	511	—	449	—	177*	174*
December	401	420	311	157	389	460	511*	—	441	—	175*	171*
1960 January	403	422	304	159	385*	460	509	—	441	—	—	171
February	—	—	—	161	—	468	—	—	448	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 18-3-1960 High	18-3-1960 Low	18-3-1960 Average	11-3-1960 High	11-3-1960 Low	11-3-1960 Average	4-3-1960 High	4-3-1960 Low	4-3-1960 Average	26-2-1960 High	26-2-1960 Low	26-2-1960 Average
Gold (per fine tola) —	131.44	128.69	129.58	132.16	130.56	131.35	132.75	130.25	131.57	132.31	130.53	131.49
Silver (per 100 fine tolas)	218.06	216 00	216 98	218.25	216 81	217.65	217.62	215.25	216.35	215.56	214.50	214.95

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
1953-54* ..	1,133 95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1.494,52	40,02	545,61	595,63	39.95	115,93	755,22	1,494,52
				(117,76)		(663,37)	(44.37)			
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
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
Average of Fridays										
December 1958 ..	1.589,09	11,82	1,600.90	117,76	164,68	284,44	17.64	136,22	1,182.25	1,556,01
January 1959 ..	1,621,47	10.46	1,631,93	117,76	164,68	282,44	17.31	134.70	1,214,80	1,631,93
February ,, ..	1,660,09	16,85	1,676,94	117,76	174,68	292,44	17.44	132,22	1,252,28	1,676,94
December 1959 ..	1,725.18	11.46	1,736,64	117,76	163.01	280,77	16.17	132,74	1,323,13	1.736,64
January 1960 ..	1,766.07	14 42	1,780.49	117,76	163 01	280,77	15.77	130,31	1,369,42	1,780.49
February ,, ..	1,803,57	18,74	1,822.31	117,76	163,01	280,77	15 41	126,73	1,414,82	1,822,31
Week-Ending										
12-2-1960 ..	1,811,94	12,44	1,824,38	117,76	163,01	280,77	15.39	162,55	1,417,32	1,824 38
19-2-1960 ..	1,806,55	18,06	1,824,62	117,76	163,01	280,77	15.39	126,55	1,417,30	1,824,62
26-2-1960 ..	1,798,98	25,95	1,824,92	117,76	163,01	280,77	15 39	126,86	1,417,30	1,824,92
4-3-1960 ..	1,820,91	21,42	1,842,33	117,76	163.01	280.77	15.24	124,42	1,437,14	1 842,33
11-3-1960 ..	1,837,90	8.67	1,846,57	117,76	163,01	280,77	15.20	123,69	1,442.11	1,846,57

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad §	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	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
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
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
Avr. of Fridays														
December 1958 ..	60,44	14,40	76,33	116,55	267,72	69,19	421,91	11,88	9,57	13,91	24,31	62,45	281,37	10,73
January 1959 ..	56,88	29 42	72,41	116,16	274,88	80,27	440.15	10 52	12,68	28 85	26,49	88,18	262,21	11,20
February ,, ..	58,62	21,88	72,09	115,27	267,85	85,17	438,02	16,90	6,18	30,14	25,02	89,41	258,69	11,68
December ,, ..	55.33	18,65	73,42	117,60	264,98	83,86	433,84	11,52	15,82	44,83	83,80	90,67	235,92	11,29
January 1960 ..	54,26	23,94	81,53	120.76	280,49	86,67	452.19	14,48	39,44	46,55	21,53	106,74	210 48	12,93
February ,, ..	54,68	25,82	75,76	107,57	263,84	92,51	441,35	18,82	19,84	41,08	23,97	123,39	200,73	13,52
Week-Ending														
12-2-1960 ..	66,96	20,85	81,20	108,51	277,52	91,73	454,24	12,52	37,18	44,34	23,50	130,25	192,99	13.47
19-2-1960 ..	50,75	26,47	75,59	109,52	261,33	95 05	441,39	18,14	21 28	39,84	24,63	121,23	202,80	13 47
26-2-1960 ..	51,76	30,22	79,96	93,90	255,85	94,61	435,46	26,02	8,11	35,80	25,99	121,07	204,71	13,75
4-3-1960 ..	50,37	34,27	81,92	94,49	261,05	89,28	435,33	21,49	4,79	33.73	27,77	126,52	207,17	13,86
11-3-1960 ..	50 64	29,76	71,63	95,04	247,07	102,91	434,98	8,74	7,48	32 27	29,49	135 61	207,49	13,91

* 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 of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
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	44,28	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
1958-59 ..	735,93	860,33	1,596,26	40,30	83,29	7.74	766,56	133,27†	56.37	565,14
Average of Fridays										
September 1959 ..	741,75	1106,74	1,848,48	42,21	73,60	6.26	799,58	128,41†	59.21	762,18
October ,, ..	738,50	1118,84	1,857 34	41,69	75,12	6.29	795,39	137,83†	50.25	788,34
November ,, ..	737,36	1137,78	1,875.14	44,18	76,78	6.45	781,59	146,31†	49.49	800.78
December ,, ..	731.80	1142,04	1,873.84	43,39	70,03	6.05	800,59	150,29†	50.75	798,02
January 1960 ..	754,54	1131,99	1,886,54	46,23	78,23	6.59	841,75	158,76†	53.03	773,37
February ,, ..	748,29	1149,47	1,897,76	45,11	72,06	6.17	889,52	159,19†	55.26	767,23
Week Ending										
5-2-1960	744,63	1143,10	1,887,73	43,73	65,74	5.80	873,90	158,25†	54.68	783,67
12-2-1960 ..	740,89	1145,21	1,886,10	44,28	76,55	6.41	889,20	159,82†	55.62	759,43
18-2-1960 ..	750.70	1155,71	1 906,41	45,55	71,32	6.13	893,43	159,23†	55.22	761,66
26-2-1960 ..	756,94	1153,84	1,910,78	46,87	74,62	6.36	901,56	159,44†	55.53	764,14
4-3-1960 ..	752 46	1161,23	1,913,69	47,07	79,57	6.62	909,50	158,91†	55.83	757,48
11-3-1960 ..	763,37	1159,27	1,922,64	56,58	68,38	6.50	920,67	162,77†	56.35	760,00

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variatione in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
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 ..	2,388,83	1,606,60	782,22	762,36	19,87	+75.94
1958-59 ..	2,498,75	1,724,53	774,23	754,98	19,25	+109,92
September 1958 ..	2,314,52	1,535,02	779,50	765,10	14,40	+5,49
October ,, ..	2,290,08	1,552,70	737,37	721,23	16,14	—24,44
November ,, ..	2 319.38	1,574.14	745.25	727,68	17,57	+29,30
December ,, ..	2,349,85	1,606,45	743,40	726,03	17,38	+30,47
August 1959 ..	2,451,38	1,671.49	779,89	758,35	21,54	—9,50
September ,, ..	2,431.12	1,663.50	767.62	748,10	19,52	—20 26
October ,, ..	2,470 46	1,715.83	754,62	736 44	17,68	+39,24
November ,, ..	2,472 21	1,702.28	769,93	752,49	17.44	+1,75
December ,, ..	2,519.54*	1,752,61*	766,93*	752,16*	14,77	+47,33*
January 1960 ..	2,589,91*	1,794,85*	795,06*	776,98*	18,08	+70,37*

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

Source: Monthly Bulletin of Reserve Bank.

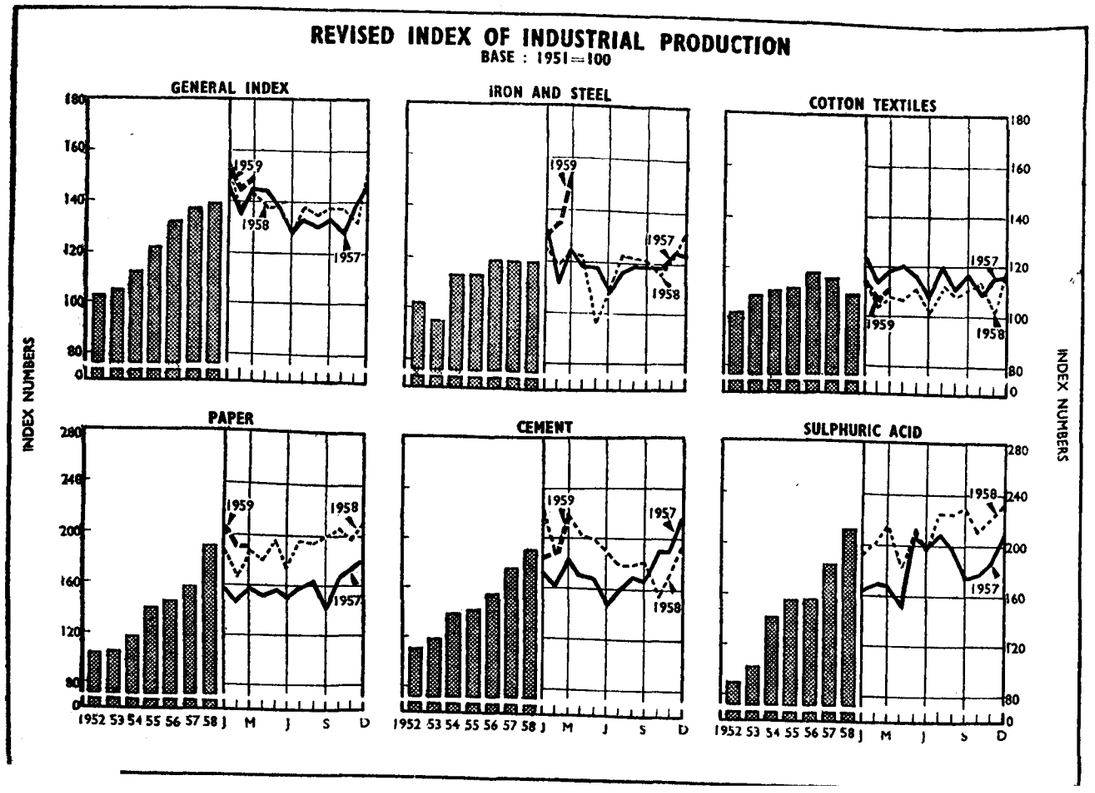
UNDER SEC... PUBLI... DEPARTMENT

THE REVISED INDEX OF INDUSTRIAL PRODUCTION

(Base 1951 = 100)

Year and month	General Index	Coal	Cotton Textiles			Jute	Chemicals	Iron and Steel	Cement	Gen.* Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1952 ...	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	134.0	98.6	104.5
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 ...	122.4	111.4	111.9	117.3	109.2	118.9	159.0	140.4	113.3	183.3	140.2	143.0	106.2	144.5
1956 ...	132.6	114.9	117.5	122.0	115.2	127.3	171.1	154.2	119.4	218.1	146.6	166.5	106.0	164.1
1957 ...	137.3	126.8	115.6	127.5	109.7	120.5	181.3	175.3	119.3	241.3	159.3	185.5	106.9	184.9
1958 ...	139.7	132.2	108.9	123.1	101.8	123.9	206.2	189.9	119.1	254.1	191.8	175.5	113.8	209.0
July 1958 ...	139.2	131.1	111.7	127.8	103.7	125.5	212.9	179.4	122.8	278.2	197.0	4.6	188.7	215.2
August ...	135.3	123.8	108.7	124.2	100.9	119.9	206.8	179.3	121.9	248.7	195.1	7.8	199.0	212.7
September ...	137.9	134.6	110.2	126.5	102.1	122.8	211.0	181.4	120.8	252.9	199.9	11.4	191.6	215.3
October ...	137.5	131.1	113.4	129.7	105.3	115.1	218.6	154.4	116.9	240.3	204.4	19.4	225.2	219.2
November ...	132.4	129.0	101.5	117.0	93.8	122.9	207.9	171.5	122.1	249.0	199.0	96.7	133.0	209.5
December ...	155.1	145.1	117.5	135.8	108.4	136.6	222.1	196.1	131.7	291.4	210.6	382.3	42.4	229.5
January 1959	155.7	142.9	114.8	131.9	106.3	129.3	220.4	187.6	130.3	265.3	207.7	478.6	19.7	236.8
February ...	145.8	137.8	104.7	120.7	96.7	119.7	211.3	188.1	135.1	250.7	191.0	442.6	17.0	220.1
March ...	151.2	138.3	109.2	126.3	100.7	120.4	218.8	219.8	154.3	264.6	210.9	394.5	19.5	239.9
April ...	145.2	139.3	109.3	125.0	101.5	122.0	195.7	226.1	158.0	294.6	173.9	187.6	56.1	241.1
May ...	143.3	140.4	108.6	123.5	101.1	126.0	229.0	222.6	154.5	279.5	177.7	34.8	109.4	254.3
June ...	142.2	133.4	108.7	122.7	101.8	120.3	223.9	215.0	155.1	271.9	206.0	0.2	140.1	245.9
July ...	153.9	135.0	115.3	131.6	107.1	129.7	236.9	207.7	168.5	293.7	245.9	4.8	184.0	256.2
August ...	150.8	131.2	111.5	128.2	103.1	124.2	230.0	197.8	179.2	288.1	242.1	10.0	207.6	254.8
September ...	153.1	137.7	114.6	131.7	106.1	130.3	230.4	206.8	176.3	292.2	239.5	11.1	213.4	253.4
October ...	146.6	126.2	114.3	131.1	106.0	123.6	236.8	215.0	172.0	241.7	248.1	21.5	201.9	259.4
November ...	155.0	132.5	107.6	126.4	98.2	123.9	234.3	226.8	178.0	309.7	252.2	193.0	134.5	253.1
December ...	...	...	119.0	139.3	108.8	132.4	...	244.8	...	...	...	463.7	...	...

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



CHEQUE CLEARANCES

(Rs. lakhs)

Period	Numbers ('000)	All Centres	Bombay	Calcutta	Kanpur	New Delhi	Madras	Other * Centres
1951-52	28,076	7,878,61	3,039,07	3,254,50	145,80	59,36	474,88	786,39
1952-53	29,700	6,570,36	2,613,95	2,495,89	138,37	65,72	416,99	729,70
1953-54	32,030	6,714,48	2,669,08	2,569,24	146,19	75,27	389,33	734,46
1954-55	34,620	7,249,41	2,811,61	2,854,04	143,30	83.38	367,91	851,53
1955-56	37,199	7,956,21	3,071,23	3,014,05	149,24	131,13	426,58	1,009,52
1956-57	40,008	8,724,35	3,312,72	3,197,51	166,62	247,22	512,74	1,101,96
1957-58	41,672	8,954,80	3,428,35	3,092,43	182,47	326,17	515,07	1,212,92
1958-59	45,172	9,767,12	3,724,36	3,306,35	176,23	371,57	528,83	1,427,04
1958 June	3,238	662,92	242,44	230,50	12,53	24,27	36,68	100,20
July	3,836	834,13	320,40	282,92	16,62	28,86	45,31	119,20
August	3,451	754,00	302,95	255,34	11,75	25,30	37,98	103,20
September	3,557	805,88	291,58	298,90	12,26	27,78	49,09	109,29
October	3,938	798,53	298,47	280,89	12,12	31,18	43,28	113,92
November	3,528	773,01	287,02	270,95	12,86	36,49	41,51	106,09
December	4,035	887,34	337,29	307,04	15,90	31,42	47,80	127,95
1959 January	4,072	894,45	366,23	277,46	16,84	34,98	44,92	132,91
February	3,821	828,47	320,92	266,65	15,30	32,91	45,80	127,83
March	4,030	945,59	344,93	317,85	15,18	44,24	53,08	144,48
April	4,128	923,19	355,85	293,52	17,11	34,59	50,05	147,78
May	4,060	848,53	323,65	262,53	17,77	34,34	46,63	142,44
June	3,817	792,48	299,23	247,95	16,15	31,30	44,90	132,01
July	4,243	907,43	347,36	290,36	16,47	38,98	51,77	140,09
August	3,846	855,11	328,56	282,66	14,39	34,72	48,19	125,04
September	4,070	891,11	328,10	305,83	14,20	34,05	53,70	132,66
October	4,121	875,15	345,01	271,46	14,47	40,10	46,77	136,97
November	4,246	919,09	**335,67**	**307,70**	**15.37**	**38,97**	**51,66**	**148,24**
December	4,500	1,021,42	379,79	345,73	19,22	41,04	55,59	156,65
1960 January	4,392	998,20	389,57	312,69	19,36	40,25	52,64	159,42

* Comprising clearing houses managed by State Bank of India, State Bank of Hyderabad and Sangli Bank.

MOTOR TRANSPORT

MOTOR VEHICLES IN RELATION TO NATIONAL INCOME

(In First Plan)

	Motor Cycles	Jeeps, Cars, etc.	Passenger Vehicles	Goods Vehicles
1. Vehicles in 1955-56	40,961	2,03,184	46,461	1,19,097
2. Vehicles in 1950-51	26,860	1,59,263	34,411	81,888
3. Increase in First Plan	14,101	43,921	12,050	37,209
4. Per cent increase on 1950-51	52.5	27.6	35.0	45.4
5. Per cent increase in 1st Plan in National Income over that in 1950-51	18.0	18.0	18.0	18.0
6. Ratio of (4) to (5)	2.9	1.5	1.9	2.5
(In Second Plan*)				
1. Vehicles in 1955-56	40,961	2,03,184	46,461	1,19,097
" " " Say	41,000	2,03,000	46,000	1,19,000
2. Per cent increase in 2nd Plan corresponding to an increase of 24.8 per cent in N.I.	24.8x2.9=72	24.8x1.5=37	24.8x1.9=47	24.8x2.5=62
3. Number of vehicles required (1x2)	29,520	75,110	21,620	73,780
Say	29,000	75,000	21,000	74,000
(In Third Plan)				
4. Vehicles in 1960-61 (1+3)	70,000	2,78,000	67,000	1,93,000
5. Per cent increase in Third Plan corresponding tot an increase of 28 per cent in N.I.	28 x 2.9 =81	28 x 1.5 =42	28 x 1.9 =53	28 x 2.5 =70
6. Number of Vehicles required (4 X 5)	56,700	1,16,760	35,510	1,35,100

* On the basis of the increase in vehicles during the First Plan.

Source, The Memorandum submitted by the Indian Roads and Transport Development Association Ltd., Bombay to the ad hoc Committee on Auto mobile Industry.

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CONTENTS

	Page
Leading Articles:	
THE TARIFF COMMISSION ON SUGAR	809
COMMUNITY DEVELOPMENT AND TOWNSMEN'S FOLLY	810
THE DECENTRALISED SECTOR	811
A DELHI DIARY	812
THE WEEK'S NOTES — Border Disputes; Refinance; Productivity; Urban Housing; Small Savings.	813
A WINDOW ON THE WORLD: Odysseus on "A New Pattern of International Lending: IV"	817
THE EUROPEAN SCENE: Khruschev's Baby	821
ECONOMIC REPORT FROM THE U.S.: New Economic Era	823
Special Article:	
THE RISING TREND IN CONSUMER PRICES: 1956-59	825
The Business World:	
STREAMLINING FARM STATISTICS	827
BUSINESS NOTES — Economic Growth; Protection; Trade; Transport; Engineering.	828
CURRENT TOPICS: Import Policy for Next Half-Year	832
A DELHI NOTEBOOK	833
WORLDGRAM AND NEWS IN BRIEF	834
COMPANY AFFAIRS	837
COMMODITY NEWS AND NOTES	838
CURRENT STATISTICS	854

The Tariff Commission on Sugar

THE report of the Tariff Commission on the cost structure of sugar and fair price available to the sugar industry, issued this week, must be read in the context of the country's plan for sugar. In a sense the full vision of what might be made of India's sugar industry was hidden from the Tariff Commission by its terms of reference which were unduly narrow. The greatest problem of the sugar industry (as well as of other industries related thereto, particularly paper and the great chemical industries based on alcohol) depends on increasing yield per acre of cane in Northern India, so as to obtain from the tired soils of Uttar Pradesh and Bihar a yield in cane per acre equal to what is obtained in Bombay and Madras, nearly four times what it is in North India. This is not primarily a problem of sugar pricing or indeed of control, though it undoubtedly will have a revolutionary effect on costs in the industry. It is primarily a matter of applying to sugar cultivation a technological revolution, which has been kept back by lack of imagination on the part of both the Central and the State Governments as well as North Indian cultivators and industrialists. In effect, it is the need for application of nitrogenous fertilizers for a few years—perhaps five—and then a combination of nitrogenous fertilizers with phosphates and potash; then a policy for utilization of the far greater yields of sugar bagasse, mainly for paper and alcohol for chemical industries, so that a many-sided industrial revolution may take place on the base of sugar cane as a raw material.

For the present, while drawing attention to the need of the major technological revolution which awaits the sugar industry in the next fifteen years, one must confine oneself to only marginal matters in the state of the sugar industry at the moment. The Tariff Commission is probably wise in pointing out that an all-India sample of costs based on any limited number of factories (in fact they were 48 in their sample) does not give an adequate or fair price structure for the industry. It is probably, on balance, a fair enough estimate of the cost of the industry that has been made in terms of the years chosen. But it is extremely doubtful if the margins for contingencies, including the need for new development, have been realistic. Obviously, an industry which is expected to raise its production by 33-1/3 per cent in a matter of five years, needs inducements greater than industries like jute and cotton textiles which are "ticking over". Yet the Tariff Commission has chosen to treat rehabilitation in this vital expanding industry as though it were on all fours with the cotton textiles and jute industries, where the modernization programme is under Government auspices aided (and limited) by Government finance.

Undoubtedly the decision of the Tariff Commission to treat rehabilitation in this industry as an element outside the selling price of sugar, is a defect of judgment which is open to the charge of being arbitrary and grossly unfair. If it is a

fact that because the industry has used its resources for expansion rather than rehabilitation and is thus excluded from a rehabilitation claim, how has it come about that two Expert Committees—the Naidu Committee and the Gopalakrishna Committee—both shared the opinion that a rehabilitation allowance was a fair element in the price linking formula, which was then evolved. The industry itself in its Memorandum to the Tariff Commission has drawn attention to this point and has answered in advance the Tariff Commission's criticism. It was stated in this Memorandum that expansion had taken place not by replacing entire units, but by a judicious replacement of particular parts. "Paradoxically, while factories have not been able to replace full units, they have been able, by an ingenious use of much smaller resources, to increase the productive capacity of the industry so that in the last five years its production has been practically doubled. The Association submits that, in this respect, a signal service has been rendered to consumers who, had production not been doubled, would have paid a much higher price for their sugar. On the other hand, this very service to the consumer has absorbed the financial resources which might in other circumstances have made a substantial contribution to rehabilitation costs. 'Reserves' appearing under this head in balance sheets are in fact now largely represented by fixed assets in the form of expansions of the original plant since 1947..... Advances from the banks to the sugar industry which were Rs. 28.09 crores in June 1951 reached a figure of Rs. 47.95 crores in June 1958."

This argument of the Association is abundantly sound. Surely, if the Tariff Commission's argument applies to the sugar industry it applies equally to the iron and steel and cement industries, both of which have done exactly what the sugar industry has frankly admitted was its design and purpose. Neither the iron and steel industry nor the cement industry has been denied rehabilitation allowance payable out of selling prices. It is, therefore, grossly unfair that the sugar industry which has, as already stated, a vital and strong place in the industrial development of the country, should be denied a claim which is basically just and was adequately argued before the Commission. It is sincerely to be hoped that the Government of India will appoint a Commission to reconsider this rehabilitation issue and not allow it to be by-passed by the very dubious recommendations of letting modernisation be instituted under the halting auspices of the National Industrial Development Research Corporation.

Apart from this major defect, namely, that the future of this industry has not been drawn with a grand stroke of imagination, there may be minor hardships caused, for example, by the institution of a price for the Southern region which hitherto has always lived on decontrol with a freight differential. There is hardly any justification for the application of a control to the Southern States which are heavily deficit; incentives there need to be continued.

All in all, the report presents a rigid pattern of assessment—an accountant's view of costs read together with a 12 per cent formula of rate of return on capital employed—without that degree of flexibility which permits of an industry's accomplishing something substantially more than it can do within the grooves of price control and equipment shortages. The Minister of Food has already shown imagination in dealing with this industry and all its elements, industrialists, labour and cane growers, have adequately responded. What is now required is a change in psychology in dealing with the future. A new incentive approach needs to be substituted for the narrow cost plus formula which the Tariff Commission continues mechanically to apply.

Community Development and Townsmen's Folly

THE debate on the demands for grants for the Community Development Administration this week raised unexpected interest, not the least because of the spirited reply of the Minister to the criticism that his Ministry had not generated a transformation in the minds of the people in the areas chosen for this great experiment. Perhaps not a little of the current controversy has been induced by an unfair article in the *New Statesman*, which, in turn, reflects the views of a Member of the United Nations Mission which set out an evaluation of the work done in India's community development projects. It is not necessary here to assess that report, but it is fair to say that, while it was prepared under the highest auspices and intellectual authority, it was not deeply embedded in the historical picture of the developments which have, in fact, occurred over the last few years in India's country-side.

What, indeed, could have been achieved in this period in the areas in question? It cannot be seriously expected that the habits of minds of many decades can, by a scheme of community development and training, be changed everywhere in so short a period of time to the point of generating proved increases in agricultural income. The statisticians are apparently at cross-purposes in regard to the point of fact whether agricultural production per acre is higher in community development areas than elsewhere. Some evidence has been adduced to show that in fact this has been the case, but it has been offset by the point that the areas chosen as community development blocks were slightly better placed in regard to irrigation and other facilities than areas outside. Perhaps, one should stress the point that agriculture itself has not been the pivot of the programme. It has been much more widely oriented—particularly in respect of health, sanitation and education. The pace of the community development success lay in its many-sided impression upon the people living in the locality and the Minister quoted opinions one of which was to the effect that the predominant impression was that a major mental transformation was taking place "which might serve as base of social reconstruction in which the technological changes required by Indian agriculture find more fertile ground". This fertile ground is to be found in a much more eager search for education and information and far greater use of the instruments of agricultural change, whatever the immediate effects on agricultural production. It was seen, for example, that of the progressive farmers who came to Delhi from the community development areas, the majority now use ammonium sulphate and a substantial number are now using phosphates and potash. They are deeply interested in local factors, but have also acquired a resilience and capacity to learn, which is *prima facie* an indication that the mental transformation which preconditions technological reform is slowly, but certainly, gathering shape.

The debate raises an old question as to whether the town-village controversy can ever be resolved. Undoubtedly, the approach of townsmen to village problems is one of unwise detachment, implicit in the fact that the conditions of village life are constantly judged by town standards, and by the greater fact that in any case these opinions are come-and-go affairs. It is important that one should evaluate community development projects not in these terms, but in terms of the minds of the people who live and move and have their being in the areas in which this tremendous experiment is taking place. Curiously, there has never been an evaluation of the community development projects by a purely rural committee. The idea that there is not enough basic knowledge in rural areas for a rural evaluation of rural needs seems to be a little naive, particularly when it assumes that townsmen with no village background enjoy no such disability. Perhaps, all in all, one comes back to the point that the Indian towns and villages are developing more than ever apart; the gap is increasing because of an insular and arrogant belief that townsfolk, because they have the power, know better than villagers. To apply the standards of one end of the spectrum to the other might be another form of the proverbial townsmen's folly; perhaps this is really the trouble. How and when will it be changed?

The Decentralised Sector

THE All-India Manufacturers' Organisation was a good forum, for discussing problems of medium and small-scale industries objectively. In placing the accent on the purposeful decentralisation of industry in his inaugural speech at this year's annual session of the AIMO, Mr. Nehru also chose the correct topic as his main theme. The organized sector of private industry has overfulfilled many of the targets assigned to it in the Second Plan and if, in spite of this reassuring performance, there has been a large gap in creating the anticipated volume of employment, one of the major pitfalls might, perhaps, be located in the slow rate of expansion in the decentralised sector. The Government's policy in relation to this sector as well as the initiative and organizational effort put in by the entrepreneurs at this level need to be examined to analyse the situation responsible for its tardy progress.

The limited basis on which entrepreneurs in the decentralised sector are organizing their business and the serious inadequacies of their own resources—both financial and technical—are at the root of their slow development. To expect them to raise themselves individually by their own bootstraps is to ask nearly the impossible. The State must intervene and act vigorously in the initial stage of their planned growth. State intervention has two main objectives—the supply of finance and provision of facilities for the acquisition of improved and rationalised technical skills. By and large, there has been a failure on the part of the State Governments, in particular, to create a broadening base for technical training. The outlay they have incurred and the institutional facilities which they have set up demonstrate a half-hearted effort on the periphery.

Mr. Sahukar. Chairman of the AIMO, pleaded in his presidential address at the annual session that the target for the Third Plan should be the establishment of one vocational school at the headquarters of each tehsil, one polytechnic institute at the headquarters of every district and at least one engineering college at each divisional headquarters. This prescription may be a good measure of the urgency of clearing the backlog in training facilities, but it errs on the side of ambition. Granting that the requisite funds are allocated by the State, the teaching staff of the requisite calibre will not immediately be available. There is little purpose in setting up institutions manned by half-baked teachers who can neither impart instruction nor give practical training in handling tools and machines in accordance with at least tolerable standards. This target may well be spread over the period of the decennial take-off, but there need be no rigidity about it.

Mr. Nehru owned Government's primary responsibility for laying the base for provision of finance for a growing network of establishments in the decentralised sector. Since the commencement of the Second Plan at least, the Centre has been discharging its obligation to this vulnerable segment of private industry. The Centre's loans and grants to State Governments in this sphere have been stepped up. State policy is being directed towards a deliberate emphasis on institutional financing agencies. A steady flow of government loan funds is being routed through the State Financial Corporations. The State Bank of India's Pilot Scheme has now reached 500 centres to provide loans at modest interest rates. A start has been made under this scheme to advance medium term credit for periods upto 7 years for renovation or expansion of units. Besides, loans are provided by the State Bank, in excess of the normal limits, against the security of raw materials, if a guarantee is offered by the National Small Industries Corporation. The scheme of instalment payment for purchase of machinery has got off to a modest start under the auspices of this Corporation. The rate of progress could be faster under all these schemes. But it would appear that, considering the unconventional nature of approach through institutional channelling of credit, Government has chosen to proceed with restraint.

It is a stock criticism against this type of institutional credit that its benefit tends to be conferred, in a lopsided measure, on large units. Year after year the reports of the State Financial Corporations have admitted the prevalence of this trend. But there is considerable force in their reasoning that even liberal tests of financial and technical planning, documents of title to assets which are to be pledged as security, balance-sheets or in the alternative well-kept accounts and similar tests of credit-worthiness are not satisfied and where gaps occur they are not rectified in time. State aid and encouragement to the decentralised sector, particularly at the lower level, will expand as the credit machinery of these institutions is geared with more funds and their managements as well as applicant borrowers co-operate energetically in complying with precautionary procedures which cannot be relaxed beyond a limit. Is not a division of functions possible? The State's function is to give finance to the decentralised sector. To broaden and strengthen its production base is the function of entrepreneurs at the medium level and of co-operative organisations at the small-scale level.

A DELHI DIARY

OIL ON TROUBLED WATERS

OIL (after its nature) has burst forth into the news this week, following Mr. K. D. Malaviya's cheerful announcement that Cambay is now a proved oilfield, and a medium-sized refinery is likely to be installed in the area. Oil has always dwelt in troubled waters. I recall, however, that one sometimes pours oil on troubled waters. I had never understood exactly which oil was used for this purpose, or how it produces calm on troubled waters, metaphorical or real. In the present case there is no doubt that oil is adding to the excitement and, perhaps, we need some other tranquillizer in order to contain our enthusiasm. There are physical, as well as mental, hazards. I have recent memories of a terrible accident in Cambay, and it may be that enthusiasm at this moment is a little excessive. Nevertheless, I join in the general feeling of gladness that India has been able to prove an oilfield under what we might genuinely call our own steam (or is it stream?). I am not versed in oil politics, but I do consider that the Lok Sabha's generous tributes to the Minister for Mines and Oil on Thursday are a clear indication of the winds of public opinion. I draw three conclusions. For reasons which are not entirely clear to me, there is a widespread feeling that the Oil and Natural Gas Commission will go faster than the private oil companies. Secondly, there is a widespread feeling that, quite apart from whether the private oil companies go fast or slow, there is a strategic quality in oil, which requires Central control in that mysterious Category A sense. Thirdly—perhaps this is the most important problem of all—it is believed that by handling oil the Minister for Mines and Oil has been instrumental in obtaining some reduction in its prices and on Thursday he gave a broad hint that he would ask for more! Undoubtedly, the public sector in oil is thus up and I suppose, by the see-saw laws of politics, the private sector is down!

The position in regard to the future is thus fairly well in the melting pot. I am not myself a geologist and, therefore, cannot assess the chances of India's attaining self-sufficiency in oil in the next twenty years. It seems to me likely that in an operation as near to gambling as respectability can take Big Government and Big Business, it would be best to spread our risks instead of keeping them all in one basket, even if that basket is exclusively our own. After all reinsurance is done by our own Life Insurance Corporation, and it would be wise for us to reinsure our exploration risks, which are somewhat of the same kind except that they are very much greater in volume. We appear to know far less about the inside of Indian earth than we know about the anatomy of Indian nationals. I am told by distinguished statisticians that, whereas the average expectation of an Indian life can be foretold with a very small error, the chances of striking oil in an unproved area are entirely unpredictable, or perhaps the error is a million times larger. Let the pundits now dig their teeth into this attractive statistical morsel, and tell me what it implies. But to a layman it seems wise that we should conserve our resources by employing foreign partners, if it were possible to obtain the same results with lesser expenditure of both rupee and foreign exchange. I believe the Government of India has decided on private participation from foreign oil companies for exactly this reason, that, actuarily, it is wise to spread risks, small or big. Only odds of hundred to one against are not taken. I am told even at horse races betting does not take place on these terms. And so, on with the race—let everyone bet who can!

THE PRIZE BOND PUZZLE

There is no doubt that a passion for gambling is already taking hold of the Indian people even more speedily than it is possessing the Oil and Natural Gas Commission. We all want to play for great stakes in order that we should rehabilitate ourselves individually and the country as a whole. But who could have imagined that on every single day this week the post offices in Delhi would be out of prize bonds within two hours of opening? I have never seen anything like it before, and, apparently, the great financial experts who estimated the demand for these bonds have been no wiser than innocent laymen. They assumed that this scheme would be much more attractive than small savings, but not to the point at which, within a week, bonds would be selling at a premium of fifty per cent in an open (black) market. Seeing that bonds in abundance will be coming before the closing date (June 30) for the first draw, I cannot understand the extraordinary unwisdom of people who buy these bonds at a 50 per cent premium. If I were a true speculator, I would be selling bonds blank, promising delivery within a week and feeding on the difference between what is called the black market price and the real price of the prize bonds. Here and now I offer to sell prize bonds at a small commission of 25 per cent against the ruling rate of 50 per cent in what is called the black market!

Why, it is being asked, has this come about? My theory, unlike that of the financial pundits, goes deep into Indian psychology. The lower middle class brackets which have dominated the rush are engaged on one momentous pursuit, which is an escape from drabness. They see in 25,000-rupee prizes in the 100-rupee series and 7,500-rupee prizes in the 5-rupee series answers to their daily dreams. Rs. 25,000 would get one a car and all the furnishings for a house or alternatively, would make a beginning with a new house, (alas without furnishing). Rs. 7,500 can be used in many ways, but one of those most attractive is now a holiday abroad. There are other lower middle class dreams which the prize bond scheme has made possible. I argue, since there is no chance in the fulfilment of these dreams for a long long time to come, there will be a constant demand for these bonds at a level directly correlated with the unfulfilled dreams which, of course, will grow both with prosperity and population. I argue, on the basis of a profound (and secret) statistical calculation, that prize bonds of Rs. 100 crores can be sold each year without difficulty. If the figure can be raised to Rs. 200 crores per year, can one dare to hope that this new star in the Indian financial firmament might even protect us from a great deal of rising taxation hidden in the bowels of the Third Plan?

RAJAJI IN DELHI

I have just time to record that at this moment Rajaji is due at Safdarjung airport and that an exciting week is promised for all those who like political debate. Every one in Delhi has noted with great appreciation the remarkable fairness of the Home Minister and the Chief Minister of Uttar Pradesh who have deprecated the bad behaviour of those in Banaras and elsewhere who demanded that Rajaji should speak in Hindi. The Home Minister, whose weight in Uttar Pradesh is incalculable, has risen greatly in the estimation of the South by his statesmanlike utterance. I might say that those of us who have seen the Home Minister at close quarters this week are more than ever filled with admiration. Known to be in ill-health, Pandit Pant faces a gruelling schedule of work with no regard for his personal convenience and the risks which excessive strain impose upon his physical resources. His physical courage and fine generosity of spirit have endeared him to all, but may I say, particularly to the members of the National Affairs Committee of the AINEC whom he met this week?

ARGUS.

THE WEEK'S NOTES

Border Disputes

CHINA'S AFFRONT TO NEPAL

THE LID is now off what actually happened at Koirala-Chou En-lai talks during the Nepalese Prime Minister's State visit to China. The joint communique issued at the end of the Peking parleys gave the impression that it was all milk and honey that flowed at these talks; China showed all sweet reasonableness in agreeing to the traditional Sino-Nepalese border and its demarcation through peaceful negotiations, besides offering substantial aid for the economic development of this Himalayan Kingdom. This impression has proved to be erroneous. The thin veil on the differences between the two countries on border issue has been torn by the startling disclosure by Mr. B. P. Koirala of the Chinese claim on Mount Everest. That this claim is not just casual is evident from the fact that though Mr. Koirala has straightaway rejected it, the two Prime Ministers are to take it up for further discussion during their talks at Kathmandu towards the end of this month when Mr. Chou En-lai visits Nepal to negotiate a treaty of peace and friendship between the two countries.

Exactly what motivated China to put forth this claim is not clear. Perhaps it has been done to bring pressure on Nepal to agree to certain other adjustments on the border. The two reasons advanced by China for its claim are, however, quite unconvincing, besides being amusing. The argument that Everest belonged to China for it had a Tibetan or a Chinese name and that the Chinese school textbooks contained a reference to the fact of it being part of the Tibet region of China betrays the hollowness of the Chinese claim. Their other argument also carries no more weight. The fact that the mountaineering expeditions to this highest peak in the world used to get permission from Lhasa before World War II does not necessarily mean the Everest was a part of Tibet or China. It ignores the fact that at that time the southern route to the peak through Nepal was banned by the Nepalese Government and the mountaineers perforce had to use the northern route which lay in Tibet. The opening of the southern route by the Nepalese Government after the war and the absence of any protest from China against this belie Chinese protestations, if one is to go by their own argument advanced in regard to the dispute over Aksai Chin area of Ladakh. The concern shown by Nepal over this subtle attempt on the part of China to encroach upon its sovereignty and the coveted territory will be widely shared in this country.

Mr. Koirala's disclosure of this new claim of China should put Mr. Nehru on the guard; it sheds new light on the Sino-Indian border dispute. It is becoming more and more clear that the Chinese inroads into India's territory are a part of a grand design and strategy of China to expand towards the south. The age-long peace and tranquillity on India's northern frontier is a thing of the past; this border in future requires day and night vigil by our armed forces.

Refinance

TARDY PROGRESS

MR G. D. BIRLA'S presidential speeches at the annual meetings of the United Commercial Bank are of more than usual interest as they make a refreshingly comprehensive survey of the state of the nation's economy. His verdict of tardy progress on the business activity of the Refinance Corporation for Industry in the second year of its operation has belied the apologists of the Corporation who, while advancing a set of mitigating circumstances for its poor start in the first period ended March 31, 1958, forecast acceleration in the pace of its business in the second year which has now closed. During the eight months from September 1958 to March 1959 in which it functioned effectively, after the initial period taken up by preliminaries, it sanctioned loans to the tune of Rs. 2.43 crores to four industrial concerns out of which actual disbursements amounted to a mere Rs. 0.20 crore. The last financial year, which was the first full year of its working, was free from any impediments to normal business. It will be some time before precise data about the volume of lending are available for the year ended March 31, 1960. But the Chairman of the UCO Bank which is one of the 15 participating banks in the Corporation, has taken the shareholders into confidence by telling them that the promise held out has been falsified. Meantime, Rs. 26 crores worth of loanable capital available to the Corporation out of the P.L. 480 counterpart funds is lying idle.

The low level of business in 1959-60 is attributable partly to the insufficiency of applications for assistance. This runs counter to the tone of buoyancy in industrial expansion activity last year and necessitates a radical review of the Corporation's basis of working. It is clear that modification and rationalization of its functions is indicated in two directions. Red-tapism asserts its existence in the inordinate delays caused in the processing of applications and in their obstructed journeys in crossing the numerous hurdles of approvals and licensing at the hands of Government departments. Then, the ceiling of Rs. 50 lakhs fixed for a loan to any individual borrower shuts out many aid-worthy candidates. Mr Birla has pointed out that the yardstick of maximum assets of Rs. 2.5 crores to determine the medium-size status of a company operates with injustice on concerns which have started new units as subsidiaries or otherwise and debars them from assistance. This upper limit defining a medium-sized unit as well as the ceiling of Rs. 50 lakhs on individual loans ought to be modified and raised if the Corporation is to function effectively.

Productivity

HALTING ATTITUDE

MR LAL BAHADUR SHASTRI'S inaugural address at yesterday's session of the All-India Organization of Industrial Employers is yet another glaring instance of the halting attitude of the Government to the fundamental issue of productivity—an attitude which is born of reservations and political considerations in an anxiety to do nothing that would provoke labour's displeasure. The paradox of rising wages pushing up prices and speeding the inflationary spiral is not so difficult to resolve as Mr Shastri seems to apprehend. This "strange" paradox does not present itself where there is a determination on the part of the parties to ward off inflation by linking wage increases to productivity. Government cannot pretend that it is not a party concerned in this supreme task of maintaining stability in the economy. Mr Shastri implied that Government was a neutral observer when he exhorted labour and employers to devise jointly a machinery for tackling the problem of productivity. The very basis of Government's labour policy is to evolve solutions on

a tripartite basis where agreement between labour and employers is likely to be deadlocked. Why should Government not apply the principle of tripartite basis to this issue of productivity which has defied smooth solution so far and not use its good offices to prevail upon the erring party to abandon its opposition—open or covert? Nearer at home, the INTUC has declared that in the Third Plan productivity should be enforced against management because enough of it was tried against labour in the first two Plans.

In case the Government still feels convinced that productivity must be left for settlement exclusively to the two parties, is it not its duty to step in at the arbitration stage at least? This is an issue of grave significance to the baffling problem of inflation particularly where Government is repeatedly declaring its determination to appoint wage boards for more industries with inevitable upward revision of wage scales, without applying any sanctions for securing improvement in productivity. Mr Sahukar, President of the All-India Manufacturers' Organization, has urged—and quite reasonably—that a time limit should be fixed for the two parties to agree on programmes of productivity and in case they fall apart, Government should intervene by assuming the role of a disinterested arbitrator. Is this suggestion not perfectly straightforward and should Government not clarify its attitude to it?

Government, however, is keenly aware of the reasonableness of basic higher emoluments of specific categories on productivity. When Mr Lakshmipat Singhania argued in his presidential speech at yesterday's session that Government observed a double standard in its attitude to State enterprises and private enterprises in the matter of grant of bonus, Mr Shastri retorted that State enterprises had to be guided by a number of considerations besides profit. One would like to know what these special considerations are in their application to State-owned commercial enterprises. But he let the cat out of the bag when he disclosed that in several cases bonus to workers in public sector enterprises was linked to productivity. What logic prevents the Government from applying the same rational principle to bonus in private industry to eliminate the double standard?

Urban Housing

NEEDED REORIENTATION OF POLICY

THAT ONLY Rs. 56 crores out of the modest allocation of Rs. 84 crores for house-building activity under the Second Plan have been spent during the past four years, reflects the complacent attitude of the Governmental machinery charged with the function of providing roof over the heads of the teeming millions in India. This complacency may have been a blessing in disguise for the hard-pressed fixed-income group for it curbed, at least to some extent, the expanding spiral of prices, but it cannot be too strongly deplored taking into consideration the leeway that has been left in the provision of housing facilities, specially in the urban areas. The progress of none of the schemes for urban housing has been such as can be called even satisfactory.

It is estimated that the First Five-Year Plan started with a shortage of nearly 2.5 million houses both in the country-side and the towns. The position since then instead of improving has deteriorated alarmingly; conservative estimates put the likely shortage of houses in 1961 in the neighbourhood of 5 to 6 million in urban areas alone. The rapidly increasing population, the rising tempo of industrialisation and the steady march from the country-side to the town will surely aggravate the housing situation in urban areas in the coming years, if concerted efforts are not made to make up the leeway. It is time that an imaginative policy for housing is formulated and pursued energetically to improve the position.

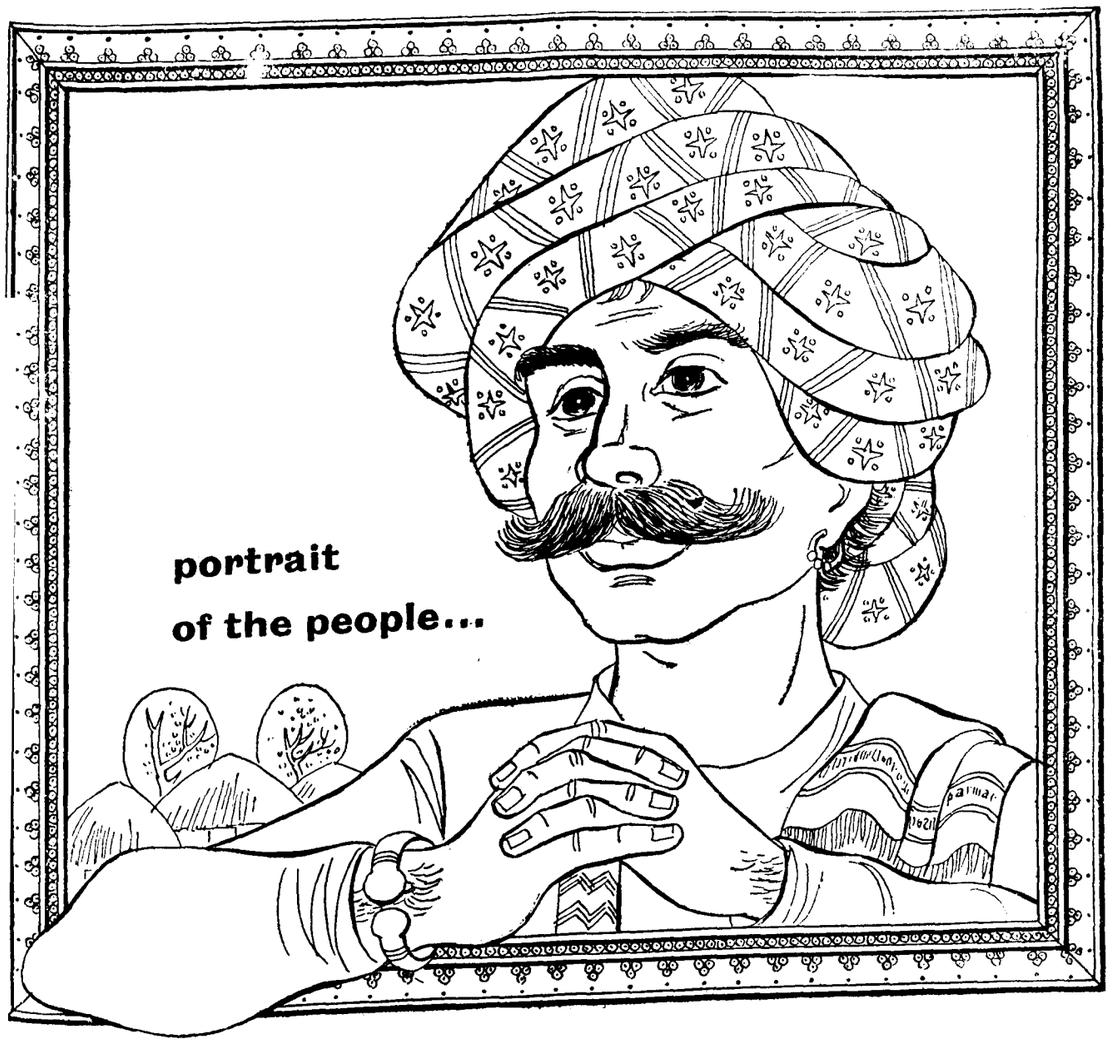
"The Eastern Economist" in the issue of November 13 last indicated the lines of a constructive approach to this problem. It was suggested there that progress in this field in the public sector can only be slow considering the inflationary impact of the house-building activity, but it should be "at a steady rate, commensurate with the mild doze of inflation that the economy can afford to take and the creation of the minimum employment potential that is required to absorb the new working population in this sector." Efforts, however, should be made to give some fillip to the private house-building activity which has been lagging behind for some time past due to high prices of construction material, official delays in the approval of blueprints of houses by municipal authorities and the enactment of various legislative measures to control rents. No amount of financial aid from the State or the Life Insurance Corporation available to the private sector under various schemes can be helpful as long as some of these impediments are not removed. Will the Government reorientate its policy and take measures which will adequately foster private house-building activity?

Small Savings

PRIZE BONDS SCHEME

THE INITIAL reaction of the public to the Prize Bonds Scheme, launched after great hesitation on April 1, has indeed been heartening and should provide food for thought for those concerned with the small savings drive in this country. It has been amply demonstrated during the short period of only one week how small savings drive can be made a good success to yield substantial funds for economic development by a proper and imaginative approach to the problem. Reports suggest that the phenomenal response to the scheme has taken the authorities completely unawares. The ten series of each denomination, totalling Rs. 15 crores, would have been sold out by now had the sales not been restricted. The Government Security Press is understood to be working double-shift to cope with the anticipated demand. Releases of the bonds for the present have been deliberately staggered to gain time.

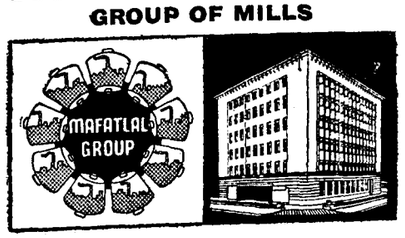
Sceptics may well opine that it is erroneous to judge the ultimate success of the scheme from the first flush, but it will not be an exaggeration to say that this scheme is not likely to meet the fate of the similar war-time project. The present day economic conditions of the country and the purpose for launching the scheme are quite different from those obtaining in the case of the earlier project. Moreover, should the interest in the new bonds starts waning after sometime the Government can well increase the amount of prizes as has been done in U.K. recently. In Britain a similar project, called the Premium Bonds Scheme, has been in operation since 1957 and the Government there is collecting nearly £150 million a year. We can draw upon the experience of U.K. in this regard.



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A Window on the World

A NEW PATTERN FOR INTERNATIONAL LENDING: IV

By

ODYSSEUS

WHATEVER SURPLUS WEALTH exists in the West should, as a matter of humanity and of enlightened self-interest, be channelled into aid and investment in underdeveloped areas. The result would be a higher standard of living for both East and West and an easing of world tensions, equally beneficial to West and East.

Fortunately, the leading industrial nations are thinking along these lines. I had just drafted the foregoing paragraph when by chance I came across what amounts to a paraphrase of it in the February issue of Barclays Bank Review (54 Lombard Street, London E.C. 3.). "It may well be questioned," says the Review, "whether the industrial countries of the free world should endeavour to use their mounting capacity to produce greater wealth in order to increase the leisure of their working populations, or whether that ability should not be used to provide, on a much larger scale, the resources which will have to be mobilised if still more economic aid is to be given to the poorer countries."

THE WEST AGREED ON AIMS

It is true that in all the international political and economic conferences of 1959, the question of aid to the underdeveloped was to the fore. More and better co-ordinated aid was the theme at the meeting of the heads of State of the USA, the UK, France, and Germany held in Paris just before Christmas. At this preparatory conference for the full Summit Meeting, due to take place later this year, the heads of State agreed that their further discussions should be governed by the recognition that "virtually all of the industrialised part of the free world is now in a position to devote its energies in increased measure to new and important tasks of co-operative endeavour" to aid the underdeveloped and to pursue trade policies which would use economic resources soundly and maintain international harmony. The first aim was to ensure co-operation between the Six and the Seven; the second to use that co-operation for aid to the underdeveloped.

The USA, pushed by concern for its balance of payments, has proposed an International Development Association as an offshoot of the World Bank and this is likely to begin work this year. Congressional pressure had also led to a proposal to insist that any dollars made available should be spent in the USA. President Eisenhower has so far courageously resisted this pressure and his Budget Message provides for $3,450 m. of foreign aid in 1960/61, an increase of $100 m. Whether Congress accepts this or not, the increase testifies to the US Government's refusal to be panicked by the gold outflow into restrictive measures that would damage the rest of the world without helping the USA.

The Paris meeting of the OEEC with the USA and Canada in January had a number of tricky items on its agenda concerning relations between the Six and the Seven, but it was significant that the one question on which all parties found agreement easy was the need to aid the underdeveloped. They agreed that how aid should be given would be discussed by the Governments of Belgium, Canada, France, Germany, Italy, Portugal, the UK and the USA. Other capital exporters may be invited to participate, notably Japan. They also agreed that the World Bank and the European Investment Bank of the Six should be brought into the discussions.

Barclays Bank argues that what is needed is not only more aid but greater cohesion between the many agencies through which aid is flowing. Apart from the World Bank, and its off-shoots, the International Finance Corporation and the International Development Association, there are a number of schemes at work in the Commonwealth under the Colombo Plan. There are remnants of President Truman's "Point Four" programme. Economic aid is also obtainable through the Central Treaty Organisation ("Cento"—the former Baghdad Pact). The European Economic Community has set up a European Bank, and a Fund, to finance development in the overseas territories of the Six. In the UK, effort is further dispersed among such organisations as the Colonial Development Corporation and the Commonwealth Development Finance Company. And over and above all the foregoing, there are the multitudinous channels through which some £2,500 m, (Mr. A. R. Conan's estimate) of private UK capital has flowed overseas on a scale never yet attained in the history of foreign investment.

The persistence of a variety of channels to suit a variety of different needs is excellent. Nevertheless, greater cohesion between those which are serving broadly similar aims would help. There must be scope for big administrative economies in institutions whose research and other departments often duplicate and triplicate the preliminary work in making these investments.

INVESTMENT AND/OR AID

A basic point to decide is when investment should merge into aid. In certain instances, it makes sense to offer loans or grants on other than strictly commercial terms. The flow of capital to develop industry in India, for example, is larger than is needed merely to build new factories. The process of industrialising an underdeveloped country must for a time unsettle its balance of payments. The workers drawn into the new industries get wages during the period of construction and they are likely to want to spend at least part of their wages on imported goods. Long before any exportable surplus emerges from the new industries, the balance of payments will have to bear a burden greater than that of the import of the capital equipment alone.

Then, again, a developing country must meet the social and administrative costs of industrialisation. Large sums will be spent on education, training civil servants, and developing the public utility and social services which go with industrialisation. This type of capital investment does not automatically and immediately earn cash, still less foreign exchange. If development is to be rapid, this type of investment must be financed from abroad and provided on other than strictly commercial terms. This is one of the needs that will be met by the "soft" loans of the International Development Association.

The ways in which such aid may be given have yet to be thought out. One possibility might be that the interest and capital repayment of loans granted in foreign currencies should be serviced in the borrower's currencies. The amounts paid in local currency could then be used either (1) for capital development involving strictly local resources, or (2) if there is already too much pressure on local resources so that further expenditure would cause inflation, these local currency payments could be used to repay domestic debt. This was how the counterpart of Marshall Aid given to the UK in 1948|51 was used.

Another possibility might be to grant foreign currency loans to be serviced in the foreign currency, but of which repayment would begin only after allowing a sufficiently long period for the fruits of the capital investment to emerge, and even then generous interest and redemption terms might be allowed.

But, as we saw in "International Capitalism and Profits" (March 11, 1960) you can never get something (worth having, that is) for nothing, and to the foreign lender, the risk would be that aid on such easy terms might encourage borrowing countries to mismanage (or, shall we say, to be so carefree in the control of) their economy as to qualify for "soft" treatment. That is why ultimate control of foreign aid will be with the World Bank, with its routine of preliminary investigations and restrictions on the expenditure of loan moneys.

Now, whatever new channels for aid are devised, Barclays Bank, I am glad to see, lends the weight of its authority to a point repeatedly made in this column: fundamentally, to increase international prosperity you need trade not aid. The industrial nations must press ahead with the liberalisation of their import policies. They must progressively abolish barriers against imports from countries with low wage levels. How does it help the underdeveloped to lend them capital to build factories and then to refuse to buy the products of these factories? The logical end of such a policy would be defaults on interest and capital redemption on a worldwide scale.

As we noted last week, Germany and the UK attained record peaks in exports and imports to each other in 1959, not because one is an industrialised country trading with a primary producer, but precisely because both are highly industrialised. That an industrialised country makes more money by exploiting the market of a primary producing country is one of Mr. Khruschev's favourite sallies. The facts do not support him. That is why it is dismaying to find that so many Western industrialists seem to share his delusion. The facts are that as a poorer country becomes more industrialised, its buying power rises, its wants diversify, and it will increasingly import more from industrialised nations. For a wealthy country to refuse to buy goods from a low wage country is like saying: "My poor friend, by buying your cheap goods I could help to raise the standards of living in both our countries. My costs would fall. Your income would rise. But I won't do this until your costs of production attain my levels, in which case there would cease to be any reason for me to prefer to import from you rather than to buy my domestic product." And, as I have remarked on occasion before, if that makes no sense to you, it is because it is nonsense.

(This is the final article on problems arising from capital imports. Acknowledgements are made to "All Capitalists Now" (Institute of Economic Affairs, 7 Hobart Place, London. S.W.1. 2sh. 6d.) by Graham Hutton, "Capital Imports Into Sterling Countries" (Macmillans. 1960. 18sh.) by A. R. Conan, and to Barclays Bank Review, February, 1960.—ED.).

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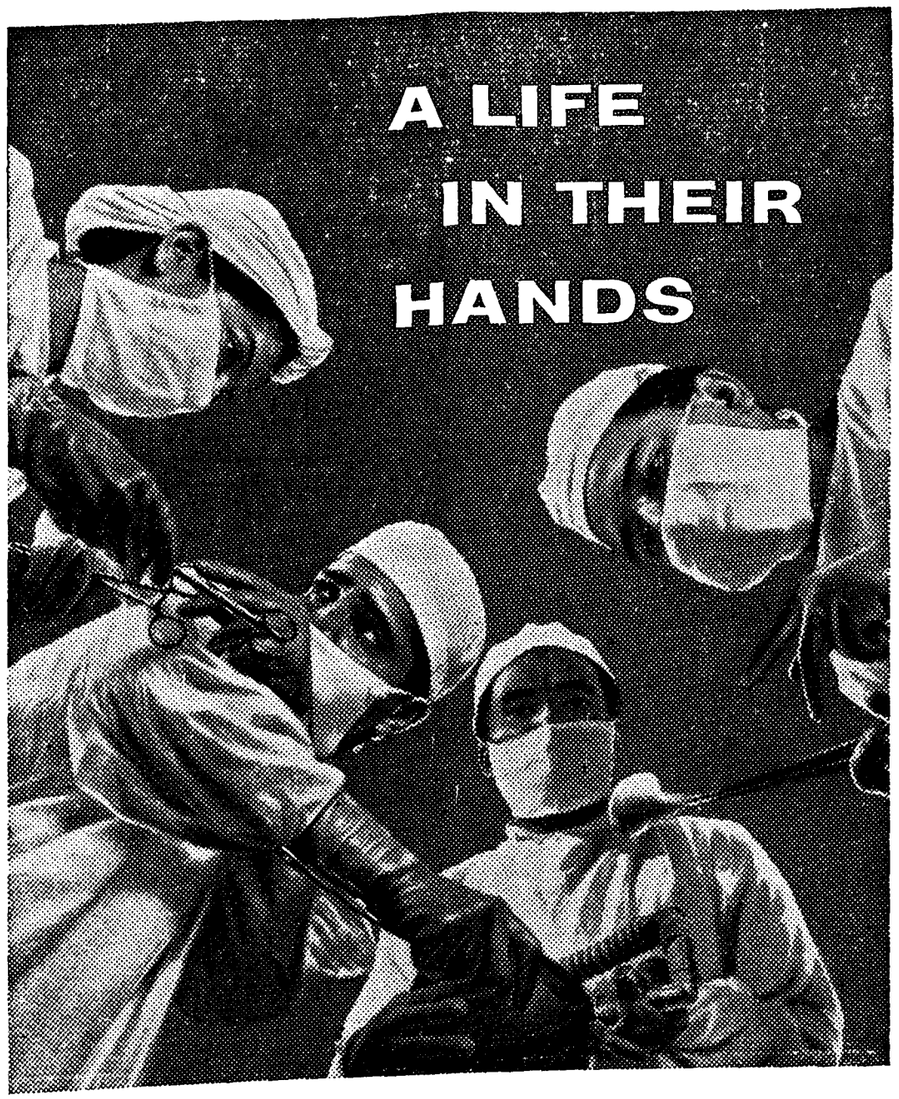
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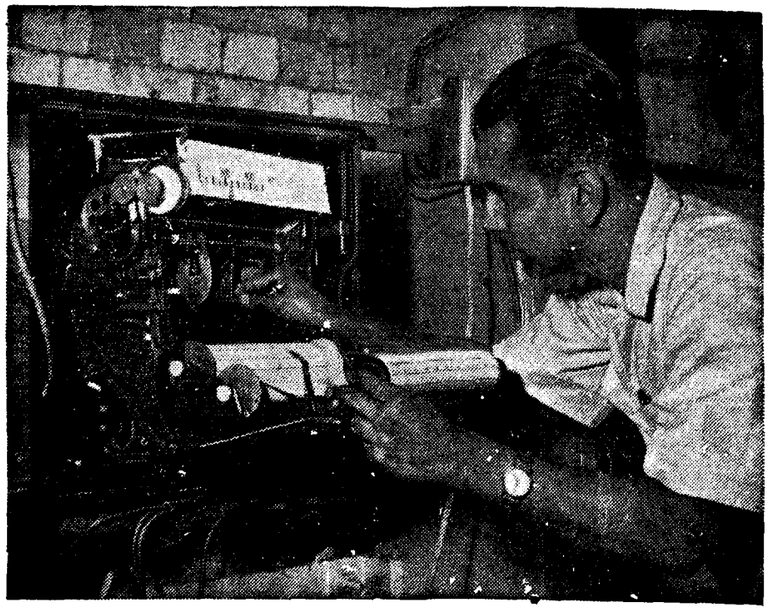
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The European Scene

KHRUSCHEV'S BABY

From Our Special West European Correspondent

PARIS, April 2.

PERHAPS the most interesting thing that happened during Mr Khruschev's tour of France was the publication of a little book of 250 pages by a well-known economist called Jean Baby. The appearance of this work was, I should guess, carefully timed to coincide with the Russian leader's presence here because it will expose its author to considerable danger, from which only Mr Khruschev can save him. That is why it invokes the authority, example, inspiration and protection of Mr Khruschev at almost every page. It is going to cause a big fuss, and when the dust settles either Jean Baby or his enemies will have to admit they are beaten; but if it is Jean Baby that goes down, his enemies will have to do a lot of explaining to Mr Khruschev.

Baby is by way of being the official economist of the French Communist Party, of which he has been a member since 1924. Students will have heard of him as the author of a ponderous Marxist tome called "The Fundamental Principles of Political Economy" and as the editor of the official Marxist economic journal, 'Economics and Politics' His new book called "Critique de Base." is a devastating attack on the last great Stalinist, Maurice Thorez. the boss of the French CP. It aims to do for the French CP, and by implication for all the Western parties, what Mr Khruschev's famous report to the 20th Congress of the Soviet CP did for the Russian party: expose the sins of Stalinism, beginning with the personality cult. It contains a merciless attack on Thorez who is shown up as a vain and crooked despot; and by tracing every one of Thorez's shortcomings to his blind imitation of Stalin. Baby tells us many things about the Russian situation that were glossed over in the Khruschev report.

This is interesting enough, but where it concerns us all is in its criticism of the Stalin-Thorez theory of contemporary Western capitalism. Baby demonstrates that that theory is nothing but dogmatic 19th century rubbish, and if it still serves as the economic doctrine of the international Communist movement that is because Communists are thinking what they are told to think by such as Stalin and Thorez. He claims to take off his Stalinist blinkers and have a new look at renascent Western capitalism. He works out a new theory which, he says, takes account of facts necessarily unknown to Marx, Engels and Lenin; it is still, again according to him, a Marxist theory and one that would receive the approval of Mr Khruschev. If he is correct in this, what he says could be important because it might foreshadow a new approach by the Western CP's to the world we and they live in, the world of neo-capitalism. Precisely because it is Marxist, the new approach would be, in my view, totally inadequate because I regard Baby's economics as comical. But there is no doubt that a CP that followed his line (which he thinks is also Khruschev's) would be a very different force to the Stalinist parties we are used to.

Thorez's economic dogma is drawn from Stalin's last work, "The Economic Problems of Socialism in the USSR," and it consists, briefly, in the absurd assertion that Western capitalism is not expanding and that the workers are getting poorer each year. It is known as the doctrine of "absolute pauperisation." Capitalism is stagnating, the real wages of workers are only half what they were before the war, the West is heading for a catastrophic slump which will be the occasion for the Revolution. Meanwhile, nothing the workers can do will improve their situation and so there is no need for the CP to support popular reformist causes such as the campaign for repeal of France's birth-control laws or the demand for better housing.

Now, incredible as it may seem, this piece of foolishness was not put up in 1848, but by Thorez in two famous articles in 1955. Any French Communist who whispered his doubts or reservations was treated as an opportunist and revisionist, and expelled. Naturally, the adoption as official doctrine of this patent falsehood caused a lot of uneasiness. Anyone who could read knew that between 1953 and 1959 the industrial production index rose by 108% in Japan, by 67% in France, by 63% in West Germany, by 54% in Italy, by 22% in Britain and by 16% in the USA. He knew, too, that although this expansion was accompanied by inflation. real wages rose very sharply until they flattened out temporarily in the mild recession of 1958-59, and that this was made possible by increases in average productivity that varied between 40% for France and 10% for Britain. But you did not have to be able to read to know that Thorez was talking nonsense; you just had to watch the Communist workers rolling up to cell meetings in their new cars.

Baby has little trouble in disposing of the theory of "absolute pauperisation." He soon shows that Western capitalism in its new form, tempered by social welfare legislation, Keynesian controls, a nationalised public sector and a free trade union movement, is in a very vigorous state of health and shows no sign of faltering. He admits that the workers are getting a share in this prosperity (though naturally, in his view, it is far from being a "fair" share) and he argues quite correctly that there is much that they can do, quite legally, to ensure that their share is increased—for instance, by campaigning for more social welfare, a lighter arms budget, an end to costly adventures like the Algerian war, and so on. A Communist movement that abandoned dogmatism about the coming crack-up and the subsequent marvels of the Revolution could quite well practise peaceful co-existence in the neo-capitalist society. Needless to say, it would remain an aggressively proletarian party, ideologically opposed to the profit system and pledged to ensure the passage to a socialist society. Baby forgets to say that it would also remain the docile instrument of Russian foreign policy, capable of every form of treason, but. that important point apart, it is clear that he is beginning to sound like Mr Aneurin Bevan on one of his good days.

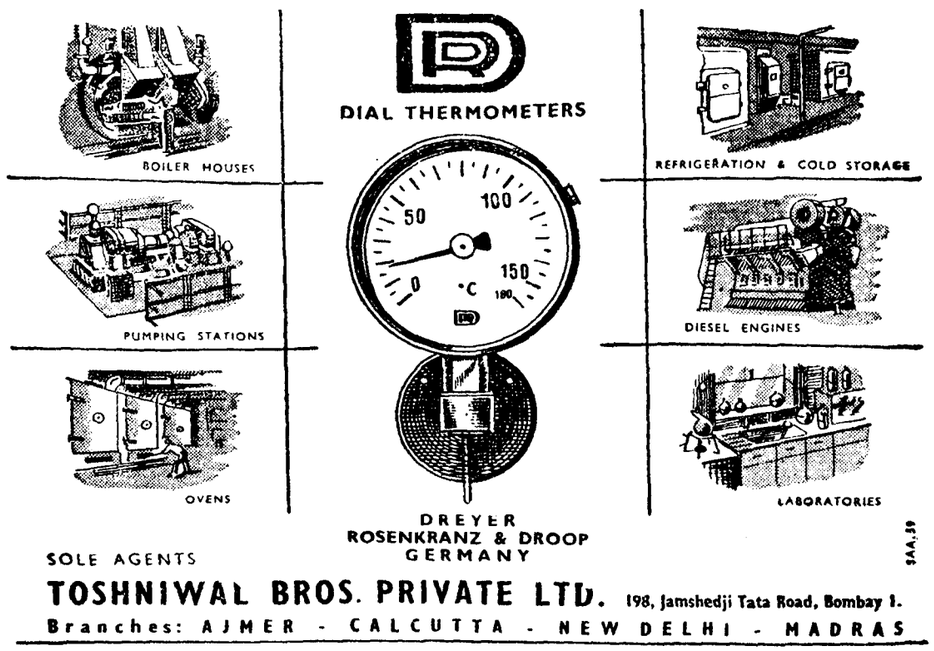
How does he save himself (and his supposed master, Khruschev) from the dreaded accusation of revisionism or reformism? Firstly by some curious

metaphysics. The Western worker whose real wages are increasing and who is buying himself a TV set and washing machine is still being "exploited," because the boss is paying him no more than he absolutely has to when he buys the worker's labour-power. The role of a CP is to keep alive this feeling of exploitation among workers whose standard of living is rising constantly, by means of demagogic propaganda. Moreover, capitalism is still "really" heading for a crack-up in the way Marx said it was, only it just does not seem to be. Baby is here quite obscure, and you probably have to catch the complaint of dialectics to follow this one. His point appears to be that things can be getting worse even when they are getting better. You see?

Fortunately, he has more substantial arguments. He admits that Western capitalism is once again expanding but this is not because it has reformed; he has nothing but contempt for Keynesian doctrine. The real reason is the progress of the Communist bloc. The capitalists today do not dare have a depression and they have to treat their workers better, because of the extraordinary advances being made in Russia. This is not as silly as it sounds. There is no doubt that one of the main stimulants to economic progress in the West today is the anxiety to stay ahead of the Communist countries. But then, you would have to add that one of the main stimulants to progress in Russia is the desire to catch up with the West. In other words, the blocs are competing and this competition is becoming keener every year. That is a fact and I think a cheerful one, but it tells us nothing about the merits of neo-capitalism.

Under these minor arguments, there lies Baby's principal conviction and it is this that marks most plainly the difference between his views and those of Thorez. For Stalin and Thorez, Communism was an immense gamble in Russia and one that had so little succeeded that the only way to introduce it into the West would be by violent revolution. For Khruschev and Baby, on the contrary, Communism has arrived, it can never be defeated, it is secure master of the globe and there remains only the story, yet to be written, of its peaceful and ineluctable progress in Western countries. The final victory is so absolutely certain that there is no longer any need for Stalinist violence and shrillness. Western society will eventually be revolutionised, but there will be no revolution. Peaceful co-existence alone will do the trick. Western CP's may, meantime, practise peaceful co-existence with other democratic forces (provided they do not disarm ideologically); they may accept with a clear conscience all the benefits of an expanding neo-capitalism, instead of foolishly denying that such benefits existed as Thorez did. Peaceful co-existence within Western societies will make easier the peaceful co-existence that Mr Khruschev is trying to ensure in the international sphere, and which, by lightening the Soviet arms burden, will bring nearer the day of total victory for world Communism.

Baby's book is full of that superb self-confidence that marks Mr Khruschev's observations on the same subject. The Revolution has been won; there remains only a mopping-up operation in the West. Virtually all the merits claimed for neo-capitalism by its supporters may be recognised by a good Communist, as long as he gives the full credit to Mr Khruschev and points out that the Communist bloc is doing better still. If Jean Baby is correctly reading his master's mind, we may expect to hear these themes more fully developed by Communist propaganda in the years ahead.



Economic Report from the U.S.

NEW ECONOMIC ERA

By GUY SIMS FITCH

WASHINGTON, March 30.

IS the world entering upon a new economic era with the advent of the 1960's, leaving behind the maladjustments and inflationary pressures of the post-war period? This question is being asked with increasing frequency these days; and with increasing frequency, the answer comes back, "yes." Just during the past week, two eminently qualified experts came up with essentially the same affirmative response. One of those who see the world in a new era, in which it will have to learn to live without price inflation, is Per Jacobsson, head of the United Nations International Monetary Fund (IMF) and a man whose opinion is widely valued. About six months ago, at the annual meeting here of the IMF and its sister UN institution, the World Bank, Mr. Jacobsson stated his belief that inflationary dangers were being overcome. Now, in a copy-righted interview in the Magazine 'U.S. News and World Report,' he reaffirms even more strongly his view that "the post-war inflation in world markets is over."

Mr. Jacobsson points out that world production is rising, that supplies are large, that the average level of sensitive commodity prices has not risen even during his current period of economic upsurge, that competition in manufactured goods is increasingly intense and that in country after country credit policies are being directed toward holding inflationary forces in check. Does this mean that deflation will replace inflation as an economic danger? Not according to the IMF chief. "We are not going to have deflation," he says, "so long as the present high level of business continues." He notes particularly the great demand for investment funds and the high utilization of savings, and points out that "we have learned enough from the happenings of the early 1930's to know how to counter the forces of incipient deflation." But can living standards rise if prices do not? Here, Mr. Jacobsson takes the firm position that higher living standards can indeed accompany stable prices. In this, he cites the example of the United States, which over the past 100 years has experienced vigorous economic growth during periods of falling prices, stable prices and rising prices alike. "It is my opinion," he says, "that the world can now best be served by a period of relatively stable prices. When there is stability of prices, there is greater inducement to save, and savings are needed for the large investments that must be made. In these circumstances we can have a more rapid rate of growth with a stable price level than if prices continue to rise."

Similar sentiments are expressed in this week's lead article in another American magazine, 'Business Week.' Noting that the U.S. economy, while obviously prosperous is nonetheless being subjected to various cross-currents as some indicators rise while others fall, 'Business Week' says that "business is operating in a new and still nameless era—one in which the economy is growing a different set of basic problems, and the conditions for doing business begin to shift."

Bygone, says, 'Business Week,' is the post-World War II period of reconstruction, when the United States supplied the goods that were in short supply nearly everywhere else, and when it had vast backlogs to make up in its own economy—backlogs accumulated not only from the restrictions imposed by the way but also from the inadequate demands generated by the period of the 1930's. In the post-war era, to use 'Business Week's' words, "there was an enormous hangover of liquid assets" in the United States, and "an enormously increased money supply." The United States fed the world not only vast quantities of food equipment, materials and skills, but also money. Now continues, 'Business Week,' "easy-going and inflationary expansion is past." The world is entering upon a period of intense, if friendly competition among the industrial nations. It is a period which obviously demands new kinds of economics—for the United States especially with regard to strengthening its international balance of payments, and for other industrialized countries with regard to stepping up their contribution to the international development effort. What specific economic problems will have to be faced in this new era, if such it was here, the answers are understandably less precise. Of one thing, the experts seem sure: as Mr. Jacobsson says, they will be "different from those of the last 15 or 20 years." But while there will be problems, there is agreement, too, that the period ahead holds out the promise of substantial gains for mankind if, in Mr. Jacobsson's words, we prove "sufficiently alert" in dealing with the problems when they do arise.

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Special Article

THE RISING TREND IN CONSUMER PRICES: 1956-59

IN a Special Article published in "The Eastern Economist" on March 25, 1960, the Economic Adviser's Index of Wholesale Prices was scrutinized commodity-wise to locate the pressure of rising prices in the various groups. An attempt is made here to study the same problem of rising prices by examining the fluctuations in the All-India Cost of Living Index. It may be stated that this index represents the average of Working Class indices of 27 centres all over the country. It does not suffer from the limitations (such as statutory or control prices of certain commodities) which make the Economic Adviser's index less reliable as a barometer of the factual position of rising prices.

A similar analysis of the cost of living index was attempted last year in a Special Article in "The Eastern Economist" dated February 20, 1959. In that article it was forecast that the "average for the period January to June 1959 will not be materially different from the average of July to December 1958". The performance of this index during 1959 has corroborated the forecast made last year. The uncorrected average index for the first half of 1959 worked out at 118.3 as against the average of 120.7 in the second half of 1958 showing a variation of only 2.4 points. The seasonally corrected indices for the two periods came very close to each other; while the seasonally corrected index for the second half of 1958 was 119.7, it was almost the same at 119.8 in the first half of 1959.

Table I below shows the movements in the actual as well as the seasonally corrected index of cost of living from 1956 to 1959 with base 1949 = 100. In this table averages for both the halves of the year are computed and the percentage change of the second half in each year is calculated over the average for the first half. The index for the second half of 1956 which averaged to 108.7 was almost the same as the average for the first half of 1957 at 108.5. Similarly the average in the second half of 1957 showed little variation over the first hal fof 1958 and the average for the second half of 1958 showed little change over the first half of 1959. It is seen that during the last four years, there has been a steady rise in this index with the result that the order of rise in the cost of living is nearly 25 per cent in four years.

The fact that the working classes are not obtaining all their supplies of cereals from the fair price shops is reflected in Table II, which records the movements in the food index from 1956 to 1959. The rise in the food index in each year is higher than the average price rise depicted in the overall index highlighting the fact that pressure in working class family budget still emerges in a large measure from the food component. The food group of the working class cost of living index takes into account the market price of food as well. For instance, in the case of the Bombay working class index, rice is split up in the ratio of 3:1 for the free market rice to the price supplied by the Government-controlled fair price shops. It is interesting to notice that the free market price of rice at 87 nP. per seer is 75 per cent higher than the fair price shop rice of 48 nP. per seer.

The conclusion, which needs to be reiterated here and which was enunciated for the first time in the Special Article last year, is that the average for the second half of a particular year is always nearly equal to the average for the first half of the next year. The forecast for the first half of 1959 was made on this very basis last year and, as pointed out earlier, it turned out to be reasonably correct. On the same basis, it will be safe to infer that the average for the first half of 1960 will work out to be very near the average for the second half of 1959, i.e. at 125 with base 1949 = 100. The average rise in the second half of each year has been between 4 and 7 per cent. Assuming that the

TABLE I

ALL-INDIA COST OF LIVING INDEX

(Base: 1949 = 100)

Month	1956		1957		1958		1959	
	Actuals	Seasonally corrected indices	Actuals	Seasonally corrected indices	Actuals	Seasonally corrected indices	Actuals	Seasonally corrected indices
January	97	98	107	108	111	112	117	118
February	97	99	107	109	110	112	118	120
March	100	103	107	110	110	113	117	120
April	103	105	108	110	111	113	117	119
May	104	105	110	111	113	114	119	120
June	106	106	112	112	116	116	122	122
Six-months' Average ...	101.2	102.7	108.5	110.0	111.8	113.3	118.3	119.8
July	107	106	112	111	119	118	124	123
August	109	107	113	111	120	118	125	123
September	108	106	114	112	121	119	125	123
October	109	108	113	112	123	122	126	125
November	110	109	114	113	122	121	126	125
December	109	110	113	114	119	120	124	125
Six-months' Average	108.7	107.7	113.2	112.2	120.7	119.7	125.0	124.0
Percentage change of second half over first half	+7.4	+4.9	+4.3	+2.0	+8.0	+5.6	+5.7	+3.5

rise in the index during the second half of 1960 will be no less than 5 per cent. it is safe to forecast that the average index for the second half of 1960 will be around 131 (Base: 1949 = 100).

Inflationary pressures in the economy are anticipated to continue in the current year in the same manner as in the period 1956 — 1959. The food crop for 1959-60 is estimated to be of the same order as in 1958-59. The prices of cereals will be contained only with P.L. 480 wheat and rice imports. Pressure on other quality foods is anticipated to grow and unless production in their case takes a bold "leap forward", the fixed income groups must bear the increased burden.

TABLE II

FOOD COMPONENT IN THE ALL-INDIA COST OF LIVING INDEX

(Base: 1949 = 100)

Month	1956		1957		1958		1959	
	Actuals	Seasonally corrected indices	Actuals	Seasonally corrected indices	Actuals	Seasonally corrected indices	Actuals	Seasonally corrected indices
January	95	97	108	110	112	114	119	121
February	95	99	107	111	110	114	120	124
March	99	102	107	110	110	113	118	121
April	103	105	108	110	112	114	119	121
May	103	105	111	113	113	115	121	123
June	106	106	113	113	118	118	126	126
Six-months' Average ...	100.2	102.3	109.0	111.2	112.5	114.7	120.5	122.7
July	107	105	113	111	122	120	128	126
August	110	107	115	112	124	121	129	126
September	109	108	115	114	125	124	129	128
October	110	109	113	112	127	126	131	130
November	111	109	116	114	126	124	130	128
December	110	110	113	113	122	122	128	128
Six-months' Average ...	109.5	108.0	114.2	112.7	124.3	122.8	129.2	127.7
Percentage change of second half over first half	+9.3	+5.6	+4.8	+1.4	+10.5	+7.1	+7.2	+4.1



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THE BUSINESS WORLD

1 APR 1960

Streamlining Farm Statistics

By CROESUS

NOW that it has been decided that agriculture should receive greater attention in the Third Five-Year Plan according to all reports, there is one aspect which needs to be given special attention if the benefits of the proposed expansion have to percolate to the farmer and to the community at large. It is the agricultural statistical aspect. True, a good deal of statistical data are even now available, but they are data of sorts, in that they are not wholly dependable. Their usefulness is also limited by reason of the fact that the statistics are made available to the public after considerable delay, some times after such unconscionable delay that they cease to be of any value, save for purposes of record. The case of cotton statistics in this country, which may be said to represent perhaps the most comprehensive statistical data relating to any agricultural commodity that are published in India, provides a striking example of the still backward state in which we find ourselves in this country today. Even after years of experimentation, our cotton statistics — either production, or consumption, or stock—are not as accurate as they should be. The crop cutting experiments which promised results have not been pursued with the vigour that the task demands. Very little is known of the post-mortems that are supposed to be conducted periodically by even such well established research bodies as the Indian Central Cotton Committee. It would undoubtedly be a revelation to many that, despite all its organisation, the crop estimates provided by the Government are invariably wide of the mark. On the other hand, trade estimates compiled by a few enterprising firms, who sent out their representatives from time to time to the fields to watch and report on the progress of the crop, are found to be very much nearer the mark, if not almost accurate. In the result, notwithstanding its avowed sympathy for the poor agriculturists, the Government is not able to help the farmer to the extent that is necessary, so that the farmer must needs depend on the trade estimates to be able to market his crop at the appropriate time and realise the best price. It is high time, therefore, that the authorities paid more attention to the question of agricultural statistics, even as the U.S. Department of Agriculture has been doing.

The reason why I refer to the U.S. Department of Agriculture is that it is perhaps in America that the greatest progress has been made in regard to the provision of agricultural statistics. The Government of India has done very well, indeed, in having invited Dr. Bushrod Allin, Chairman of the Outlook and Situational Board of the U.S. Department of Agriculture, Washington, whom I had the privilege of listening to last week. His talk was on "Banker's Interest in Agricultural Outlook," and he provided extremely valuable information on the agricultural outlook service in the United States. Agricultural Outlook Service, by the way, is only a part of the agricultural information, although a very important part, that is made available to the American farmers and businessmen. They have also got crop and livestock reports and market news. Today the Americans have the benefit of six reports a year on the cotton situation, five reports a year on the wheat situation, four reports on the tobacco situation, and four reports on the vegetable situation, besides several others. The most important feature of these reports is that they carry current outlook material and an annual statement which is published at the time of the year when the farmer can make use of the available data in preparing his production and marketing plans for the coming year. Inasmuch as these are the results of special studies relating to the commodities, they are the most authentic and provide the basis of official policy as well as businessmen's plans. In the words of Dr. Allin, "the Outlook Service is designed primarily to help farmers do a better job of planning their production and marketing. The businessmen who sell goods or services to farmers or handle agricultural products after they leave the farm are relying increasingly on the Outlook Services. Outlook information is essential to Government officials who are administering farm programmes. Outlook also aids farm organisations, the Congress and others in analysing the economic effects of extending proposed farm programmes."

In the opinion of Dr. Allin, India also should have similar services, a conclusion with which most people are bound to agree. There can be no question at all that such services would be of vital importance. But, then, the proposal raises a number of problems. In the first place, have we in this country got the requisite organisation to collect, collate, analyse and interpret all important agricultural statistics? Secondly, what is the percentage of the farming community that will stand to benefit? Thirdly, can this country afford the expenditure involved in organising an efficient and effective agricultural outlook service? Fourthly, what is the likely extent of co-operation between the primary producers, the traders in agricultural commodities and the Government?

To be honest to ourselves, we do not have the requisite organisation. For the most part, the information that is now being made available is gathered by persons who do not seem to have the faintest notion of the significance and value of the data they are required to collect. Oftentimes, the data are cooked up by the person concerned either because he is too lazy to go to the fields and collect the information, or because he is saddled with far too many duties which do not leave him enough time for the purpose. Also the data are not infrequently vitiated by considerations of

the land revenue payable by certain interests who see to it that the data are deliberate understatements of the position. We may be having today National Extension Services but these obviously do not have anything in common with the Agricultural Extension Services in the land-grant colleges and universities who prepare the Outlook Programmes on the basis of the periodical crop and situation reports mentioned earlier. In other words, if we must have a really useful agricultural outlook service as in America, we have to start almost from scratch.

It is common knowledge that a very large percentage of the farmers in our country produce only enough for their own consumption — subsistence — and nothing whatever for sale. The Indian farmer's surplus production, even when it exists, stands no comparison with the surplus production of his American confrere. Marketable surpluses are produced only by a few people, the number having been sharply reduced with the abolition of the zamindari. Even this reduced number will be reduced further, what with the land ceiling legislation that is being enforced in State after State. The only large-scale farms in future will be confined to State farms or co-operative or collective farms.

I do not have any idea of the precise cost of Agricultural Outlook Service in the United States, but, considering that, as early as in 1839, when the need for facts was first felt by America, the U.S. Patent Office was authorised to spend one thousand dollars for the collection of agricultural statistics and distribution of seeds, when the first federal efforts were made by that country, the cost of A.O.S. today must be running into several million dollars. It is a moot point whether India can afford this expenditure, in particular at the present time.

Without wanting to belittle our farmers and traders, I must say that there is very little statistical consciousness. This is partly because of a mistaken belief that, by giving the correct statistics, the farmer would be adversely affected especially in the form of higher land tax, and partly by his ignorance. It is a sad commentary on our administration, especially in the rural areas, that nothing much has been done to educate the farmer on the vital importance of agricultural statistics. I wonder if at any time a serious effort has been made to convince the farmer how important the information he provides to the village officer is or, for that matter, the village officer himself is made to realise the value of the information he is called upon to collect. If he is convinced, for instance that, on the basis of his information, the Government has to base its policies as regards price, distribution, imports, etc. especially of foodgrains, for the benefit of everyone in this country, I have reasons to believe that he will discharge his duties with a better sense of responsibility than at present. Also it goes without saying that, commensurate with this responsibility he is called upon to shoulder, he has to be adequately compensated, both by way of a better remuneration and by way of an acceptable status. In any case, adequate agricultural statistical data are an imperative necessity for a rapidly developing economy like ours and it is up to us to benefit by the experiments of other countries like America which have made large studies in this field. It may take time to build up an organisation such as theirs, but a beginning in right earnest need not be delayed.

Business Notes

Economic Growth

PROBLEMS OF ACCELERATION

THE FERVENT appeal made by Mr. J. R. D. Tata, President of the Court of the Indian Institute of Science, Bangalore, to our scientists and technologists to give some thought to the problems of economic growth, while keeping abreast of the latest developments in their own specialised fields, in order to meet the challenges posed by our "struggle for survival and regeneration," when he addressed the General Assembly of that body at Bangalore, last week, is quite timely. When the nation is at the threshold of the "take-off" and is preparing the ground for "converting this ancient land of ours and its people into a prosperous nation," his plea to the technologists and scientists to feel "driven by a sense of urgency in our thinking and our activities" is very appropriate. But rapid economic development poses probems that are not confined to the realm of technological innovations alone. Their impact on social and political aspects is, in fact, greater still. Very naturally, therefore Mr. Tata chose to discuss this, more particularly, to dispel the notion of certain individuals who hold the view that rapid development is possible only through revolutionary means. Said Mr. Tata: "We live at a time when appalled by the magnitude of our problems, some of us are inclined to think that only the most drastic and revolutionary solutions can succeed. Nothing could be further from the truth."

Citing the example of Japan, which has become a formidable power today though only a century before, a feeble, feudal State having no place on the industrial map of the world, Mr. Tata said that, "Japan's progress was achieved with relatively little foreign aid, without regimentation, and without imposing undue sacrifices on current generations for the hypothetical good of succeeding generations." Her economic recovery in the post-war years has been very spectacular and her people enjoy today a level of living which is comparable in real terms, to any Western standards. This demolishes the thesis held in certain quarters that rigid regimentation is required for accelerated rate of economic development. Such a view only betrays a woeful lack of understanding of the process of growth on their part. Conditions in Japan and India are by no means identical, and Mr. Tata could not be oblivious to it. And by citing the example of Japan, he was not suggesting that India could achieve the results that Japan did by the same means. All that he was trying to pin-point was that "we take heart from her example and seek to learn, from her experience and achievements, how a nation can rise and prosper by hard work, individual initiative and enterprise, discipline and self-reliance and by an undogmatc and realistic approach to economic and social problems on the part of its government."

Protection

CALCIUM LACTATE

WHILST OPENING the public enquiry into the question of continuance of protection to the calcium lactate industry, last week, Dr. S. K. Muranjan, Member, Tariff Commission, disclosed certain interesting data about the industry. According to him, there are at present two units engaged in the production of calcium lactate which together have a combined capacity of about 181 tons. The production curve has been steadily moving upward. Thus, as against 53.40 tons in 1956, 51.35 tons in 1957 and 68.59 tons in 1958, the production in 1959 was 84.12 tons. The Commission has estimated that the domestic demand for calcium lactate during the next three years would go up to about 75 tons. On the other hand, one of the private producers has estimated the demand at 95 tons during 1960-61 and around 100 to 110 tons thereafter. Judging from the steadily increasing consumption trend—based on imports and production, consumption went up from 75.55 tons in 1957 to 84.39 tons in 1959—and the expected expansion of facilities for medical aid in the country in the near future, the private estimate does not seem to err on the high side.

The important raw materials required for the manufacture of calcium lactate are molasses, jaggery or sugar, and lime or chalk. As the quality of the indigenous calcium lactate has been generally improving, together with an improvement in output, imports have been showing a steadily declining trend. In 1957, the total value of imports of calcium lactate was Rs. 88,100; in 1958, it came down to as low as Rs. 40,360, while, in 1959, the imports were even lower, being, in fact, very negligible. If performance is the criterion for protection, the steady progress that the calcium lactate industry has made should entitle it to a continuance of protection.

Trade

IMPORT POLICY

THE IMPORT policy announced for the licensing period April-September, 1960 is according to expectations. It could hardly make any substantial departures. It cuts the quotas for items the domestic production of which has improved. As previously indicated by Mr. Lal Bahadur Shastri, larger allocations of foreign exchange have been made for essential industrial raw materials and spares, needed so badly for the development of growing industries. The increase in the import quotas for copper unwrought and brass scraps would help ease the shortage of non-ferrous metals which is felt so acutely uptil now.

A good effort has been made to adjust quotas and to give relief where it is most needed. The list of items for which actual users will be granted licences has been expanded and licensing in respect of a number of actual user items has been decentralised. The basic period for 34 items has been extended. Among these are milk food for infants, natural and synthetic essential oils, paper items, rubber, contraceptives, printing machinery, machine tools, coal-tar dyes, chemicals not otherwise specified, etc.

It is heartening that in the issue of import licences procedural delays will be curtailed as the scheme of 'Repeat' licensing introduced in the period October, 1959 — March, 1960 will be continued during the period April—September, 1960. The facility of annual licensing has been provided for actual users and some established importers within the limitations of the available foreign exchange. The introduction of this scheme would save the importers from the procedural burden and delays of making applications for import licensing twice a year. Processing of requests for revalidation or amendment of licences will now be expedited. In addition, this would help the importers to enter into longer contracts with foreign suppliers and ensure thereby an uninterrupted supply of raw materials to indigenous industries. This would also enable the importers to take advantage of the world price situation. It is expected that the import bill would remain virtually the same as in the previous licensing period. But even if it is exceeded marginally, it should not cause concern. The improvement in exports and in particular the flow of foreign assistance, has reduced the strain on external payments.

Banking

UNITED COMMERCIAL'S EXPANSION

THE UNITED COMMERCIAL BANK has shown significant improvement in its working during 1959 when certain other banks have recorded comparatively subdued results. The deposits of the Bank increased by 23 per cent last year, from Rs. 78.28 crores to Rs. 96.68 crores on December 31, 1959. During the same period advances and bills discounted and purchased increased to Rs. 56.25 crores against Rs. 45.16 crores a year ago. The Bank, therefore, recorded the ratio of advances to deposits at a fairly high figure of 60 per cent against 50 per cent for all Scheduled Banks. This is undoubtedly a spectacular performance and it speaks for the management's resourcefulness and efficient drive for business. Another measure of the Bank's expansion is that 15 new branches were opened during the year under review (the same number as last year) at Abohor, Bhatinda, Bhilai, Chandpole Bazar (Jaipur), Chandigarh, Dupleix Street (Pondicherry), Kowloon (Hong Kong), Malout, Millerganj (Ludhiana), Nakodar, Porbandar, Sambalpur, Serangaon Road (Singapore), Srinagar and Udaipur. At present the Bank has a net-work of 121 branches all over the country and 13 branches abroad in Pakistan, Burma, Malaya, Singapore, Hongkong and the United Kingdom.

It will be clear from the balance sheet published elsewhere in this issue that the net profit for the year under review, after providing for taxes and other charges, comes to Rs. 60.42 lakhs. This is a new peak and it is an impressive stride when compared to last year's figure of Rs. 45.38 lakhs subject to taxation. The Directors have transferred Rs. 27 lakhs to the Reserve Fund and have provided Rs. 11 lakhs for bonus to staff. They have recommended the payment of a dividend at Rs. 5.50 per share, subject to deduction of tax, which will absorb Rs. 22 lakhs. The Directors have done full justice to the staff of the Bank as well as to its shareholders. The Bank has gained further momentum in its growth and holds good promise of rapid progress in the immediate future.

Transport

HINDUSTAN LEVER'S SUGGESTION

AS MANUFACTURERS of Sunlight Soap which has gained growing popularity and a major supplier of Dalda, Hindustan Lever has penetrated the domestic lives of the people all over the country. Naturally, therefore, transport plays a very significant role in the efficient working of this organisation which otherwise too has a reputation of high standard of productivity. Mr. S. H. Turner, Chairman of the Company, while discussing the importance of transport to the organisation revealed that in 1950 the railways were the major means of goods to reach the destination. It was a great loss because it meant that a great deal of capital was tied up. It also meant a lot of inconvenience to the dealers. Now things have improved considerably and about 50 per cent of the despatches are made by road and the average transit time has been reduced to 5 days. This evidently is a tremendous achievement. Here is an instance which forcefully demonstrates the time of road-rail co-ordinations and argues caution against arbitrary interference with the consumers' preference.

Road transport suits the organisation for more reasons than one. It involves no transhipment, whereas it is involved in the railways whenever there is a break of gauge. Then road transport operators undertake to make deliveries at their warehouses, a facility that cannot be provided by the railways. Moreover, the roadways accept responsibility for damage, which was not possible in the case of the railways hitherto. The rail-

ways are accepting common carrier responsibility only now. Above all the roadways are considerably cheaper than railways, specially on the short hauls.

While it is true that road transport has made a steady progress over the last few years, still it is far too inadequate for the country's land expanse. The Government of India must devote more attention to the rapid expansion of roads and road transport. For instance, as has been pointed out by the Chairman, the 10 crore bridge over Ganga at Mokameh cannot be used to full advantage because the authorities have still not built the approach roads on both the sides. He has indicated several other similar anomalies which should be corrected as soon as possible. The tentative allocation for road development in the Third Plan is fixed at Rs. 250 crores which is parsimonious by any test. The Master Plan (of a moderate size prepared by the Chief Engineers of States for road development over 20 years, prescribes financial allocation at an average annual rate of Rs. 250 crores. An upward revision of the tentative figures of Rs. 250 crores for 5 years is inevitable.

Engineering

EXPORT PROMOTION

IT IS increasingly being realised that engineering goods can be relied upon to earn a much larger amount of foreign exchange for the country in a few years' time, when the tempo of industrial output gains further momentum. A look at the general index of industrial production reveals that the engineering group has made the maximum contribution to its rise — roughly, by 22 per cent every year since 1951. There is a wide variety of engineering goods being manufactured in the country which are quite suitable for export. Already fans, sewing machines, diesel engines have found a ready market in the South-East Asian countries.

Recently a delegation sponsored by the Engineering Export Promotion Council returned after visiting the United States and the West Indies. The American businessmen have shown keen interest in the Indian engineering goods mainly because the prices are competitive. They are, therefore, interested in establishing new industries in India in order to have the advantage of costs of raw materials and labour. The final products can be exported to America and several other countries. Arrangements have also been finalised with an American firm for a study of iron and steel based components manufactured in India for incorporation in the final products of the United States industries. It appears, therefore, that the American market offers a fair scope for Indian engineering goods in several ways. It is needless to emphasize that this new avenue can be consolidated and expanded if discipline is maintained in quality and standards. The leader of the delegation, Mr. B. S. Agarwal, has suggested that the Government of India should open export houses in New York, Montreal, Trinidad and other places where they could book orders and keep contacts going. The scheme is worthy of serious consideration and the Government would do well to pursue it.

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TYPE METALS
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BRAZING SOLDERS
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And other Non-ferrous Alloys & Castings to B.S.S., I.R. Specifications etc.



Bessemer Converter and new
Blast Furnaces at the Burnpur works of
The Indian Iron & Steel Company Limited

This is the heart of a giant industry. Here converges an endless stream of raw materials—coke, limestone and iron ore to feed the roaring blast furnaces. Here blows the Bessemer converter with its charge of molten metal, engines drawing ladles come and go, cranes clank and swing, men toil and sweat, here begins the ordeal by fire—the first step in the making and shaping of Steel.

IIC-72

Current Topics

IMPORT POLICY FOR NEXT HALF-YEAR

The following are the details of the import policy for the next half year April-September, 1960 announced at the beginning of this month.

WHILE the general outlook for the next licensing period remains much the same as for the current licensing period which ends today, an effort has been made to adjust quotas in a manner which will give relief, where urgently necessary, by finding exchange by reduction of quotas of items which are comparative-non-essential or where the indigenous production has increased to some extent. The policy provides for a somewhat larger allocation of foreign exchange for essential industrial raw materials and spares. The items for which quotas have been increased are industrial exhaust fans and blowers, lightning arrestors and high voltage fuses, certain types of transformers, switches, air and oil circuit breakers, parts of motor cycles and scooters, water meters and parts of musical instruments. Import quotas have also been increased for copper, unwrought and brass scraps. It is hoped that established importers will ensure controlled distribution of these non-ferrous metals according to the directions of Government.

Having regard to the progress made by the indigenous industries and the stock position, quotas have been reduced for items like boiler tubes, mechanical tubing, antimony ingots, bifurcated rivets, wood working band saws, files and rasps, leather belting, pickers, picking bands, gambier, gum arabic, dammer including unrefined batu, pine oil, certain textile chemicals such as hydrosulphite of soda, carboxy methyl cellulose and its salts, certain items of drugs and medicines such as acid acetyl salicylic, methyl salicylate, nicotinic acid and nicotinamide excluding preparations thereof, cyanocobalamine (Vitamin B-12) excluding preparations thereof, etc., certain items of chemicals such as barium carbonate, calcium carbide, ammonium phosphate (*mono* and di), cuprous oxide, bleaching paste and bleaching powder etc. and certain motor vehicle parts such as electric horns, gaskets, thin walled bearings, and inlet and exhaust poppet valves.

The list of items for which Actual Users will be granted licences has been expanded. The licensing in respect of a number of Actual User items has been decentralised. The basic period for 34 items has been extended. The more important items for which the basic period has been extended are milk foods for infants, natural and synthetic essential oils, paper items, rubber contraceptives, printing machinery, machine tools, coal-tar dyes, chemicals, not otherwise specified, etc.

With a view to curtailing procedural delay in the issue of import licences, the scheme of 'Repeat' licensing introduced in the period October, 1959—March, 1960 is being continued during the period April—September, 1960. As a measure of further help especially to the industries, the facility of annual licensing has been provided for Actual Users and some established importers within the limitations of the foreign exchange available. This would help a number of industries in the scheduled sector as also in the small-scale sector. It is expected that besides being of help to importers who will be saved from making applications for import licences twice a year, these measures will enable the earlier processing of requests for revalidation or amendment of licences. This measure would also enable the importers to enter into longer contracts with foreign suppliers, arrange for freight in advance etc. and ensure an uninterrupted supply of raw materials to indigenous industries on the basis of which they can draw up and implement planned production programme. This will also enable them to take advantage of price situations in a manner that will maximise the quantum of imports for the same value of foreign exchange.

The following are the trade figures in crores of rupees for the last three years:

	Imports	Exports	Balance of trade
1957	1,068	657	(—)411
1958	864	579	(—)285
1959	887	623	(—)264

Category-wise imports in crores of rupees were as under:

(Percentages within brackets)

	Capital goods	Industrial raw material	Food-grains	Consumer goods
1957 ..	153.59	674.46	51.65	142.22
	(15.03)	(66)	(5.05)	(13.92)
1958 ..	132.85	487.98	146.67	92.49
	(15.45)	(56.74)	(17.06)	(10.75)
1959 ..	126.06	545.18	118.97	94.77
	(14.25)	(61.6)	(13.44)	(10.71)

The consumer goods category is under revision at present, as it includes kerosene, drugs, medicines etc. which are also used for industrial production. Even as it is, the share of consumer goods has been steadily going down.

The position of Sterling Balances during the same period in crores of rupees was as follows:

January 1958	284.73
January 1959	191.43
January 1960	208.00
March 18, 1960	194.97

The import bill for last six months relating to items covered by the Import Policy was of the order of Rs. 185 crores. It will be about the same for the six months, ending September 1960.

A DELHI NOTEBOOK

THIRD PLAN

THE Planning Commission, it is understood, will finalise the Third Five-Year Plan by March next year. The draft outline is expected to be ready by the end of this month and will be published by the middle of May for a national debate. The Commission has asked the State Governments to submit their draft Plans (together with the estimates of the resources) by the end of June. August and September have been earmarked for discussion with the States of their Plans. This should enable the Commission to finalise the State Plans by November. The full Plan in its draft form is promised by the end of January, 1961. Parliament will discuss the Plan in March.

Inadequacy of the provision for roads, which is tentatively placed at Rs. 250 crores, including Rs. 200 crores for the spillover from the current Plan, is being realised. This provision, it is understood, is likely to be stepped up to Rs. 400 crores.

STEEL TARGET

The Prime Minister, it is learnt, indicated at the last week's meeting of the All-Party M.P.'s Committee on Planning that a target of 10 million tons of steel ingots had now more or less been accepted for the Third Plan. Although a note circulated to the members by the Planning Commission mentioned 8.7 million tons ingots as the target, the Prime Minister is understood to have said that production from the fourth steel plant, to be set up at Bokaro in the public sector towards the end of the next Plan, was expected to take the country very near the 10-million tons target.

The target of 8.7 million tons of ingots represents the output which will result from the implementation of the schemes that have been already approved. The note circulated by the Planning Commission estimated that an additional 2.5 million tons of steel ingots would be obtained through the expansion of the three public sector plants. Two lakh tons would be available from electric furnaces in the private sector and between 0.4 lakh and one lakh tons through expansion of the Mysore Iron and Steel Works.

The target of saleable pig iron has been kept at 1.5 million tons. A committee of the Department of Iron and Steel is examining the technical aspects of the proposal for a lignite-based iron plant in Madras.

The requirements of coking coal for the steel plants by the end of the Second Plan are placed at 7 to 8 million tons, almost all of which will be drawn from the private sector. The Second Plan coal production target is expected to fall short by 5 million tons to 55 million tons. The Third Plan target has been tentatively fixed at 95 million tons for the achievement of which Rs 160 crores are being provided.

OIL INDUSTRY

The proposed allocation of Rs. 115 crores for the development of oil industry in the Third Five-Year Plan, it is learnt, does not include the expenditure on the spillover projects from the current Plan. This expenditure is as follows:—

(1) Gauhati and Barauni Refineries	Rs. 40 crores
(2) State Marketing Organisation	Rs. 6 crores
(3) Contingencies	Rs. 15 crores
Total	Rs. 61 crores

India is likely to import petroleum products, mostly kerosene, from Rumania; the 1960 imports may be of the order of Rs. 1.5 crores. As already reported, India has decided to import 180,000 tons of petroleum products from Russia during the current year.

A number of foreign companies have shown interest in oil exploration in India. They include Standard Oil Company of Indiana, Kerr Megee, Cononada, Shell, Standard Vacuum, Caltex, Gulf, E.N.E. (Italian), French Petroleum Institute and a Japanese Group. Kerr Megee and the French Petroleum Institute are believed to have [illegible] exploration on contract basis. The French Petroleum Institute has offered its services to the Oil and Natural Gas Commission for prospecting oil in Kutch and Trichnopoly areas. If its offer is accepted, it will work as a department of the Commission. The President of the Institute, Mr. Rene Navarre was in Delhi last week, when he held discussions with the Minister for Mines and Oil, Mr K. D. Malaviya.

The French Institute is also helping India to set up a Petroleum Institute in this country. The Executive Council of the Institute will have the Minister for Mines and Oil as its Chairman. The members of the Council will be Prof. M. S. Thacker, Director-General, Scientific and Industrial Research, Mr. J. M. Shrinagesh, Managing Director, Indian Refineries Ltd., and Mr. A. M. N. Ghosh, Member (Technical), Oil and Natural Gas Commission.

At least six offers have been received for setting up a lubricating plant in India. These include one from the Standard Vacuum, envisaging a partnership between this company and the Government of India.

FERTILIZER MISSION

The Government of India will shortly be sending a team of experts to Europe to study fertilizer production methods in Italy, France, Holland, Germany and the United Kingdom. The team, on its return, is expected to advise the Government on the establishment of fertilizer plants in various States and also on setting up a fertilizer machinery manufacturing unit. The members of the team are Mr. C. R. Ranganathan, of the Fertilizer Association (Leader), Dr. G. P. Kane, Industrial Adviser to the Government of India, Dr. R. V. Tambane, Head of the Chemistry Department, Indian Council of Agricultural Research, and Dr. B. A. Gangulai, Agricultural Officer, Bombay.

Negotiations for the import of 100,000 tons of fertilizers from some European countries, it is understood, are still dragging on for no agreement has yet been reached on the price India is being asked to pay for these imports.

ATOMIC POWER STATION

Mr R. N. Miller, Managing Director of the General Electric Company, of London, has arrived in India to make an on-the-spot study of nuclear power requirements of this country. Mr. Miller is accompanied by Mr. P. A. Lindlay, Chief Engineer of the atomic energy division of his company.

India is planning to build her first nuclear power station on the west coast near Bombay and a provision has been made for it in the budget for the current year. The Government wants to invite tenders for the setting up of this station. Britain, France and U.S.A. are expected to bid for the deal. The battle, it appears, would be on how far the tenderers are willing to make use of natural uranium in preference to the enriched one which will have to be imported.

Russia too has offered to set up an atomic power station in this country, but has expressed her unwillingness to submit a tender for it along with the western countries. Some circles believe that under the pretext that payment to Russia would not involve any foreign exchange expenditure, efforts would be made to close the deal with her. Some indications are also available that an Indian Mission to Moscow this summer would sign the deal.

BRIEFS

The Government of India has circulated aide-memories to the British, the US, the USSR, the French and the West German Governments, seeking assistance and advice for stepping up coal production in the public sector. The Government, it is learnt, does not intend to appoint consultants in this field.

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A tar plant, with a capacity of 200 tons per day, is being set up at Durgapur as an adjunct to the steel project. The cost of this plant, estimated to be around Rs. 108 lakhs, was, however, included in the total outlay earmarked for the steel project.

WORLDGRAM

India

Public Sector Industries: According to a statement laid on the table of the Lok Sabha, the total capital invested in public sector industries during 1957-58 was Rs. 57,09.49 lakhs. Of this amount Rs. 48,35.59 lakhs was invested in industries making profit and Rs. 8,73.90 lakhs in industries running at a loss. Profit less loss (Rs. 9.08 lakhs amounted to Rs. 260.32 lakhs. The percentage of profits made to capital invested was 4.9. In 1958-59, capital invested in industries making profit amounted to Rs. 55,18.24 lakhs and the profit was Rs. 4,48.68 lakhs. Capital invested in industries running at a loss was Rs. 9.54.47 lakhs and the loss amounted to Rs. 3.25 lakhs. The total investment amounted to Rs. 64,72.71 lakhs and the profit less loss was Rs. 445.43 lakhs. The percentage of profits made to capital invested was 6.9. In this statement, projects under construction have been excluded. Also the figures for 1958-59 exclude details in respect of Praga Tools Corporation, for which information is not available.

*

Speedy Development of Refractory Industry: The Government of India have decided to license additional capacity for the manufacture of refractories in the country and assist entrepreneurs, particularly in the production of blast furnace refractories, ladle refractories, silica refractories, basic refractories such as magnesite, chrome-magnesite, magna-chrome, etc. including chemically bonded and steel clad bricks, dead-burnt magnesite, glass house refractories (high alumina type) and any other special refractories. Priority consideration will be given to projects proposed to be located near steel producing areas and for capacities of about 20,000 to 30,000 tons per annum or multiples. Applications for licence under the Industries (Development and Regulation) Act, 1951 accompanied by import applications for plant and machinery, terms of foreign collaboration, if any, may be submitted in the prescribed manner to the Ministry of Commerce and Industry, New Delhi with copy to Development Wing (Mineral Industries Director(te), New Delhi, as early as possible but not later than June 15, 1960. Details of the estimated needs etc. are available from Development Wing.

*

Manufacture of Machinery: A licence under the Industries (Development and Regulation) Act, 1951, has been granted to Larsen and Toubro Ltd., Bombay, to set up an undertaking in Orissa State, for the manufacture of certain items of machinery, in collaboration with three West German firms with a capacity of 6000 tons initially increasing to 12,000 tons ultimately per annum. The actual location of the undertaking is yet to be finalised by the firm.

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Aeronautical Radio Equipment: An agreement has been signed in New Delhi between the Indian Government and Marconi's Wireless Telegraph Company Ltd. for co-operation in the local manufacture under licence of equipment of Marconi design. The agreement, which provides also for technical assistance and the supply of materials and components, will form the basis for Indian manufacture of equipment in the aeronautical radio, sound and television broadcasting, communications and radar fields. The range of aeronautical radio equipment has particular application to the AVRO 748 transport aircraft which is being produced at Kanpur.

*

Kiriburu Iron Ore Project: The Government of India has received the project report on the utilisation of the Kiriburu (Orissa) iron ore from the Japanese consultants of the public sector company, the National Mineral Development Corporation. The salient points of the report are: (1) the capital cost of the project, exclusive of the township, is expected to be about Rs. 8.33 crores, of which the foreign component will be Rs. 3.9 crores; (2) the cost of production is estimated at Rs. 19.437 per ton exclusive of royalty; (3) the reserves of ore are estimated at 117 million tons (with 60 per cent Fe. average) and will last for more than 30 years at the exploitation rate of 2 million tons a year.

United Kingdom

Terms of Trade: There was no change in February in Britain's import and export prices, according to figures issued by the Board of Trade in London. The index of export prices remained at 111 (1954 taken as 100) while that for total imports continued at 100. The terms of trade (import price index as a percentage of export price index) were, therefore, unchanged at 90. It is noted in London that, for the third month in succession, indices of import and export prices have continued at the same level and the terms of trade remain the same as the average for 1958 and 1959. This is the longest period for many years that Britain has enjoyed such a favourable relationship between her import and export prices. Looked at in the long term, it represents a swing in favour of manufactured exports after a lengthy period — starting with the Korean War — when raw-material producers enjoyed a commodity boom.

*

Nematology Laboratory: The Commonwealth's first nematology laboratory, which it is hoped will open in Britain this year, will carry out research into one of the major pests which affect agriculture in India and tropical countries generally — the root-knot disease. This disease is caused by free-living and parasitic roundworm, and nematology is the branch of zoology which deals with this subject. The laboratory will be built at Silwood Park, Ascot.

China

Export Commodities Fair: The Chinese Export Commodity Fair (Spring) 1960 will be held from April 15, to May 15 this year at the Chinese Export Commodities Exhibition Hall, Canton, South China. The coming spring fair will be seventh one to be held. The fair has issued invitations to businessmen in Asia, Africa, Europe, Australia and Latin America, inviting them to come to the fair and do business with China.

U.S.S.R.

Powerful Rolling Mill Commissioned in the Urals: A powerful rolling mill, the Soviet Union's biggest industrial project of the year, has been commissioned at the Orsk Khalilovo Metallurgical Works in the South Urals. The new mill will roll approximately 800,000 tons of metal a year. Its two lines are designed for the rolling of thick sheets of two varieties — 25 and 50 millimetres thick. Originally, the mill was scheduled to be completed at the end of 1960, but the speed of construction was nearly doubled. In 18 months, the builders erected huge shops over half a kilometre long, assembled and installed nearly 30,000 tons of metal constructions and technological equipment.

*

Cheaper and Better Cotton Seed Oil: An efficient method of continuous production of cotton seed oil has been developed by Uzbek scientists. Under the technological scheme they have suggested, ground cotton seeds, instead of being roasted and pressed, are immediately subjected to extraction at a temperature 50 to 70 per cent lower than usual. This considerably shortens the production cycle and yields a 5 per cent larger quantity of oil of a better quality. Efficient techniques of oil distillation and continuous flow seed dampening have also been worked out. Uzbekistan now produces a quarter million tons of vegetable oil annually and plans to increase seed oil production by 50 per cent within the current seven-year plan period ending 1965.

Australia

Changes in Import Licensing: Sweeping changes in import licensing were announced by the Australian Minister for Trade, Mr. McEwen, on February 22. The changes go far towards abolishing restrictions. Imports currently worth approximately £300 million a year will now be exempt from import licensing. The items comprised some 90 per cent of present imports.

Netherlands

Manufacture of Glass Yarns: The Algemene Kunstzijde Unie (A.K.U.) N.V. Arnhem, and the Fittsburgh Plate Glass International, Pittsburgh (Pennsylvania, U.S.A.) have agreed jointly to make a study of the establishment of a glass yarn factory in Western Europe. It is expected that after this preparatory work the two companies will decide to build a joint factory. The choice of the factory site will be based on requirements of the West European market. The factory will probably be established in Holland. A.K.U. is a leading producer of rayon, nylon and polyester fibres and yarns. The American company has been engaged in the manufacture of glass since 1883. Since 1952 it has been manufacturing glass fibres and glass yarns. It owns patents and possesses the latest know-how in this field.

Yugoslavia

Commodity Exhibition: The Yugoslav foreign trade firm, Jugoexport is to organise 11 exhibitions of commodities in North and South America, Africa and Europe. They will also be organised in Beirut, Cairo, Moscow, Baghdad and Damascus.

*

New Hydro-Power Plant: The first two generator units of the big hydro-power plant "Perucica" being built at Niksic in the republic of Montenegro have been put in operation. At present the plant generates about 600,000 kWh of electricity per day. In the near future, its output of electricity will be 81,700,000 kWh. "Perucica" already meets all the power requirements in the republic of Montenegro.

Iraq

Exports in 1959: The annual figure prepared by the Foreign Trade Statistics section at the Ministry of Planning have shown that the total of Iraqi exports during the preceding year have amounted to ID 11,464,726. At the head of importing countries was England, to which total exports exceeded one and a half million dinars. Kuwait and the United States rank second with exports exceeding one million dinars. Exports to the Lebanon, the Soviet Union and India came close to one million dinars each, while those to the Chinese People's Republic, Saudi Arabia and Syria exceeded half a million dinars. The rest of the countries which import Iraqi goods are Iran, Western Germany, Belgium, Denmark, Egypt, Japan, German Democratic Republic, Italy, Poland, Yugoslavia, Holland and the Sudan.

Iran

Oil Agreement: An agreement was signed recently at Sala Santitham, Headquarters of the Economic Commission for Asia and the Far East (ECAFE) between the Governments of Cambodia, Laos, Thailand and Viet-Nam and the Government of Iran under which the Iranian Government undertakes to provide without cost certain amount of petroleum products to the four governments for their use in the development of water resources of the Lower Mekong Basin.

Israel

Chemical Engineering Processes: Two new chemical engineering processes, reportedly of international significance, have been invented by the research staff of the Israel Mining Industries company (Mahzavei Israel), and rights to them were sold to two foreign concerns last month. The processes involving the production of tetrabromoethane and phosphoric acid, may, according to export estimates, give Israel a new multi-million dollar source of income. The processes are based on the stepped-up exploitation of the mineral riches of the Dead Sea.

I.L.O.

World Production of Crude Oil: In a report which the International Labour Office has prepared for the sixth session of the Petroleum Committee of the International Labour Organisation to be held at Geneva between April 25 and May 6, it is stated in the five year period between the end of 1954 and the end of 1959, world production of crude oil increased from about 686 million tons to nearly 977 million tons, or a rise of more than 290 million tons. The increase was not regular each year and the largest rise was in 1955 when production rose by 84 million tons, or over 12 per cent more than in 1954. This rate of increase is striking when compared with average annual rate of increase of approximately 5½ per cent in the past 30 years and 7½ per cent in the past 10 years. Discussing developments of petroleum industry, since the last session of the Committee in 1955-56, the report shows that increases in production of crude oil diminished between 1956 and 1958. In 1959 the economic recovery and rising demands caused a higher output in nearly all the large oil producing countries, with the exception of Peru, Kuwait, Qatar and Austria. The decrease in production in these countries was, however, insignificant.

World Bank

Loans for Belgian Congo: The World Bank recently made three loans totalling the equivalent of $40 million in the Belgian Congo to develop African agriculture and improve transportation. One loan is for an agricultural programme which will directly benefit African farmers by raising the productivity of their farms and expanding the production and processing of cash-crops and cattle. The other two loans are for the improvement of transportation both as a means to facilitate international and internal trade and to further aid the growth of African agriculture. Road and rail transport, river navigation and ports will be improved in various parts of the country and 75 new feeder roads will be built to connect newly opened agricultural areas with rail and river arteries.

NEWS IN BRIEF

INDIAN

The Minister of Commerce, Mr. N. Kanungo, revealed in the Lok Sabha recently that a delegation will leave shortly for East and West African countries to explore the possibilities of stepping up the sale of handloom cloth.

*

The Central Board of Trustees of the Employees Provident Fund has recommended to the Central Government that subscribers to the Fund may be granted interest at the rate of 3¾ per cent on their accumulations for the year 1960-61.

*

The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 will come into force on May 1, 1960 in all States except Jammu and Kashmir and the Union Territories of Delhi, Himachal Pradesh, Manipur and Tripura.

*

Export of coal-tar and mixtures containing coal-tar, horn and hoofmeal, sterilized animal meal, blood meal and meat meal would be licensed freely till the end of September, 1960, the Joint Chief Controller of Exports announced recently.

*

The Government of India has decided to extend the validity period of the current quota of H.P.S. groundnuts-in-shell upto the end of September, 1960.

*

It is reported 19,450 more factory workers in the State of Bihar, Madras and Andhra Pradesh and Mysore got benefits under the Employees State Insurance Scheme from March 27, 1960. The areas where the scheme has been extended are Sirpur in Andhra Pradesh, Dalmianagar, Banjari and Japla in Bihar, Dalmiapuram in Madras and Hubli in Mysore.

*

The National Chemical Laboratory, Poona, has developed a process for the manufacture, with simple laboratory equipment, of 4-Hydroxyconmarin, a key intermediary in the production of some important anticoagulant drugs.

*

According to the annual report on the working of the Coal Mines Provident Fund Scheme, which has recently been published, provident fund benefits were provided to 3.34 lakhs of colliery workers in Assam, West Bengal, Bihar, Madhya Pradesh, Orissa, Bombay, Andhra Pradesh and Rajasthan during 1958-59.

*

It is reported the Indian Government has requested Australia to supply equipment under the Colombo Plan to aid the development of Kandla Port, North of Bombay.

*

As a measure of export promotion the Government of India proposes to allow drawback of customs and central excise duties paid on materials used in the manufacture of certain additional sizes of ply-wood panels of tea chests and have issued a draft notification in that connection proposing a rate of drawback of Rs. 1.29 per 100 sq. ft. of ply-wood panels.

*

The Narmada Project in Bombay, which will provide irrigation for 10 lakh acres of land in the Broach and Baroda districts, is at present being examined by a technical committee of the Union Ministry of Irrigation and Power.

FOREIGN

The Italian Government has invited UAR businessmen to visit Italy. The Arab Mission will have talks with the Italian authorities concerned in order to promote further development of trade relations between the two countries.

*

The Malayan Federation Government has announced that Malayan Industrial Development Finance, which will aid the establishment of private industrial enterprises, is now ready to start operations.

*

Poland has won a $7m. contract to supply a complete sugar beet refinery to Greece, the official Polish press agency PAP reported recently. The refinery will have a processing capacity of 2,000 tons of sugar beet every 24 hours. It is scheduled to begin production in 1963.

*

It is reported Sino-Soviet trade is likely to increase by 10 per cent over the last year's level. If the target is reached the trade turnover will be around 9,020m roubles in 1960.

*

Soviet car production last year totalled 124,500 compared with 1.18m in the UK and 5.59m in the US. This Soviet production was 2 per cent up on the previous year's production of 122,000, which in turn was 8 per cent up on the 1957 level of 113,240.

*

British support totalling £47m for increased aid on easier terms to underdeveloped countries was approved in the Commons recently. Mr Barber, Economic Secretary to the Treasury, said the total initial resources envisaged for the provision of this aid was $1,000m to be subscribed to and administered by the International Development Association.

*

Office equipment exports in February from UK amounted to £2.7m., an increase of £620,000 over the same month last year.

*

Western Nigeria will produce a record crop of 140,000 tons of cocoa this year. The estimated production represents a 9,000-ton increase over the 1958-59 crop.

*

Japan's exports in February were worth $279m., an increase of 34.8 per cent over January, the Japanese Ministry of Trade announced recently.

*

Umtali Board and Paper Mills is to erect a plant at its Umtali factory which will be capable of supplying Rhodesia's requirements for newsprint, mechanical printing etc.

*

The Lebanese Government is negotiating a loan from the Kuwait Government for 50m. Lebanese pounds. The money would be used for a series of construction projects in Bairut.

COMPANY AFFAIRS

JESSOP AND COMPANY

Jessop and Company, since its management was taken over by Government on May 15, 1958, has made steady progress. The new coach works intended for the manufacture of railway electric multiple unit coaches and III Class MG coaches was completed and brought into use in 1959. This enabled the company to construct and deliver three multiple coach units to the Railway within October, 1959. Since then, 7 more units have been completed and delivered. The three older works namely, structural, mechanical and wagon, have been expanded and altered to enable the company to manufacture road rollers and the new type of wagons. The process of addition and alteration is still going on. As the result of the above expansion and alterations, the productive capacity of the Works has increased from 6 to 7 crores to about Rs. 12 crores per annum. It is reported that the production for 1959 would have been higher but for the shortage of steel, supply of steel in unmatched quantities and change in the rolling stock programme of the Railways.

In December, 1959, the company made a rights issue of 10,20,000 ordinary shares at a premium of Rs. 2.00 per share. This new issue has raised the subscribed capital shares from Rs. 122 lakhs to Rs. 244 lakhs including the share premium of Rs. 20 lakhs and has strengthened the capital structure of the company.

Public confidence in the company's management has increased since the concern came under Government control. While the ordinary share holders did not receive any dividend for the years 1956 and 1957, a dividend of 6 per cent free of income tax was declared for the year 1958. During the year ended October 31, 1959 the gross profit was to the extent of Rs. 66.3 lakhs. Taking out Rs. 12.78 lakhs as depreciation and Rs. 22.63 lakhs for taxation, the net profit comes to Rs. 30.84 lakhs.

TRAVANCORE RAYON

The gross earnings of the Travancore Rayons Limited for the year 1959 are reported to be Rs. 1.30 crores and the net earnings Rs. 62.06 lakhs (against Rs. 46.20 lakhs for 1958) after providing Rs. 40.36 lakhs for depreciation and after paying off excise duty of Rs. 22.95 lakhs. With the balance brought forward from the previous year, the total distributable profits are Rs. 64.04 lakhs. Out of this, a sum of Rs. 37.75 lakhs has been provided for taxation. The directors have recommended payment of an increased dividend of 20 per cent on equity shares, subject to statutory tax deduction of 30 nP per rupee.

MAHINDRA AND MAHINDRA LTD.

The directors of Mahindra and Mahindra Ltd. have recommended a dividend of Rs. 1.25 subject to tax on increased equity capital for the year ended 31st October, 1959, as against Rs. 2.20 net in the previous year. It might be noted here that in the year 1958, the subscribed capital of the Company which stood at Rs. 80 lakhs comprising of 550,000, equity shares of Rs. 100 each and Rs. 25 lakhs in Preference shares was increased to Rs. 1.87 crores by creation of 770,000 new ordinary shares and Rs. 30 lakhs in new Preference shares.

The gross profit of the Company has gone down to Rs. 55.28 lakhs from Rs. 62.41 lakhs. The Directors have recommended the usual dividends on Preference shares. However, in view of the fact that the Preference shareholders are entitled to their stipulated dividend without deduction of income tax, the Directors have recommended that, without prejudice to the Company's legal rights in the matter, and pending clarification of the position as regards such preference dividends, the Preference Shareholders may be paid their respective fixed preference dividends and the Company pay to the tax authorities the amount required to be deducted under Section 18

The results for the year ended 31st October, 1959, are given below:

(In lakhs of Rs.)

	1958-59	1957-58
Sales	927.47	17,69.00
Depreciation ..	11.14	12.04
Taxes	19.00	31.25
Net Profit	25.14	19.12
Development Rebate Reserve	2.12	4.01
Reserves .. .	5.00	5.50
Carry Forward ..	1.18	0.98

THE INDIAN BANK LTD.

The net profit of the Indian Bank Ltd., Madras for the year 1959 after providing for contingencies and meeting all expenses together with the sum carried from the previous year's account amounts to Rs. 37.45 lakhs. An ad-interim dividend at the rate of 5 per cent and bonus of 2½ per cent (subject to tax) has been paid. The directors now propose to recommend the payment of a final dividend of 5 per cent and a bonus of 2½ per cent for the year 1959, thereby making the dividend and bonus for the year amount to 15 per cent.

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., 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

ALL INDIA FINAL ESTIMATE OF MESTA, 1959-60

The All-India Final Estimate of Mesta, 1959-60 puts the current year's area and production at 706,000 acres and 1,098,000 bales respectively according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. As compared with the partially revised estimates of 825,000 acres and 1,488,000 bales for 1958-59, the estimates for 1959-60 show a decrease of 119,000 acres or 14.4 per cent in area and 390,000 bales or 26.2 per cent in production. The decrease in area during the current year has occurred mainly in the most important mesta growing State of West Bengal and is attributed to low market price of mesta fibre during the previous year. Bombay State has also recorded some decrease in acreage. The decrease has, however, been offset to some extent by the increase in area in Bihar due to favourable weather conditions at the time of sowing.

The substantial decrease in production of mesta this year is also accounted for mainly by West Bengal and to a small extent by Tripura and is attributed partly to the shrinkage in acreage and partly to unfavourable weather conditions during the growing period of the crop. Bihar, Orissa and Andhra Pradesh have, however, recorded increase in production due mainly to the incease in acreage.

IRON ORE PRODUCTION IN INDIA

The production of iron ore during January 1960 was estimated at 816,000 metric tons, according to the Indian Bureau of Mines. This is the highest monthly output ever recorded. Orissa was the chief producing State with an output of 323,000 metric tons followed by Bihar with 234,000 metric tons. Mysore, Madhya Pradesh and Bombay States recorded a production of 110,000, 97,000 and 21,000 metric tons respectively. During the month despatches of iron ore for consumption in the iron and steel plants totalled 565,000 metric tons while the despatches to export market were 180,000 metric tons.

ALL INDIA FINAL ESTIMATE OF GROUNDNUT, 1959-60

The All-India Final Estimate of Groundnut, 1959-60 puts the current year's area and production at 15,305,000 acres and 4,930,000 tons respectively, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. As compared with the partially revised estimates of 14,575,000 acres and 4,812,000 tons for 1958-59, the estimates for 1959-60 show an increase of 730,000 acres or 5.0 per cent in area and a decrease of 422,000 tons or 8.8 per cent in production. The increase in area during the current year has been shared by almost all the States and is attributed generally to favourable climatic conditions at the sowing time. The decrease in production during the current year is accounted for mainly by Bombay and Madhya Pradesh where the crop was affected by excessively heavy rains during the growing period.

EXPORT OF IRON ORE TO JAPAN

An agreement between the Indian Iron Ore Negotiating Committee and the Japan Steel Mission for the export of iron ore to Japan was signed on March 8, 1960.

The following were the main details of the agreement:

(a) Supply to Japan of approximately four million tons of iron ore per annum from mines to be developed in the Bailadila area, for a period of fifteen years in the first instance from the middle of 1966, in addition to Japan's purchases of iron ore from Kiriburu mines under the agreement dated 19-3-58 and other sources in India;

(b) Development of the mines, construction of the railways between the mines and the port of Visakhapatnam and mechanisation of the port facilities suitable for loading the quantity;

(c) Financial assistance equivalent to 21 million US dollars, on terms and conditions to be agreed upon, for the purchase of machinery, equipment and incidental materials which are not available in India;

(d) The price of iron ore to be fixed by negotiations each year as in the case of Rourkela/Vizag Agreement; and

(e) Maximum utilisation of Indian shipping for carriage of ore from India to Japan.

THE TATA IRON AND STEEL CO., LTD.

NOTICE

Extension of date for submission of coupons and applications in respect of "A" Second Preference shares and new Ordinary shares.

Notice is hereby given that the last date for submission of **coupons** in respect of the "A" Second Preference shares and the new Ordinary shares in terms of the Company's Circular dated the 12th October, 1959 expires on the 31st March, 1960. However, for the convenience of the resident shareholders and with a view to enable the non-resident shareholders to comply with the Exchange Control regulations, the Directors have resolved that the Company's bankers be authorised to receive applications on and after the 1st April, 1960 upto but not later than the 31st May, 1960 in respect of such **coupons** Provided that in case of **resident** shareholders along with each such application with the required coupons and the moneys to be received with such application interest at the rate of 9 per cent per annum thereon (which the Directors have decided to charge) from the 16th day of December 1959 to the date of payment shall be paid to the Company's bankers.

For the convenience of the **non-resident** shareholders the Directors have also resolved that the last date for receiving applications in respect of "A" Second Preference **shares** and new Ordinary **shares** from them which was fixed as 31st March, 1960 be extended upto 31st May, 1960 provided that along with each such application and the moneys to be received with such application interest at the rate of 9 per cent per annum thereon (which the Directors have decided to charge) from the 1st day of April 1960 to the date of payment shall be paid to the Company's bankers.

No application in respect of coupons received from resident shareholders on and after the 16th December, 1959 and no application in respect of right "A" Second Preference shares and new Ordinary shares received from non-resident shareholders on and after the 1st April, 1960 will be entertained by the Directors unless interest is paid as aforesaid. No such application will be entertained after the 31st May, 1960.

Dated at Bombay this 31st day of March, 1960.

By Order of the Board,
TATA INDUSTRIES PRIVATE LIMITED,
Managing Agents,
J. D. Choksi,
Director

The United Commercial Bank, Ltd.

Report of the Directors

The Directors have pleasure in submitting their seventeenth Annual Report together with the Accounts of the Bank for the year ended 31st December, 1959.

The net profit for the year, after providing for taxes and for all known and anticipated charges, and including Rs. 62,097-56 brought forward from the previous account, amounts to .. .. Rs. 61,04,096-00

The Directors have transferred Rs. 27,00,000 to the Reserve Fund and provided Rs. 11,00,000 for Bonus to staff. They now recommend the payment of a Dividend at Rs. 5-50 per share, subject to deduction of tax, which will absorb Rs. 22,00,000, leaving an unappropriated balance of Rs. 1,04,096 to be carried forward.

The Bank's business and profit showed a marked improvement during the year.

The Bank's investments appear in the balance-sheet at below market value.

During the year branches of the Bank were opened at Abohar, Bhatinda, Bhilai, Chandpole Bazar (Jaipur), Chandigarh, Dupleix Street (Pondicherry), Kowloon (Hongkong), Malout, Millerganj (Ludhiana), Nakodar, Porbandar, Sambalpur, Serangoon Road (Singapore), Srinagar and Udaipur.

The Directors are thankful to the shareholders and the clients of the Bank for their continued support. They also express their gratitude to the Bank's Advisers and Advisory Committees for their able help and guidance.

The Directors place on record their appreciation of the services of the General Manager and the Officers and Staff of the Bank during the year.

The Directors retiring by rotation under Article 92 of the Bank's Articles of Association are Mr. G. D. Birla, Mr. M. L. Shah, Mr. M. R. Ruia and Mr. G. D. Kothari, who offer themselves for re-appointment. Pursuant to Section 280(2) of the Companies Act, Mr. G. L. Bangur will also vacate his office at the conclusion of the next Annual General Meeting and he, also, offers himself for re-appointment. Mr. G. D. Birla, Mr. M. L. Shah and Mr. G. L. Bangur have attained the age of 65 years and special notices of Resolutions for their re-appointment have been given in terms of Sections 190 and 281 of the Companies Act, 1956.

The Shareholders are requested to appoint auditors for the current year and to fix their remuneration.

On behalf of the Board,
G. D. BIRLA,
Chairman.

Calcutta,
29th February, 1960.

Report of the Auditors

TO THE MEMBERS OF THE UNITED COMMERCIAL BANK, LIMITED.

We have audited the attached Balance-sheet of The United Commercial Bank, Limited, as at 31st December, 1959, and the annexed Profit and Loss Account of the Bank for the year ended upon that date, in which are incorporated the Branch returns audited by the Statutory or other Auditors.

In accordance with the provisions of Section 29 of the Banking Companies Act, 1949, read with the provisos to sub-sections (1) and (2) of Section 211 and sub-sections (5) of Sections 211 and 227 of the Companies Act, 1956, the Balance-sheet and Profit and Loss Account are not required to be, and are not, drawn up in accordance with the Sixth Schedule to the Companies Act, 1956; they are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking 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 and have found them to be satisfactory;

(b) the transactions of the Bank which have come to our notice have been within the powers of the Bank;

(c) in our opinion, proper books of account, as required by law, have been kept by the Bank so far as appears from our examination of those books, and proper returns adequate for the purpose of our audit have been received from the Branches of the Bank;

(d) the Bank's Balance-sheet and Profit and Loss Account, dealt with by this report, are in agreement with the books of account and the returns;

(e) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and, on such basis, the said Balance-sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1959, and the Profit and Loss Account gives a true and fair view of the profit for the year ended upon that date.

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
Chartered Accountants.

Calcutta,
29th February, 1960.

The United Commercial Bank, Limited

Balance Sheet as at 31st December, 1959

CAPITAL AND LIABILITIES	Dec. 31, 1959 Rs. nP.	Rs. nP.	Dec. 31, 1958 Rs.	Rs.
1. CAPITAL :				
Authorised Capital: 8,00,000 shares of Rs. 100 each	8,00,00,000 00		8,00,00,000	
Issued and Subscribed Capital: 4,00,000 shares of Rs. 100 each	4,00,00,000 00		4,00,00,000	
Amount Called up: 4,00,000 shares at Rs. 50 per share		2,00,00,000 00		2,00,00,000
2. RESERVE FUND AND OTHER RESERVES : Reserve Fund (including that under Sec. 17 of the Banking Companies Act)		1,75,00,000 00		1,48,00,000
3. DEPOSITS AND OTHER ACCOUNTS : Fixed Deposits	56,10,56,223 64		46,54,87,678	
Savings Bank Deposits	7,89,64,048 28		6,56,72,864	
Current Accounts, Contingency Accounts, etc.	32,67,68,160 43	96,67,88,432 35	25,16,36,973	78,27,97,515
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC. :				
(i) In India	4,55,75,000 00		5,29,50,000	
(ii) Outside India	4,32,551 86	4,60,07,551 86	46,70,855	5,76,20,855
PARTICULARS :				
(i) Secured by part of Investments per contra	4,57,23,339 03		5,68,00,039	
(ii) Unsecured	2,84,212 83		8,20,816	
	4,60,07,551 86		5,76,20,855	
Carried over ..		1,05,02,95,984 21		87,52,18,370

PROPERTY AND ASSETS	Dec. 31, 1959 Rs. nP.	Rs. nP.	Dec. 31, 1958 Rs.	Rs.
1. CASH : In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)		6,14,23,967 19		5,39,39,539
2. BALANCES WITH OTHER BANKS : (including Foreign Government Treasuries) On current account : (i) In India	Rs. 25,65,977 44		15,99,876	
(ii) Outside India	Rs. 3,26,01,692 06	3,51,67,669 50	2,07,66,939	2,23,66,815
On deposit account : In India (Staff Security)	6,80,000 00	3,58,47,669 50		6,80,000
3. MONEY AT CALL AND SHORT NOTICE		37,00,000 00		69,00,000
		10,09,71,636 69		8,38,86,354
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	37,22,62,126 49		32,61,60,131	
(ii) Shares :				
(a) Fully Paid Preference Shares	29,65,148 50		7,39,462	
(b) Partly Paid Preference Shares	..		3,77,150	
(c) Fully Paid Ordinary Shares	25,57,825 00		27,81,072	
(d) Partly Paid Ordinary Shares	12,32,522 56		15,06,910	
(iii) Debentures or Bonds	54,56,295 50		36,93,174	
(iv) Securities of the U.S.A., Burma, Malaya, Singapore and Pakistan Governments and Foreign Trustee Securities	2,33,79,562 26		2,09,79,055	
(v) Gold	..	40,78,53,480 31	..	35,62,86,954
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. 28,25,70,957 59		24,80,24,100	
(ii) Outside India	Rs. 8,31,67,779 80	36,57,38,737 39	5,09,12,793	
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)				
(i) Payable in India	Rs. 7,62,35,010 90		6,51,71992	
(ii) Payable outside India	Rs. 12,05,53,867 85	19,67,88,878 75	8,74,85,468	45,15,94,353
Carried over ..		1,07,13,52,733 14		89,17,67,661

The United Commercial

Balance Sheet as at

CAPITAL AND LIABILITIES	Dec. 31, 1959 Rs. nP.	Rs. nP.	Dec. 31, 1958 Rs.	Rs.
Brought forward ..		1,05,02,95,984 21		87,52,18,370
5. **BILLS PAYABLE**		1,37,32,624 81		1,08,56,368
6. **BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra:**				
(i) Payable in India	5,43,23,924 78		4,21,55,036	
(ii) Payable outside India	3,91,76,617 15	9,35,00,541 93	3,73,79,166	7,95,34,202
7. **OTHER LIABILITIES :**				
(i) Branch adjustments	2,89,13,252 95		2,16,34,484	
(ii) Unclaimed Dividends etc.	3,94,587 76	2,93,07,840 71	4,38,635	2,20,73,119
8. **ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS** per contra		26,53,17,066 51		15,22,57,165
9. **PROFIT AND LOSS :**				
Profit as per last balance-sheet	15,62,097 56		15,49,432	
Less Dividend	15,00,000 00		**15,00,000**	
	62,097 56		49,432	
Add Profit for the year	60,41,998 44		45,37,666	
	61,04,096 00		45,87,098	
Less Appropriations made :				
To Reserve Fund	Rs. 27,00,000		14,00,000	
			9,00,000	(Provision for Taxes)
To Bonus to staff	Rs. 11,00,000	38,00,000 00	7,25,000	15,62,098
		23,04,096 00		
Carried over ..		**1,45,44,58,154 17**		**1,14,51,01,322**

Bank, Limited

31st December, 1959

PROPERTY AND ASSETS	Dec. 31, 1959 Rs. nP.	Rs. nP.	Dec. 31, 1958 Rs.	Rs.
Brought forward ..		1,07,13,52,733 14		89,17,67,661
PARTICULARS OF ADVANCES : ..				
(i) Debts considered good in respect of which the banking company is fully secured ..	44,25,99,428 86		31,27,65,258	
(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security	5,51,85,490 69		6,58,23,061	
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	6,47,42,696 39		7,30,06,034	
(iv) Debts considered doubtful or bad, not provided for	Nil		Nil	
	56,25,27,616 14		45,15,94,353	
(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons ..	12,68,287 82		3,63,827	
(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	4,29,52,926 64		3,27,66,065	
(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	12,68,287 82		3,63,827	
(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	5,11,45,845 38		4,98,09,372	
(ix) Due from banking companies	41,12,187 41		8,80,979	
6. **BILLS RECEIVABLE BEING BILLS FOR COLLECTION** as per contra :				
(i) Payable in India	5,43,23,924 78		4.21,55,036	
(ii) Payable outside India	3,91,76,617 15	9,35,00,541 93	3,73,79,166	7,95,34,202
Carried over ..		1,16,48,53,275 07		97,13,01,863

The United Commercial Bank, Limited

Balance Sheet as at 31st December, 1959

CAPITAL AND LIABILITIES	Dec. 31, 1959 Rs. nP.	Dec. 31, 1959 Rs. nP.	Dec. 31, 1958 Rs.
Brought forward ..		1,45,44,58,154 17	1,14,15,01,322
10. CONTINGENT LIABILITIES :			
(i) On Partly Paid shares Rs. 24,79,875 00			
(ii) Claims against the banking company not acknowledged as debts Rs. 1,73,263 12			
(iii) Guarantees given on behalf of customers and Correspondent Banks Rs. 13,03,91,372 57			
(iv) On Foreign Bills Re-discounted all of which have run off by 27-2-60. Rs. 47,202 86			
(v) Forward Exchange Contracts outstanding for the purchase and sale of Bills and Telegraphic Transfers of which up to 27-2-60 Rs. 9,36,49,598=61 have been delivered. Rs. 21,23,58,436 13			
(vi) There is a liability for outstanding bills, not certified by the architects, in respect of the Bank's buildings.			
(vii) Demands of Rs. 25,75,850=29, Rs. 2,61,316 = 77 and Rs. 2,68,451 = 05 were made for assessment years 1952-53, 1953-54 and 1954-55 respectively by the Income-tax Officer assessing the Bank in India by adopting a totally new method. The Bank appealed against the assessments disputing the very basis of assessment and contending that there is no liability whatsoever. The appeal for 1952-53 assessment has been decided in favour of the Bank; but the Department has appealed to the Tribunal. No provision has been made for the relative demands. Accordingly, provision for later years has been made on the basis adopted all along in the past and accepted by the Department. ..			
Total Rs. ..		1,45,44,58,154 17	1,14,15,01,322

PROPERTY AND ASSETS	Dec. 31, 1959 Rs. nP.	Dec. 31, 1959 Rs. nP.	Dec. 31, 1958 Rs.	Dec. 31, 1958 Rs.
Brought forward ..		1,16,48,53,275 07		97,13,01,863
7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra		26,53,17,066 51		15,22,57,165
8. PREMISES LESS DEPRECIATION :				
Cost as per last balance-sheet	56,37,932 99		24,76,983	
Additions (Rs. 4,55,149 28) Less deductions (Rs. Nil) during the year	4,55,149 28		31,60,950	
	60,93,082 27		56,37,933	
Less depreciation written off to date ...	9,65,480 74	51,27,601 53	6,55,310	49,32,623
9. FURNITURE AND FIXTURES LESS DEPRECIATION: (including vehicles and equipment)				
Cost as per last balance-sheet	82,82,149 66		68,50,562	
Additions (Rs. 21,29,005 40) Less deductions (Rs. 2,51,834 37) during the year	18,77,171 03		14,31,588	
	1,01,59,320 69		82,82,150	
Less depreciation written off to date	51,13,703 14	50,45,617 55	47,59,359	35,22,791
10. OTHER ASSETS, INCLUDING SILVER:				
(i) Land and Buildings :				
Cost as per last balance-sheet Rs. 21,04,866 72			48,49,404	
Additions (Rs. 26,24,530=32) Less deductions (Rs. 4,45,929=50) during the year Rs. 21,78,600 82			27,44,537	(Net Deduction)
	Rs. 42,83,467 54		21,04,867	
Less depreciation written off todate Rs. 16,470 02	42,66,997 52		2,07,247	
			18,97,620	
(ii) Interest accrued on Investments	31,40,662 15		27,94,964	
(iii) Estimated amount of refund of Income-tax and Advance payment of Tax .. .. (Income-tax assessment for six years 1954 to 1959 not yet completed)	57,57,113 87		44,70,599	
(iv) Stamps and Stationery	40,349 97		2,73,697	
(v) Silver	..	1,32,05,123 51	..	94,36,880
11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS :				
Land and Buildings (at cost)		9,09,470 00		..
12. PROFIT AND LOSS		..		..
Total Rs. ..		1,45,44,58,154 17		1,14,15,01,322

The United Commercial Bank, Limited

Profit and Loss Account for the Year Ended 31st December, 1959

EXPENDITURE	Year ended Dec. 31, 1959	Year ended Dec. 31, 1958
	Rs. nP.	Rs.
1. Interest paid on deposits, borrowings, etc.	2,46,93,165 11	2,17,20,944
2. Salaries and allowances and Provident Fund (Salary and allowances of General Manager Rs. 84,000)	1,22,95,891 14	1,09,57,319
3. Directors' (Rs. 78,000) and Local Committee members and allowances	88,428 00	75,309
4. Rent, Taxes, Insurance, Lighting, etc.	15,45,148 93	14,27,301
5. Law charges	65,515 71	60,287
6. Postage, Telegrams and Stamps	6,89,145 55	5,66,632
7. Auditors' fees for statutory and periodical audits	1,20,143 50	1,14,920
8. Depreciation on, and repairs to, the Banking Company's property	11,45,813 25	7,91,216
9. Stationery, Printing, Advertisement, etc.	12,91,661 71	11,28,419
10. Loss from sale of, or dealing with, non-banking assets	—	—
11. Other Expenditure	10,83,935 60	9,91,489
12. Balance of Profit	60,41,998 44 (Subject to Tax)	45,37,666
TOTAL RS.	4,90,60,846 94	4,23,71,502

G. D. BIRLA
Chairman

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**

INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Year ended Dec. 31, 1959	Year ended Dec. 31, 1958
	Rs. nP.	Rs.
1. Interest and Discount	3,62,39,181 01	3,08,79,785
2. Commission, Exchange and Brokerage	1,20,94,398 60	1,06,55,552
3. Rents	7,26,001 33	2,55,428
4. Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	—	5,79,032
5.—Net profit or 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	—	—
7. Other receipts	1,266 00	1,705
8. Loss	—	—
TOTAL RS.	4,90,60,846 94	4,23,71,502

S. T. SADASIVAN
General Manager

V. R. DESAI
Accountant
Head Office

As per our report annexed.

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
Chartered Accountants

Calcutta,
29th February, 1960.

Company Meetings

THE UNITED COMMERCIAL BANK LTD.

Statement of Shri G. D. Birla, Chairman, circulated to the Members at the Seventeenth Ordinary General Meeting held on Wednesday, the 6th April.

GENTLEMEN,

The accounts of the Bank for the past year and the Directors' Report are before you and it is gratifying to be able to look back on a year of marked expansion of our business and sharp rise in our profits.

DEPOSITS

The deposits at the end of 1959 at Rs. 96.68 crores showed an increase of Rs. 13.40 crores against a rise of Rs. 17.21 crores in 1958. This increase of 16.0 per cent compares with 16.1 per cent by which the deposits of scheduled banks as a whole rose during the same period.

CASH

Cash on hand and with banks and money at call and short notice were Rs. 10.10 crores and represented 10.4 per cent of the deposit liabilities.

UTILISATION OF FUNDS

It was possible to utilise the additional resources profitably instead of keeping the funds idle or at best channelling them into securities. By reason of this, our investments in Government securities rose only by the modest amount of Rs. 4.35 crores whereas, in the previous year, owing to the absence of commercial demand for advances, we were obliged to increase our portfolio of Government Securities by as much as Rs. 15.27 crores. Our advances rose from Rs. 29.29 crores to Rs. 36.57 crores and our bills discounted and purchased from Rs. 15.27 crores to Rs. 19.68 crores. You will thus see that by far the greater portion of our increased resources was utilised in profitable advances and bills and that only a quarter went to augment our holdings of securities.

LIQUIDITY

Our quick assets, viz., cash and free investments, amounting to Rs. 45.10 crores, formed 46.8 per cent of our total deposits. Our liquid assets consisting of cash on hand and with banks, money at call and short notice, unencumbered investments and bills amounted to Rs. 64.78 crores and represented 67 per cent of our deposit liability. This is a very satisfactory figure and conforms to our high standard of liquidity.

PROFIT AND LOSS ACCOUNT

The year's working has resulted in a sharp rise in profits. This is due, in a large measure, to purposeful and profitable utilisation of enlarged resources, rendered possible by the sustained demand for funds from trade and industry and the beneficial effects of the reduction by one-half of one per cent per annum, with effect from 1st September, 1959, of the interest rate ceiling on deposits. It is a matter of satisfaction that the inter-bank agreement evolved in October, 1958 is working, on the whole, smoothly and the current year's results will show the full favourable impact of the lowering of the interest ceiling. The profits would have been better still if the increase had been less in the deposits for fixed periods and more in current accounts. But the shift of funds into term deposits has become an established trend while in respect of current accounts the rise is small, though the velocity of turnover has shown a steady increase. Operating costs, of which salaries are the biggest item, continued to rise but the steady expansion in the volume of business has brought increased revenue in the form of interest and commission.

The exceptionally good profits have enabled the Board to transfer the substantial sum of Rs. 27 lakhs to the Reserve Fund and raise it to Rs. 1.75 crores, which is only Rs. 25 lakhs short of the paid-up capital of the Bank. At the same time, it has been possible to increase the rate of dividend to shareholders so as to compensate them for the deduction of tax at source on dividends which has been prescribed by the provisions of the Finance Act, 1960. The Directors have felt glad to increase the bonus payable to the staff so that they could also benefit from the improvement in the working results of the Bank.

NEW HEAD OFFICE BUILDING

At the back cover page of the balance-sheet is a reproduction of the achitect's perspective of the multi-storeyed building of the Head Office of the Bank, now under construction in Calcutta, at the intersection of India Exchange Place and Brabourne Road. Much thought has been devoted to the design of the building with a view to afford the customers of the Bank improved facilities for transacting their business in a pleasant functional atmosphere and to provide ample working room for the vastly expanded operating departments of the Bank. When it is completed, we hope it would be a most modern and attractive building of advanced design and a worthy addition to the city's business centre.

INDUSTRIAL GROWTH

The year under review witnessed a vigorous growth in industry and a strident increase in industrial production. Several new industries have been started, the installed capacity of many industries has been increased, expansion schemes have begun to yield results, new plants have commenced production and there has been a fuller utilisation of existing capacity, due to liberal imports of essential raw materials. Industrial output in the first ten months of 1959, for which statistics are available, with the Index Number 149.1, has shown a rise of 7.4 per cent as compared with the rate of increase of 1.7 per cent in 1958 and 3.5 per cent in 1957. Participation of foreign private capital in Indian industry is steadily increasing and, for the first time, direct Rupee loans to industrial units have been granted by the Export-Import Bank of Washington out of the PL. 480 funds earmarked for this purpose.

MONEY MARKET

Comfortable conditions characterised the money market during 1959 and the seasonal demand during the first four months of the year caused only a moderate pressure. The increase in bank credit during January-April 1959 amounted to Rs. 154.78 crores but, as the deposit resources of the banks rose by Rs. 118.81 crores during the same period, the borrowings from the Reserve Bank of India to make up the difference were relatively small. The average borrowings of the Indian scheduled banks from the Central Banking Authority in those four months were only Rs. 34.26 crores, followed by a steep fall in May and June. In fact, the banks were practically out of debt during the slack season.

A comparison of these figures with those for 1958 is rather instructive. In January-April 1958, the seasonal expansion of credit was Rs. 99.51 crores and the increase in banks' resources was Rs. 144.60 crores. It is common knowledge that the 1958 busy season was characterised by the easiest credit conditions in the recent history of

Indian banking. In the larger expansion of bank credit in January-April 1959, we see the super-imposition of industrial credit on the traditional seasonal movement and the beginning of that robust revival of business confidence and resumption of industrial expansion which has continued unabated upto the present time.

The figures for the whole year are still more revealing and impressive. The scheduled banks' deposits at the end of 1959 at Rs. 1827.11 crores show a rise of Rs. 253.6 crores, inclusive of the accretion of PL. 480 funds with the State Bank of India. The expansion of bank credit over the year was Rs. 99.0 crores in which there is no seasonal element, and this may be taken as a measure of the increased requirements of the expanded industrial structure. By contrast, in the year 1958, which was one of industrial stagnation, there was a contraction of bank credit of Rs. 24.40 crores over the 11 months January-November (the 1958-59 busy season had started early in December 1958). Deposits rose by Rs. 206.1 crores in the year and investments in Government securities increased by Rs. 203.75 crores. The contrast between 1959 and 1958 is thus complete.

MONEY SUPPLY

Money supply with the public at the end of 1959 was Rs. 2520 crores showing an increase of Rs. 170 crores made up of Rs. 146.7 crores in currency and Rs. 23.3 crores deposit money. Though deposit money with the public at Rs. 767 crores has not changed significantly during the last four years the annual rate of turnover or the velocity of circulation of current account balances has steadily risen and over the past four years has increased by 26.8 per cent in Calcutta and 23.9 per cent for all India. It is interesting to note that in June, 1959, for the first time, in Indian banking history the total deposits of the banks at Rs. 1737 crores exceeded the currency in circulation of Rs. 1714 crores. It will, however, take some considerable time for bank deposits to increase to the level when bank notes in circulation may be regarded as the "small change" or subordinate element of money supply. The basic factors underlying the increase in money supply are bank credit to Government and to the public and the surplus on balance of payment account. The last factor is significant as the country's foreign exchange reserves, inclusive of the balances of the Government of India abroad have risen in 1959 from Rs. 343.92 crores to Rs. 387.54 crores after paying in the additional subscription of Rs. 25 crores to the International Monetary Fund. In view of this decisive improvement in the exchange situation coupled with rising exports and the encouraging prospects of foreign investment, loans and aid it is permissible to hope that exchange will be released freely and that industrial progress will be steadily maintained.

NEW CAPITAL ISSUES

The capital market was very active with the floatation of a number of new companies with substantial capital and increase of capital by many existing companies. On the whole, several issues were oversubscribed and all the entrants to the capital market were able to get their requirements which were in the neighbourhood of Rs. 40 crores. It would thus appear that the finding of Rupee capital is becoming less of a problem to Indian industry.

REFINANCE CORPORATION

The Refinance Corporation for Industry Private Ltd., established for the purpose of enabling banks to assist medium-sized industries with medium-term loans and of which we and other banks are members, has completed two years of existence but has not, unfortunately made any significant progress in the realisation of its objectives. We, ourselves, have been ready and keen to provide substantial medium-term credit to industry, subject only to eligibility for refinance, but the demand has been small and availment tardy. Slow availment of industrial credit has also been the experience of the Industrial Credit and Investment Corporation of India Ltd. There is an unavoidable time lag between the time a customer of the bank obtains consent for extending credit and the time when he can actually draw on it because a variety of approvals and licences are required from Government departments which inevitably take time. But, even so, the volume of applications from industrial borrowers awaiting approval of member banks would appear to be small and it is, therefore, necessary to review the basis of the Refinance Corporation's charter and bring about such modifications as may be necessary to popularise its facilities.

Two main obstacles to greater utilisation of these facilities have to be removed. Firstly, the ceiling of Rs. 50 lakhs to individual borrowers should be raised and secondly, the definition of a medium-sized industry in terms of maximum assets of Rs. 2½ crores of the company should be modified. If often happens that a company with large assets starts some new industrial unit which, though of medium size, is not eligible for finance because when the assets of the new unit are added to the other existing industrial assets of the company the ceiling is exceeded and the industrial unit becomes ineligible for refinance at the hands of the lending bank. I hope that these and other considerations are receiving the attention of the Corporation and the Government and that soon a way may be found for channelling into private industry that part of PL. 480 funds which has been ear-marked by the American Government for extension of term loans to private industry here.

As a result of a number of representations the Government is gearing up its licensing machinery with a view expeditiously to dispose of applications for starting of new industries and issue of licences in connection therewith. As a first step the Government has exempted from the licensing procedure industries which employ less than 100 workers and which have fixed assets not exceeding Rs. 10 lakhs.

THE BUDGET

The Budget for 1960-61, presented by the Finance Minister Mr. Morarji Desai a month ago, bears heartening testimony to a quickening in the nation's economy. This is to be inferred from the buoyant trend in governmental revenues, particularly from excise duty collections. While, no doubt, the reduction in the revenue deficit for 1959-60 is partly due to a lower volume of disbursements, as also to the customary under-estimation of revenue receipts by Indian Finance Ministers, it seems to me that the general improvement, under almost all the main heads of revenue, is clear indication of a dynamic economy at work. It is here that I may draw attention to some element of disappointment in business circles at Mr. Desai's decision to leave unchanged the rate at which companies are to be taxed. Mr. Desai's Budget is almost without qualification a good one, but, surely, he cannot plead insufficiency of data for fixing the corporate tax rate at 45 per cent, the level at which it was decreed, in the budget for 1959-60, that advance payment of tax was to be made. Company results in respect of accounting periods ending after April 1, 1959 have more often than not disclosed an inability on their part to maintain their old effective return to the shareholders. This has been due, in the main, to the higher tax load. Again, the revised estimates for the last year show that realisations from corporation tax and taxes on income in the aggregate are higher by Rs. 5 crores as compared with the Budget estimates. Since it was the stated intention of the Finance Minister to achieve, with his new tax structure, merely the "status quo" in revenues derived from Income-tax and Corporation tax on Companies the evidence already available would suggest the necessity of a cut in this rate; and, if past experience is to be

any guide, the actuals for 1959-60 are quite likely to show that receipts from these two heads are even higher than has been envisaged in the revised estimates. There can, otherwise, be little quarrel with Mr. Desai's Budget, and there is reason for particular satisfaction that Budgets nowadays do not, as they till recently used to do, seriously upset the investment climate.

The borrowing programme for the current year has been placed modestly at Rs. 250 crores gross, this including receipts from the year's innovation, the Prize Bonds Scheme. Maturities during the year are of the order of Rs. 110 crores, and the new money sought is thus, at Rs. 140 crores, well within the capacity of the gilt-edged market to absorb. In this context, however, I would urge the monetary authorities to plan their borrowing programme with some regard for the needs of the banking system. In 1959, the new loans of the Central Government comprised a ten-year issue and a twenty-year issue. As at the end of 1958, securities held by banks and maturing within 5 years, excluding treasury bills, accounted for only 40.8 per cent of total holdings, as against the corresponding figure of 52.8 per cent at the end of 1957. By the impact of the new loan programme in 1959, this ratio would have dropped still further at the end of the year. Banking soundness requires that the banking system should not be compelled to have in its portfolio too large a proportion of longer maturities. It is for this reason, I suggest, for the current year, that at least one of the new loan issues should be a short-term one meant particularly for the banking institutions.

INCREASE OF BANK RATE INADVISABLE

While on the subject of gilt-edged, I should like to touch for a moment on the question of interest rates generally. On the eve of the Budget, it was anticipated that a rise in the Bank Rate might be in the offing. I am glad that we have been spared any such rise, for, its outcome might have been to spoil the gilt-edged climate which, over the past three years, has been assiduously improved by the very proper open market operations of the Central Banking Authority. The gilt-edged market has been in fine fettle, and the success of the borrowing programme under the Second Plan must surely be ascribed, in part, to the atmosphere created whereby banks have been eager purchasers of Government securities. Any raising of the Bank Rate at the present juncture would cause a depreciation in gilt-edged values, and this would undoubtedly have a repercussion on future absorption of Government securities.

In this context I would commend to the authorities the findings of the Radcliffe Committee on the working of the British Monetary System in so far as it deals with the scope of monetary measures as a weapon of economic policy. In an expanding economy a restrictive policy in regard to money supply could be self-defeating but at the same time the need to check demand in certain sectors with a view to holding the price line would indicate that the solution is directional control rather than change in the money rate which, while raising the cost of borrowing by banks from the Central Banking Authority and bringing about a break in the Government security prices, would have no further effect on supply of money in the face of deficit financing and Plan expenditure.

CREDIT CONTROL

It would now appear that the Government has decided to follow a policy of selective credit control and the Reserve Bank of India has issued a directive to the banks to increase the margin on advances against shares to 50 per cent and restrict clean facilities to customers. The banks are also required to keep additional cash reserves with the Reserve Bank of India equal to 25 per cent of the increase in the deposits of banks over the figure of 11th March, 1960. Mr. B. R. Bhagat the Union Deputy Minister for Finance, recently reminded the banks of their responsibility for checking the inflationary activity but at the same time urged upon them to see that the growing volume of resources with them are utilised to help the Five-Year Plans. He went to the length of suggesting the granting of long term loans to industries. Let me however, hope that measures of restrictive credit control would not be such as to deny the growing needs of developing industries.

THIRD PLAN

The National Development Council has approved the proposed outlay on different heads of development to the tune fo Rs. 7,000 crores in the public sector and Rs. 4,000 crores in the private sector during the Third Five-Year Plan. As the Finance Minister remarked in his Budget speech, this is not the juncture at which we can relax our efforts. Momentum has to be gained, so that India can arrive at the "take-off" stage in the quickest possible time. A Third Plan that is big is therefore inevitable. It also seems certain that the tasks allotted to the private sector will, as a proportion of the total plan, be larger than what it was during the Second Plan. If the private sector is to invest something like Rs. 4,000 crores in the next quinquennium, the magnitude of the demand on the banking system as a consequence can easily be imagined.

But it is important that approach to planning continues to be pragmatic. It is true, the country needs a big plan. But can the country have it? This would obviously depend on whether or not we can raise the necessary resources. Indeed, with foreign exchange reserves run down during the Second Plan so far (though, happily, reserves were added to in the course of the last year) the implementation of the Third Plan would require as a basic pre-requisite the underwriting of the foreign exchange needs. The gap in the foreign exchange resources is estimated at Rs. 2,200 crores. This would need a very considerable amount of foreign assistance. Fortunately, however, prospects are today rather brighter than were hopes at the beginning of the Second Plan. In 1959, two great friends of India, the respective Heads of their States, visited this country. The reception that was accorded to President Eisenhower was unprecedented, and he is said to have been deeply impressed with the efforts India is making in chalking up progress industrially. The American President has urged the Congress to be more generous in its aid allocation for this country, and the improved Indo-American relations augur well for greater assistance than we have heretofore received. Similarly, Mr. Khrushchev has made it clear that Russia is anxious to help India in the prosecution of the Third Plan, and preparatory agreements about such assistance for the next five-year period have already been negotiated. Other friendly foreign nations have also professed interest in Indian development. So, it may not be too much to expect that foreign exchange, commensurate with our requirements, will be forthcoming.

In regard to internal resources, the most hopeful development is the expansionary trend in Governmental revenues. Deficit financing in 1958-59 turned out to be Rs. 230 crores against Rs. 280 crores in the Revised Estimates for that year; and, in 1959-60, the revised estimate already shows a drop of roughly Rs. 30 crores as compared with the Budget estimate. Moreover, for 1960-61, reliance on deficit financing has been reduced from the equivalent of Rs. 208 crores to a little over Rs. 150 crores. But, nevertheless, the price situation has been causing a good deal of concern. It has not been established that there is a link between created money and such rise in prices as has obtained in this country. It may be that, in a developing economy, there will always be some areas of shortages and some of surpluses. Firm steps are being taken by the authorities from time to time to arrest the upward trend in prices. These, however, have been effective only in a limited degree. Perhaps, it is the already increased prosperity of the agriculturist which, by enabling him to withhold his stocks from the market for a longer time, has contributed to the higher level of, particularly, foodgrain prices. Be that as it may, we must obviously be chary of undue reliance on deficit financing for the Third Plan. It is therefore that Government should encourage production in every way, so that revenues may become more buoyant, and so that additional output can thwart inflation.

To make the Third Five-Year Plan successful, besides external and internal resources, we need trained personnel to man them in proper manner. Attention should therefore be directed towards creating an army of well-trained personnel, both technical and administrative. I am quite hopeful that this will be done and the Plan will be successfully carried out and the targets achieved.

NOTE: This does not purport to be a record of the proceedings at the Annual General Meeting.

TRANSPORT
in
HINDUSTAN LEVER

The following is the text of the Speech delivered by Mr. S. H. Turner, Chairman of Hindustan Lever Ltd. at the Annual General Meeting of the Company held on 6th April, 1960.

It gives me great pleasure to welcome you to this Annual General Meeting of the Company.

I shall take as read the Report and Accounts for the year 1959 which have been with you for some time. I have also circulated to you my review of their salient features. I shall, therefore, proceed to talk to you about transport which plays a vital role in our business.

We have 11,000 direct dealers. Last year we issued 1,35,000 invoices. In other words, each of our dealers bought from us on an average twelve times during last year. Every one of these transactions involves us in a transport movement; many of them involve two, because often we move our goods not direct to the dealer, but first from the factory to a depot, and then from the depot to the dealer.

There are also several thousand tons of materials required for production moving to our six factories located in different regions of India. In 1959, our factories received 85,000 tons of vegetable oils and 60,000 tons of oilseeds—our main raw materials—from various parts of India, over the internal transport system; and of these about 10 per cent of the former and 48 per cent of the latter moved at our risk part or whole of the way and the rest at the risk of the suppliers. Here, again, more than one movement is involved, first to the collection points and then to our factories either directly or through our suppliers.

With so many hundred thousands of movements to consider, we are necessarily deeply interested in everything that goes on in transport. First, our transport costs were, in 1959, equal to nearly half our profits. They added up to considerably more than our proposed dividend; naturally, therefore, it is of the utmost importance to us that they should be as low as possible. Secondly, every ton of oilseed or oil held up at the collection points for want of transport or delayed in transit, every case of SUNLIGHT or tin of DALDA that is sitting in a railway wagon or a truck instead of in a consumer's kitchen, is capital tied up earning nothing. Of your total current assets, one rupee in every five represents goods in transit or in a depot or factory awaiting despatch. Every rupee we can free by better organization or quicker transit times is a rupee we can use elsewhere to serve the consumer and make you a profit by doing something else. Thirdly, our methods of transport must suit the consignees, be they our factories or dealers. It is no good getting goods to the destination cheaply if they arrive in the middle of the night and the consignee is required to unload straightaway. It is no good getting in oil quickly to our factories if there is considerable leakage as a result nor is it any good getting the finished goods to dealer quickly if every DALDA tin is dented, and every bar of soap bruised.

In achieving these objectives we use every form of transport available to us, having regard to the nature of the product and its packing, distance, transit time, cost and convenience of consignees. Over the last ten years, the Railways have done a commendable job in improving transport over their network; particularly in regard to the movement of raw materials in bulk and transport of finished products over long distances. However, over the last decade, we have made two main innovations in the movement of our finished products, namely road transport and depots.

In 1950, our normal method of despatch of finshed goods was by rail straight to the dealer, and, as far as possible, in full wagon-loads. This meant that we tied up a great deal of our own capital, the goods spent an average of 21 days in the wagon, and in addition at the end of 1949 we had Rs. 187 lakhs worth of manufactured goods at the factories because we got wagons very irregularly. It was common experience in those days that for several days we got no wagons and then had sixteen on one day. We also had to tie up a good deal of our dealers' capital. The man in a small town who had to take a full wagonload of vanaspati, might well find himself with four or five months' requirements on his hands at once; and for this tying up of our dealers' capital, of course, we had to pay either in bigger discounts or in letting them make larger profits on stocks in their hands whenever we had to raise our prices.

Now we have become much more flexible. Last year about 50 per cent of our despatches were made by road; another 2 per cent were made by Quick Transport Service, a service the railways simply did not offer ten years ago. Our average transit time has been reduced from the 21 days of 1950 to 5 days now. At our present rate of sale, that means we are saving perhaps Rs. 1½ crores of scarce capital. Moreover, we have much less damage. Road journeys normally involve no transhipment, whereas rail transport involves transhipment wherever there is a break of gauge; and road journeys are door to door, whereas with rail, even though we have sidings, our dealers do not, so that there is always an extra handling at their railway station. Finally, with road contractors we are usually able, at a price, to get them to accept responsibility for damage; the railways are very chary of accepting responsibility, and

their employees are frequently correspondingly careless. When we make a claim on our road carriers, it is settled within days, and usually in full. When we claim on the railways, it takes an average of six months before a decision is obtained and we do not recover more than half our losses. There has been improvement in recent months. I hope though that the railways will improve further now that the Railway Minister has made the most welcome decision to accept carriers' risk for them. Indeed, even before that the railways were improving. As road competition has grown, they have become more attentive to claims, and the Quick Transport services cause much less damage from heavy shunting than ordinary services.

With costs we have had less good fortune. Changing to the road has saved us money on the short hauls, roughly speaking on all those below 300 miles, which represent about 80 per cent of our despatches from our distribution centres. From our Bombay factory to Poona by road, for instance is Rs 6.50 per ton of DALDA cheaper than by rail; it is Rs 3.25 cheaper to take a ton of SUNLIGHT from our Delhi depot to Ludhiana by road than by rail. And we are endlessly looking for economies in packaging. Once upon a time, for instance, all our soap was moved in wood boxes. Now 70 per cent goes in cardboard containers, which are a quarter cheaper. If all this still had to go in wood boxes, it would cost us an extra Rs. 24 lakhs: you can see what that would do to your dividend.

We have also been helped by our depots. We now have fiftyone where in 1950 we had four. For a cost of some Rs. 22 per ton, including the extra freight the break of journey involves, they give us two very great advantages. First, we can reduce our working capital. If we had to carry enough stocks at our Calcutta factory to be able to despatch to each dealer in our toilet preparations all over India what he wanted in smalls on just those occasions when the railways had smalls booking open, we would fill many more godowns at the factory with hair oil and talcum powder than we at present possess; and we would have still more capital sitting idle in railway wagons as the small consignments wended their slow way across the sub-continent. Secondly, we can see to it that our dealers are much more seldom out of stock. Our minimum toilet preparations order is Rs. 200. You can imagine that a dealer in Tirunelveli who had to wait for Rs. 200 worth of preparations to get to him by smalls from Calcutta would be out of stock most of the time; or else he would have to lock up an immense amount of capital by buying months and months of his requirements at a time; and if he does that, he has to put his margin up,which for the same consumer price, means that our margin has to go down. If he has to add another 5 per cent to the price to make up for the fact that he is turning over his capital once in three months instead of once a month, the addition is equal to half our profits, even in a good year like the one just past; it would be equal to much more than half in a bad year.

Our depots are so placed about the country that they can always be served by full wagon or lorry loads, and our customers can then be served from them, usually by road, in the smallest of smalls, and within at most a few days of the receipt of their order. The result is that both we and our dealers can operate with less stock in the pipeline. The minimum pipeline stocks of vanaspati, for example have been cut by some 2,000 tons, or nearly a third, over the last three years; this has led to a reduction of Rs. 40 lakhs in the capital invested in packed stocks, spread between ourselves and our wholesalers and a very large part of it is due to the depots.

Because they permit smaller individual orders moreover, the depots make our whole distribution system more efficient. When we had to send vanaspati in full wagon-loads, we could not have a separate wholesaler in a small town. He would have had to take perhaps a year's stock at a time. So the little towns had to be serviced from nearby, bigger ones, which was always expensive and often inefficient. Now we can often serve these direct from the depot, even though they can only take a few cases at a time, and the number of our vanaspati wholesalers has risen from about 1,500 in 1956 to 1,780 in 1960, with all that means in extra energy and initiative being applied to our business.

But all such savings get swallowed up, though they do not thereby become any less important, by government's ever-increasing use of transport as a means of taxation. Since 1950 rail freights have gone up from 14 per cent to 40 per cent depending upon the product and distance; the cost of diesel oil in Bombay has almost exactly doubled—it was Rs. 1.18, it is now Rs. 2,34; an excise of 40 per cent has been put on tyres; that part of the cost of petrol in Bombay city which is tax has gone up two and one third times; the tax (Customs and Excise) on an ordinary Mercedes Benz truck has been increased from Rs. 2070 to Rs. 5070. I may put it in another way; a truck doing 35,000 miles in 1950 paid Rs. 1,500 in taxes of every sort; today it pays over Rs. 2,000 and still more on inter-State movement. Naturally, our bills have gone up with them.

We would mind the extra taxes less if they were spent on the means of transport from which they are taken. We recognize the great improvement which has occurred in the services provided by the railways over the last decade. Wagons are usually freely available, transit times have come down, railway officials of every grade are more helpful than they used to be. But nothing like enough has been done for the roads. Key bridges are still missing, the lack of which reduces the value of hundreds of miles of national highway. The bridge over the Chambal on the Bombay-Agra highway is now ready, but no bridge has even been begun at Dehri-on-Sone on the Calcutta-Delhi highway, or over the three great rivers between Calcutta and Cuttack. Indeed, often essential parts of a through highway have still not been built; thus the 10 crore bridge over the Ganga a Mokameh cannot be used to full advantage because the authorities have still not built the few necessary miles of approach road on either side of the bridge. A bridge is under construction over the Brahmaputra at Pandu in Assam. Our enquiries reveal that in the master plan there is no provision for a riverghat near the bridge site, with the result that goods coming by water transport from Calcutta will have to proceed beyond Pandu to Gauhati and come back by road to Pandu. Even where the highways have been built they are usually narrow, and often badly surfaced; frequently their bridges are weak and their foundations inadequate. There is only one adequate road in all India, the Grand Trunk Road from Delhi into the Punjab. The result is accidents and low load limits; both are dangerous, both waste capital. Sometimes, indeed, the load limits are lower than even the bad roads make necessary. Thus, Bombay State has an average payload carrying limit of 130 maunds, whereas its neighbours with no better roads permit 200; not only are freights in Bombay State unnecessarily higher as a result, but also lorries have to reload when they get across the State border, with much consequent delay, damage and expense.

Not only are the allocations for road improvement too low, but there is no urgency about what is being done. Bridges take years to build. When a road is damaged, it takes months to mend. After the recent Gujerat floods, the railway line to Surat was mended in three weeks. The full restoration of the road will take one year. Traffic is diverted involving an extra

distance of 60 miles and often through the fields, for months when the repair or improvement concerned could have been carried out in weeks; and every such diversion puts up costs, and uses up scarce foreign exchange, for going through the fields shortens the life of vehicle and tyres, and puts up the consumption of fuel.

Most irksome of all are the involved rules governing road transport. The planners perpetually complain that the country is short of transport, and that the provision of more rail capacity is one of the heaviest of all burdens on India's limited capital—about 20 per cent of the whole Second Five-Year Plan is being devoted to the railways. One would have thought, therefore, that they would want to see the maximum use being made of those roads which exist, and the maximum relief being given to the railways by the use of lorries. In other words, one would have expected, if transport were properly planned, that there would be no restrictions placed on road transport beyond those necessarily imposed by the limitations on the availability of trucks. In fact, so deeply are the railways and the road transport authorities rooted in the thinking of the 1930s, that restrictions are infinite, restrictions on the routes that can be plied, on the distances that can be travelled, on carrying goods from one State to another, on loads, on the use of trailers. One would think India had an immense superfluity of transport, and that the loads had to be rationed out to give everybody a living, regardless of cost, instead of transport being always on the verge of bottleneck and so expensive that every further addition to its costs is a serious matter—one rupee in every twenty of our costs is already transport including handling.

I would not like to close on this sour note. Railways and roads alike have improved enormously over the last ten years; our own transport department has some considerable achievements to its credit; and of late both the Government and the carriers have shown so much responsiveness to new ideas that I am emboldened to make a few suggestions, all of them based on our own experience in this business.

First, we would welcome the introduction by the railways of a container service of the type they have in many foreign countries; this would be particularly useful in India, where they would ease the whole problem of transhipment at points where the gauge changes.

Secondly, we feel the time has now come when more attention should be paid to refrigerated transport, both by rail and road. The lack of refrigerated transport at present inhibits particularly the development of the fruit, vegetable, fish and milk industries, all of them admirable ways of improving both the income of the villager and the nutrition of the townsman, and all of them dependent for carriage over any distance upon refrigeration. We would be interested too, in insulated wagons for edible oils and for our own vanaspati; these do not require refrigeration but they would keep better if they could at least be insulated.

Thirdly, the municipalities should be prompter in their refund of octrois on re-exports: at present one often has to wait months for such refunds; it takes us six months in towns as big as Ahmedabad and Bangalore; sometimes a refund of terminal taxes cannot be got at all, as at Agra and Kanpur; and we have just had to close down an otherwise perfectly suitable depot in Gwalior because the Corporation would not refund the octroi on despatches sent outside the town; we can see no reason why the inhabitants of one town should be allowed to tax the surrounding villagers, or the inhabitants of other towns in this way.

Fourthly, there is scope for improvement in the way vegetable oil is transported by sea. We use country-craft to bring seed and oil from Saurashtra to Bombay; 13,851 metric tons of seed and 4,676 metric tons of oil were transported in this manner in 1959. While the facilities provided by country-craft for movement of bagged material are reasonably adequate except during the monsoon, we cannot say the same about movement of oil. Shipment of oil in drums by country-craft or coastal steamer is an uneconomic method due to the weight of the drums transported and the losses which occur in transit. The cheapest way of moving oil would be in bulk, but there are no bulk handling facilities in Saurashtra ports nor are they adequate in the other ports. This is a problem which is tied up with the much larger problem of loading large quantities of oil into steamer for the export trade. If India's Third Plan targets for export of oil are to be attained, serious consideration must be given to providing better facilities at the main ports for storage prior to loading and ultimate pumping from the storage tanks into ship's bulk tanks.

My final and major suggestion is that the recommendations of the Masani Committee on Road Transport Reorganization, which has been generally endorsed by the Transport Council, should be implemented without further delay. While the problems of co-ordination of different forms of transport is now the subject matter of further consideration by the Neogi Committee, there should be no difficulty in the way of implementing those recommendations of the Masani Committee which do not bear on this subject.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952–53=100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures			All Commodities
					Intermediate Products	Finished Products	Total	
1953–54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954–55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955–56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956–57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957–58 ..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958–59 ..	115.2	95.4	115.4	115.6	110.3	108.0	108.3	112.9
December 1958 ..	113.3	96.4	115.1*	112.5*	110.3	108.0	108.3	111.4
January 1959 ..	114.3	103.6	115.1	114.1	110.5	108.4	108.4	112.4
February ,, ..	115.7	104.4	115.9	115.5	110.6	108.1	108.5	113.3
December ,, ..	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January 1960 ..	117.5	100.9	117.6	130.9	121.6	115.1	116.0	118.8
February ,, ..	118.8	96.0	117.9	131.7	120.5	115.6	116.3	119.6
20–2–1960 ..	118.3	95.8	117.9	131.7	120.5	115.6	116.3	119.3
27–2–1960 ..	118.6	95.8	117.9	131.1	120.7	115.6	116.3	119.4
5–3–1960 ..	117.6	96.3	117.9	131.2	121.7	115.7	116.5	119.0
12–3–1960 ..	116.7	96.1	117.8	131.8	121.2	115.9	116.6	118.6
19–3–1960 ..	117.1	96.1	117.7	132.9	121.1	115.8	116.6	119.0

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

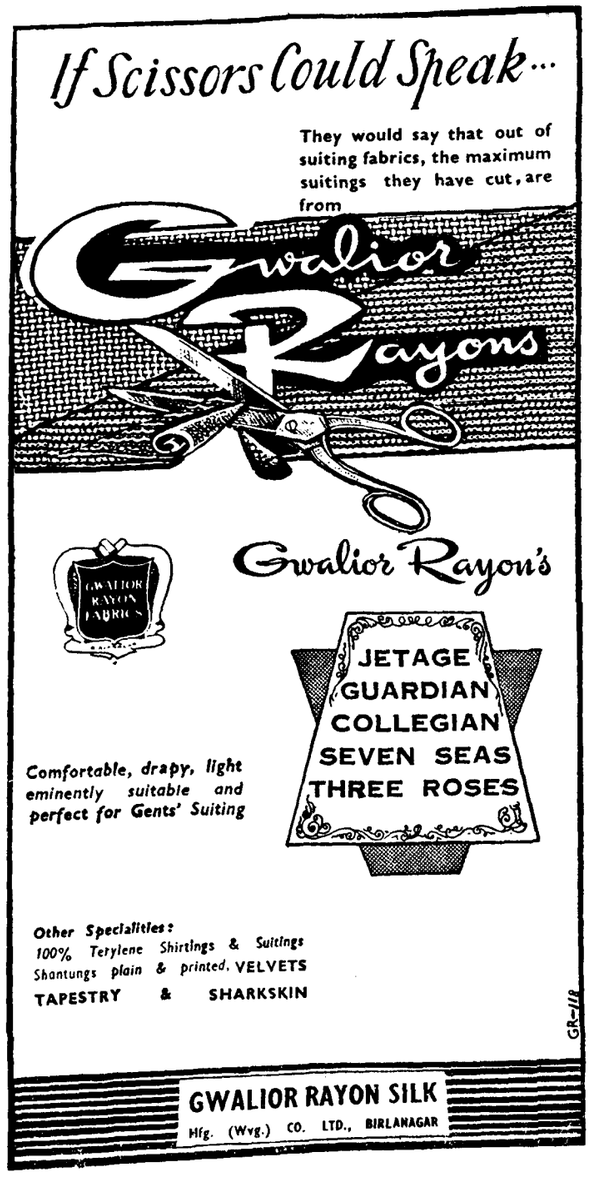
(August 1939 = 100)

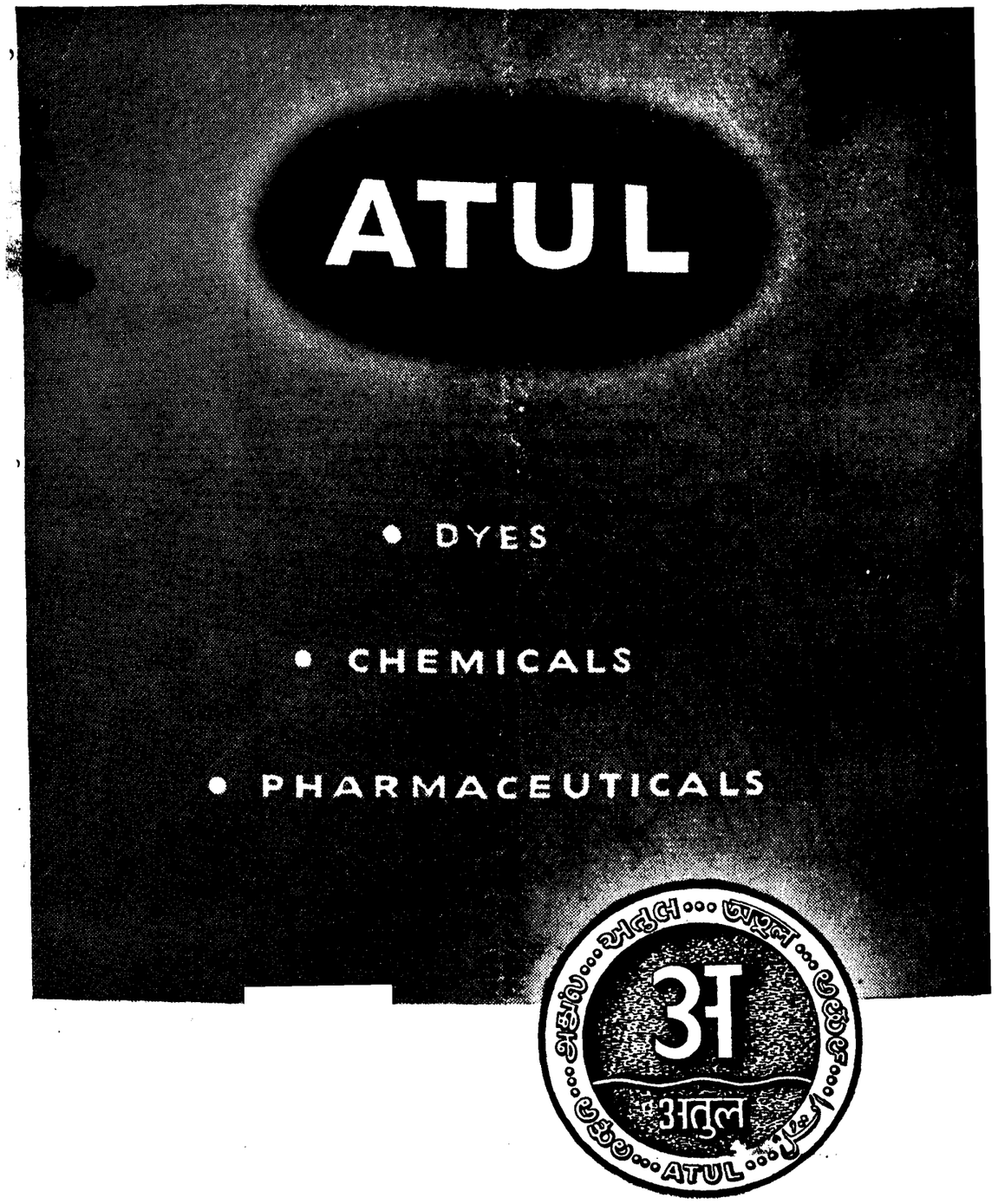
period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1952	321	337	250	143	351	441	380	150	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	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 May	387	406	307	153	371	454	492	157	422	162	173	164
June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165	433	164	178	173*
September	403	422	319	156	399	465	510	162	434	162	179*	173*
October	403	427	324	158	406	470	510	166	441	162	179*	174*
November	405	424	322	158	399	475	511	163	449	162	177*	174*
December	401	420	311	157	389	460	511*	163	441	162	175*	171*
1960 January	403	422	304	159	385*	460	509	—	441	—	—	171
February	399	418	294	161	—	468	511	—	448	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	25–3–1960			18–3–1960			11–3–1960			4–3–1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	131.75	129.31	130.77	131.44	128.69	129.58	132.16	130.56	131.35	132.75	130.25	131.57
Silver (per 100 fine tolas)	218.00	216.87	217.38	218.06	216.00	216.98	218.25	216.81	217.65	217.62	215.25	216.35





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CONTENTS

	Page
Leading Articles:	
RAJAJI IN DELHI	857
THE COAL TARGET	858
INDIAN SHIPPING: A GREAT BETRAYAL	859
A DELHI DIARY	860
THE WEEK'S NOTES — Passage for Colonialism; Sino-Indian Dispute; South Africa; Oil; Food.	861
A WINDOW ON THE WORLD: Odysseus on "Mr. Nehru: Please Note!"	863
THE EUROPEAN SCENE: *Leclerc for India*	867
ECONOMIC REPORT FROM THE U.S.: Foreign Trade	870
Special Article: SMALL SAVINGS THROUGH PRIZE BONDS	873
The Business World: WALCHANDNAGAR'S BOLD ENTERPRISE	877
BUSINESS NOTES — Industry; Productivity; Plantations; Paints; Banking; Leather; Private Sector.	878
CURRENT TOPICS: Management of State Enterprises	881
Free Trade Zone at Kandla	881
A DELHI NOTEBOOK	882
WORLDGRAM AND NEWS IN BRIEF	883
COMPANY AFFAIRS	888
COMMODITY NEWS AND NOTES	891
CURRENT STATISTICS	898

Rajaji in Delhi

THE visit of the Leader of the Swatantra Party, Mr. C. Rajagopalachari, to North India has now ended, and practised observers of the political climate are busy reading the signs and portents resulting therefrom. Rajaji last week made a profound impression on the Capital's Press by his intellectual agility no less than by his dignity and fine sense of balance. It is difficult to appreciate, for those who have not followed the tour, how widespread his personal impact has been. There have, indeed, been unfortunate occurrances such as those at Banaras and elsewhere in Uttar Pradesh where the demand for a speech in Hindi exceeded the audience's self-control. But the broad picture from the undoubtedly successful convention in Patna to the equally promising Delhi visit is that of a stream of public opinion gathering round the aged leader, as though he had provided new hope of a deliverance from current dissatisfaction, which is undoubtedly high and growing.

Rajaji's success is primarily to be explained in these terms rather than in any positive statement of policy. It was noted in particular in Delhi that when he spoke of 'corruption' and the anxiety to exercise power by Congressmen he always struck an answering chord. He has generally created the impression that he is not fighting for power — how could a man past 80 seek individual power over a long period? — and that his presence in the political arena has been imposed on him by what he deems to be his duty because of a wrong turn that has been taken by the Congress Party in the Socialist presentation of India's economic life. Largely because he sees the Congress Party imitating the Communist Party's monolithic public-sectorism, Rajaji has probably swung a little beyond his more moderate view of the place of private enterprise in free societies. In any case, in Delhi he told his audience that it was necessary for an Indian electorate to polarise the issues. To speak of the Communist Party as "a ginger group" of the Congress was part of this polarisation. So also has been his advocacy of almost unlimited property rights as a means of providing the incentives to new production.

What is the general impression in the country of these policies at the present time? It would

be difficult to hazard a guess except that at his address at the Press Club in New Delhi, Rajaji carried an instant conviction that he had a broad-based positive policy with which to counter the usual sneer that the Swatantra Party was entirely negative in outlook. Indeed, in his pragmatism on individual creative capacity he goes far more near the heart of Indian public opinion than does the Prime Minister.

Consider again the issue of Indian foreign policy and non-alignment. The Prime Minister argues that, whatever happens, India must be non-aligned. Rajaji argues that while non-alignment is "normally" the sound policy for India in terms of the participants of the Cold War, this may be rebutted in all cases where our own security is involved. At the present time, one of the participants of the Cold War, the People's Republic of China, has violated our security. We may be unable with our own resources to meet the challenge of this aggression, which has patently taken place and which, according to the Prime Minister's own admission, will not shortly be vacated. If this is so, a suspension of non-alignment is not a denial of a "normal" position. The suspension of non-alignment need not be permanent, but can certainly be used permanently to improve our relations with Pakistan, even if Kashmir is to be kept in cold storage.

Whether Rajaji is equally well-placed in regard to economic policy is difficult to say. Will a predominantly "have-not" society be attracted by the proposal not to limit land holdings, seeing that a number of "have-nots" might benefit from a larger distribution of land? It is likely, although this is by no means certain, that the socialist current in economic affairs is still on the Prime Minister's side, but elsewhere the Congress current is in recession.

The broad conclusion that can be reached on an objective review of the evidence available is that the Swatantra Party in North India has a definite future, particularly in the States of Bihar and Punjab. Whether this is independent of Rajaji is to be proved; undoubtedly there is a large personal equation in the Party's fortunes today.

The Coal Target

SARDAR SWARAN SINGH disclosed in the Lok Sabha last week that the Government was hinking in terms of fixing the target for coal production at 95 million tons for the Third Plan. The ndustry appears to urge more realism and pitch he figure a little lower at 90 million tons. The ifference is marginal and it need not raise any asic issue of controversy. The case for a higher arget is easily argued in the light of the heavy ressure which industry and transport are sure to xert on the primary fuel. Any lack of balance etween the two must inevitably put a brake on xpansion. To prevent such a contingency is the isk of integrated planning to ensure the necessary onditions for the achievement of the target. But i this case the industry's target seems unduly low articularly if the steel ingot target is raised to n million tons.

The experience of the last year utters a warn-ig against possible pitfalls. During the period of ie Second Plan, it was only last year that coal iortage raised its head and assumed serious mensions to the point of slowing down il transport and forcing partial closures some sectors of industry. Output in 1959 uld be pushed up to 47 million tons with eat effort but, even so, it left a gap 2 million tons in the estimated production. yclonic conditions in Bengal and Bihar are at ce pleaded in extenuation. But it must not be erlooked that the act of God was responsible r a shortfall of 0.4 million tons, whereas the bulk the order of 1.6 million tons was straightaway tributable to the failure of the human element.

Production at the end of the present Plan is pected to reach 54 million tons or 6 million tons low the prescribed target. In this shortfall of e order of 10 per cent, both the sectors of the nomy have their share of liability, although it possible to make out a convincing case that the ivate sector's gap is not of its own making. It inadequate consolation that from 54 mil-n tons at the start of the Third Plan to 95 llion tons at its close is a substantial increase of over 75 per cent. It may be futile to attempt to apportion responsibility for the shortfall in the Second Plan as between the two sectors. But sector-wise apportionment of responsibility for the additional output of 41 million tons in the Third Plan is essential. Much of the trouble in the Second Plan was the failure to swop capacity in time. This time there must be flexibility.

The blunt truth is that if the Industrial Policy Resolution is rigidly enforced and expansion of the private sector collieries is restricted to contiguous areas, as stipulated in it, this sector can produce no more than an additional output of 7.20 million tons. The public sector, whose performance at the end of the present Plan will range below 12 million tons, cannot normally be expected to raise its production by 33.80 million tons to complete the combined extra output to 41 million tons. It becomes imperative, therefore, to introduce a good measure of generosity—in the category A sense—in the application of the official industrial policy. The way to do it is to permit private sector units to expand into new areas, in contradistinction to "contiguous areas", for which they hold mining leases, but are restrained from utilising them in view of the policy resolution.

No fetish can be made of this resolution because the needs of the economy are supreme and policy must be readjusted to prevent development from being stultified. If private colliery owners are allowed to exploit new areas for which they hold leases, they can add another 14.40 million tons to their production. Together with the output of 7.20 million tons from the permissible contiguous areas, the aggregate increase would be 21.60 million tons. Even so, the public sector will have a sizeable task in achieving an additional output of 19.40 million tons. This is more than an increase of 150 per cent. The allocation of outlay will need to be proportionate to this order of increase.

The private sector's requirement for some time past has been the provision of finance. The target in the next plan obviously intensifies it.

Most of the units will have to find loans for capital expenditure and this prospect makes it advisable to step up internal resources. Perhaps, some additional difficulties of internal finance have been created by some companies by their policy of reducing reserves under the prospective threat of public-sectorism which was dangling when the Second Plan was being prepared. It is partly true that Government's ideological rigidity in refusing to place a moratorium of a sufficient duration on nationalisation accentuated the fears.

A representative survey of the audited accounts of units which are responsible for one-third of the total coal production reveals that the rate of return is as low as 2.42 per cent. The cost structure has made substantial plough-back impracticable. The question of price revision ought not to be treated as closed when the Coal Price Increase Committee's proposals are challenged on the ground that they are based on anomalies and erroneous assumptions. It ought to be reopened to grant adequate relief which can be tied, if necessary, to the demands of development. Coal is basic to the country's development whether it is in the public or private sector. For this reason it must receive the finance required. When will this be realised?

Indian Shipping: A Great Betrayal

MR. G. L. MEHTA'S dignified protest against the allocation for shipping in India's Third Five-Year Plan, will receive a warm—and, possibly, an angry—response from all sections of the country. For nearly a generation shipping has contained within itself both the symbol and the substance of India's growing economic independence. It is true that some of this independence was not entirely conceived in strictly material or efficiency terms. Nevertheless, it was strategically important and, on the whole, economically necessary that Indian trade should be carried at a rapidly growing rate in Indian bottoms. This is no more than a policy which every nation has considered to be necessary both for peace and for war. It can indeed be argued that the savings of foreign exchange in particular countries, which depend predominantly on their own vessels, show that this policy has a purely economic virtue which enables it to stand on its own. But whether it does or not, the feeling that India is slipping badly in her sense of independence, so far as promotion of her own shipping is concerned, is one which has both strategic and purely economic implications. It matters little which one at the moment is greater of the two; together they are unanswerable.

The Planning Commission owes it to the country to explain why it has cast aside proper considerations of a rational balance between the allocations for transport, on the one hand, and other components of the development plan creating a direct demand for transport capacity, on the other. The imbalance between the two sets of allocations can be traced positively, in a substantial measure, in the case of each single segment of transport. It is notable, it has envisaged the prospect of a doubling of the rate of increase in agricultural income and an increase of 10 per cent in the rate of industrial development. These two basic facts alone are sufficient to show that in any conceivable situation the allocation for transport cannot be pegged at the same level as in the Second Plan. Even a worse result than this has followed inasmuch as allocations for some forms of transport have been lower in the Third Plan than in the Second Plan. This is a paradox which cannot be explained on any hypothesis.

To take the broad orders of allocations. Railways come first in the order of priority as well as in the magnitude of traffic which they will be called upon to carry. The allotment for railways has been placed at a figure of investment of Rs. 890 crores for the Third Plan, which is even below the allotment of Rs. 897 crores for the Second Plan. Now it is common knowledge that the provision for railway development in the Second Plan has proved to be just on the margin, if intermittent bottlenecks are taken into account. This provision would have fallen far below the requirements, if pressure of traffic had not been reduced by the slowing down of the tempo of expansion as a result of the shortage of foreign exchange resources. An increase of 100 per cent in the rate of rise in agricultural income speaks for spectacular expansion of activity in the rural sector. Road transport which has a strategic role to play here has been allocated in the Third Plan only Rs. 250 crores which are marginally in excess of the revised allocation of Rs. 221 crores in the Second Plan.

The consequences of a lopsided reliance on foreign shipping are by no means insignificant. The country has to pay a heavy bill of freight charges in foreign currencies, accentuating thereby the strain on external payments. It is surprising that the strategic necessity of making at least a modestly enlarged provision for shipping in the Third Plan has not been appreciated by the Planning Commission at all. The Commission must certainly explain why the provision of outlay on shipping has been drastically cut down from the figure of Rs. 104 crores as originally recommended for a very moderate target of 14.22 lakh GRT in the Third Plan to Rs. 55 crores. The truncated figure is even not equal to the allocation of Rs. 57 crores in the revised estimate for the Second Plan.

Shipping is one of the very few industries where the investment is recouped in a short time. The aim of expansion of shipping in the Third Plan must be to make a provision for vessels to ply mostly the international routes. Precise estimates of the exact period in which investment in shipping can pay its way are difficult to make. The period of recoupment must depend on various factors, such as purchase of new ships or second-hand ships, utilisation of the vessels for long or medium hauls, the type of cargoes that will be available from time to time and the freight rates they will bear. But the industry's overall estimate to the effect that on an average a ship can earn its purchase cost in a period of about 7 to 8 years can be accepted straightaway. On this basis all the earnings of foreign exchange accruing from the employment of ships additionally acquired in the Third Plan should be earmarked in a separate fund, instead of being merged in the common foreign exchange pool. In a period of take-off the pressure on shipping capacity in the ensuing plans is still another consideration why at least a modest, and not narrow, base for expansion must be laid. On this consideration there should be no pruning of the originally envisaged allocation of around Rs. 100 crores.

A DELHI DIARY

I CONTAIN MULTITUDES ?

WHO listening to Rajaji's address to the Press Club of India on Sunday could have failed to be stirred by the extraordinary capacity of the aged leader to hold his ground against all odds? Whatever he did seemed just right. At the beginning in a brief introduction he reminded us of the "emotional background" against which he was now involved. For a long time he had worked as a partner and a friend and colleague of those now in power and authority. He would be less than human if this long association, both in the wilderness and in the highest counsels of the Government, did not involve him in some denial of himself. Unless the situation in the country demanded his coming out against them, he would rather have spent his few remaining days in real retirement doing the things which came happily to him at this time of life. He had come forth because he was overcome with grief at the failure of his friends, but in his heart there was nothing but affection for them. They had, indeed, spoken of him as an old man: he was old; they had said he was frustrated: he was, in truth, frustrated by their policies. They said that he was inconsistent: in that, too, they may have been right; though, as a matter of fact, although he was present at the Avadi session of the Congress, he had never voted for the resolution on the socialist pattern of society. Quickly he found his pace in which he parried and thrust in debate. Pressmen wished to taunt him on his lateness in decrying the Congress. He pleaded inconsistency and even the possibility that he might be in error. I was reminded strongly of Walt Whitman's remark "Do I contradict myself? Very well, then I contradict myself. I am large. I contain multitudes".

THE DARK HORSE ?

To the correspondent who asked whether or not the Swatantra Party was capable of changing, Rajaji was quick with the paraphrase, "Do you mean would it be safe for you to join the Swatantra Party?" The answer is that one can never be sure that there will be no change. But as far as one could see, the change would have to come from the other side. If it so happens, and Congress becomes wise to the better way, there was a chance of the dissolution of the Swatantra Party. In that event he, and he presumed many others on his side, would be delighted. Only some political careers might be lost. The audience, instead of shedding tears at this sad possibility, broke into laughter. To the correspondent who asked whether it was a "wisecrack" for him to describe the Communist Party as a ginger group of the Congress, Rajaji protested innocently, "You must tell me what a wisecrack is" and then he explained disarmingly how grey merges into black; in any case, the recent meeting of the Communist Party has borne him out. The Congress Party seems to be their friend and Nehru policies, they say, are in part theirs. A curious echo from an unexpected source. It was as though he had read their hidden minds. All in all, Rajaji gives the impression of an intensely lively and stimulating mind working calmly behind those eyes unseen behind the famous dark glasses. People talk about the dark horse. I am putting some money on Rajaji. He is the best dark horse that I have seen for a long time!

A GREAT VICTORY

I wonder how many people are as confused as I am on the judgment of the International Court of Justice on the enclaves of Dadra and Nagar Haveli. Whereas official pronouncements in New Delhi imply that we have scored a great victory, I notice that Lisbon has made an even greater show of jubilation. Non-official commentators in India have been markedly hesitant on the verdict. It has been pointed out that the right of private access to these enclaves has been admitted, while that of the Portuguese armed forces has not been. The verdict of 8 to 7 does not show, to put it mildly, a clear picture of unanimity in our favour. I am so fully occupied on my own tremendously exacting duties that I can never read leading articles in other papers. But I recommend for the intelligent layman — and who else will read this Diary? — the leading articles in "The Indian Express" and "The Times of India" on this subject. They seem to have called forth the second pronouncement from PTI pointing out the three-fold character of the victory. Firstly, the Portuguese did not get a successor title from the Marathas. Secondly, India's action in denying passage has been maintained so far as armed forces are concerned. Thirdly, the reinstitution of Portuguese rule by compulsion of any kind is excluded. All this is good so far as it goes. But how does one meet the point that Portuguese rights have by no means been cancelled in the process? If the Portuguese Government has the right of passage other than of arms, has this enclave an independent existence capable of allying itself to the Indian Union? Perhaps it is not right to ask this inconvenient question. Silence, it seems, is an excellent golden rule. Why does not the Ministry of External Affairs practise this counsel of perfection?

THE AUDIT REPORT

The most exciting event in Delhi, undoubtedly, is a new controversy on the Auditor-General's report to Parliament on the Defence Ministry's irregularities. The Prime Minister has seen one protesting group, which is stated to be anti-Auditor-General, and he has received a memorandum from another group of MPs which is very much pro. I am denied by an order of the Editor from delivering my piece on this subject, at least until next week, when more facts and opinions are expected to be available to throw into the melting pot. But may I emit one terrific red herring? I cannot think that this would have happened if the Prime Minister had not created the impression in the Auditor-General's mind, as well as everywhere else, that he refused to entertain any just criticism of the Ministry of Defence simply because he has determined without study that it has a personal ring against the Defence Minister. The natural sense of frustration of people who are law abiding and extremely proper is to follow only straight and conventional channels. But if the Prime Minister exercises his "discretion" in a manner which denies the effectiveness of what might be called conventional methods, some unconventional "discretions" are not merely applied, but are forced upon the country. I, therefore, hold the Prime Minister responsible for the departures from convention, if such there be. Do I hear a vast clamour from both sides? I have no doubt I will, but the right of free speech applies to me as much as it does to the Auditor-General. That at least is the way I read a fundamental right of the Indian Constitution. And I dare to say one thing further. There are very few people in New Delhi who think that the Prime Minister is a fair judge as between the Defence Minister and his critics. He may go through all the operations of a patient hearing, but no one is deceived. He is, for some reason or another, absolutely blind to the volume of genuine and patriotic feeling against the Defence Minister. And I doubt if a debate in Parliament is any remedy; some people, wrongly in my opinion, in despair are turning to the London High Court which has a case for hearing on May 2 !

ARGUS

THE WEEK'S NOTES

Passage for Colonialism

FAILURE OF PORTUGUESE PLEA

IT IS difficult to see how the judgment of the International Court of Justice at the Hague could have been different from what it has been in Portugal's case against India for an absolute right of passage from the Portuguese possession of Daman to the enclaves of Dadra and Nagar Haveli. No amount of legal quibbling and jugglery of words can conceal the naked truth that, in claiming an absolute right of passage, Portugal's real object was to claim an unqualified right of passage for her armed forces, armed police, arms and ammunition. Is this by any conceivable interpretation different, in the last analysis, from claiming the right of passage for reimposing her colonial rule? In effect—and this is what ultimately matters—Portugal's claim of passage for colonialism has been rejected.

From the summary report of the Court's judgment, which alone has become available at the present time, two points are clear beyond the possibility of reasonable doubt.

First, the Court has found that there had been free passage for private, that is to say, non-military, persons; but not for armed forces. During the British period and since independence, armed forces and armed police had not passed between Daman and the two enclaves "as of right" and were subject to previous authorisation by the sovereign power in the intervening territory. The Court's finding is that "no right of passage in favour of Portugal involving a co-relative obligation on India had been established in respect of armed forces, armed police, arms and ammunition". That settles the bone of contention in the dispute. How could the Court interpplate in international law the preposterous principle of the right of an alien Government to send its troops through the territory of a sovereign State at its will?

Second, there is the Court's finding that in view of the events which took place in Dadra on July 21-22, 1954, India's refusal of passage was governed by her power of regulation and control of the qualified right of passage. It is common knowledge that these events, which culminated in the success of the insurrection and overthrow of Portuguese rule, had created acute tension in the surrounding Indian territory. Any attempt on the part of Portugal to send even non-military persons is bound to create repetition of that tension, consequent on interference with the de facto independence of the two enclaves.

Reports from Lisbon say that the Navy fired a 21-gun salute to Portugal's "victory" in the case. The Portuguese Government and its Navy are at liberty to have their own conception of "victory". They are also at liberty to go on firing guns in Portuguese waters until their ammunition of intransigence is exhausted, good sense returns and Portugal reconciles herself with the historical fact of the futility of clinging to colonialism.

Meantime, the passage has been cleared for the Government of India to consider in earnest the desire of the population of Dadra and Nagar Haveli for reunion with their kith and kin. The present anomalous status of the two areas must be ended sooner rather than later.

Sino-Indian Dispute

HAS CHINA A SURPRISE TO SPRING?

MUCH WATER has flowed down the river since Sunday last when Mr. Chou En-lai expressed, in an address to the National People's Congress in Peking, his "sincere hopes" of a positive outcome of the next week's talks in New Delhi between the Chinese Prime Minister and Mr. Nehru on the Sino-Indian border dispute. Mr. Chou En-lai's recent euphemistic utterances and his platitudes of age-old amity and friendship between the two countries had indeed raised hopes that he would be adopting a conciliatory attitude at these talks. These hopes have been belied by the latest note from Peking, in reply to India's communication of February 12.

Read with the Chinese claims on Mount Everest, despite the facade of Sino-Nepalese friendship and aid offered by them for the economic development of this Himalayan Kingdom, this Note reveals their true intentions. China apparently wants to stick to the well-known Mao thesis of "two steps forward, one step backward" in her grand designs to expand southwards. The timing and the contents of the Note hardly augur well for the impending top level parleys between the two countries and may only add to the misgivings widely entertained in this country about their outcome. Though Mr. Chou En-lai has been scrupulously avoiding any reference to Mr. Nehru's observation that there was nothing common between the stands which India and China had taken on the border dispute, the Note makes it abundantly clear that the gulf between the two countries on the issue remains as wide as before and is not easy to bridge.

If the Delhi talks are to succeed, Mr. Chou En-lai will have to back his platitudes of centuries' old friendship between India and China with some concrete proof of reasonable attitude to appreciate India's point of view. The talks could have got off to a flying start had China made a goodwill gesture by withdrawing her forces from some of the disputed areas now under her forcible occupation. India had offered that she would not move in her troops there pending final settlement of the dispute through negotiations. Has China a surprise in store which she wants to spring just on the eve of the talks?

One cannot but feel sceptical about China, for scepticism is what China has created by her strategy of aggression first and profession of peaceful negotiations next. Mr. Chou En-lai's seeming optimism that his negotiations with Mr. Nehru would yield "positive results" and the traditional friendship between the two countries would "shine forth brilliantly in the end" must be taken with a grain of salt. No amount of wordy gloss can hide the crude fact that, having grabbed by force the minimum she wanted, China is coming for peaceful talks to get more if possible. Every single move of China must be tested by her deeds, not words, however, brilliantly the latter may shine.

South Africa

ATTEMPTED MURDER

THE NEWS of the attempt on the life of Dr. Hendrik Verwoerd, Prime Minister of the Union of South Africa, has been received with a feeling of regret all over the world. The attempt was made at his first public appearance after the declaration of the state of emergency—

at the Union Exposition. The conscience of the entire civilized world has been shocked by the cold-blooded killings and brutal attacks on Africans in Cape Town and Johannesburg for which Dr. Verwoerd's Government and his tribe of incorrigible believers in apartheid must bear full responsibility. In spite of the fact that the practitioners of apartheid have invited worldwide condemnation upon themselves, the murderous attempt on Dr. Verwoerd's life has been deplored everywhere. This is reasonable and easy to understand. Organized brutality, although of a grave magnitude, can never justify even an isolated murder or its attempt in retaliation. The creed of apartheid cannot be destroyed by the physical destruction of those at the top who nurture it with a fanatic zeal. It is the product of a mental attitude which can be cured by persistent appeal to conscience and moral pressure of world opinion. Violence is futile as a means to settle any issue. It is generated by frustration and its failure breeds greater frustration.

The fact that Dr. Verwoerd's assailant was a white man and not a coloured one is a source of relief—in spite of the sordid nature of the act. If the assailant had been an African, one of two consequences may have followed. The act may have set ablaze a mass agitation of violence against the white race. But this was unlikely, considering the policy adopted by Africans to win elementary human rights and the state of their organization. The other consequence was more likely, namely, a campaign of suppression on a scale which would have put into shade the brutality practised so far by the South African Government in the name of apartheid. That this second consequence may have ensued is indicated by a telling piece of evidence. Mr. Paul Sauer, Chief of the Parliamentary Nationalist Party, who took over as interim Leader of the Government (without the status of acting Prime Minister) gave a pledge to push forth the apartheid policies of Dr. Verwoerd. Against whom was this thunder directed—against the assailant David Pratt, who represents an isolated phenomenon, or against the Africans who have nothing whatsoever to do with the murderous attack?

Oil

GOOD LUCK AT CAMBAY

CAMBAY HAS demonstrated that oil exploration is a gamble in which good luck can bring fortune in a short span of time. If the oil fields at Digboi are left out of consideration for a moment, it took India as long as 1866 to 1953 to drill wells after wells before oil could be struck in the Naharkatiya area. By contrast, Cambay delivered oil with a comfortable investment of hardly more than a couple of years' patient labour.

Mr. K. D. Malaviya announced in the Lok Sabha in the course of the debate on the demands for grants of his Ministry that an analysis had yet to be made to ascertain the proportion of natural gas and oil in the area. But data examined carefully so far have revealed that the proportion of oil will be substantial and a good reserve will be available for us to tap. Even at this preliminary stage, there is a sound basis for proceeding confidently with a project of installing a refinery having a capacity of anything between half a million tons and one million tons. The refinery, of course, will be medium-sized. Whether large-sized refineries are suitable for the conditions obtaining in India or medium-sized refineries would be ideal as a normal condition is a point which is open to debate. But this much is certain that there is room for both. In Assam both the refineries—the old one at Digboi and the new one to be erected at Gauhati—are medium-sized. If Cambay is to have a medium-sized refinery, the argument in favour is that Saurashtra and the neighbouring region can have access to its petroleum products with considerable economy in transport costs and transit time for the liquid fuel. It would be of great practical importance if the possibilities are investigated as to how far the Cambay refinery can be geared to the supply of high-quality diesel oil for railway locomotives in the West and South. It would help relieve the pressure on coal in short supply, pressure on railway wagon capacity and long delays as well as higher cost in procuring coal for steam engines, particularly in these two regions which are at a great distance from the sources of supply in Bihar and Bengal.

Cambay will be the third refinery in the public sector and in the order of size of installed capacity it will be the last in this sector. First comes the refinery at Barauni in Bihar with a capacity of 2 million tons and second comes the refinery at Gauhati with a capacity of 0.75 million tons. Along with Digboi it will form a distinctive group of four refineries which will depend upon indigenous crude. The Cambay find, however, must be viewed in the national scale of our continuously mounting demand for liquid fuel. In the Third Plan itself the demand is estimated to increase to 14 million tons. Cambay's contribution will be about 1/28th part of this demand.

Food

NEW URGENCY TO BUILD UP RESERVE

THE CORNERSTONE of the Government of India's short-term food policy may be securely laid down soon. The Union Food and Agriculture Minister, Mr. S. K. Patil, is visiting the United States next week on a mission which, if successful, should help in imparting stabilisation to foodgrains prices in this country. He will be negotiating with the U.S. Government, on the basis of a carefully processed scheme, imports from there of sizeable quantities of foodgrains required to build up in India the proposed 5 million tons food reserve, consisting of 3.5 million tons of wheat and 1.5 million tons of rice. Indications are that no major hitch is likely to arise in the talks which Mr. Patil will be holding with the U.S. authorities. Preliminary exchange of views has already taken place in New Delhi with the local U.S. officials and the U.S. Government is understood to be favourably inclined to consider India's request.

The need to build up this food reserve can hardly be over-emphaized, but the recent behaviour of foodgrains prices has added to the urgency of building it up at the earliest. A fortnight ago, foodgrains prices had broken quite sharply in anticipation of a bumper rabi crop which had helped the hoarded grain to come out. This heartening trend, however, has proved to be only short-lived and prices have resumed their upward trend. This development is a matter of great concern, for it has come about as a consequence of the downward revision of the trade's estimates of rabi crop output. The recent adverse weather in some of the surplus producing States is said to have done considerable damage to the standing food crops.

The building up of the proposed food reserve will act as a deterrant to the unhealthy practices which the trade might resort to as a result of the radical change the yield prospects of the standing rabi crop have underwent during the past few days. The Government may also be cautioned against resorting to State trading in grains this year on any large-scale; that will only complicate matters. There is need for clear thinking on the subject right from now and the Government will do well to plan its strategy well in advance to meet the situation that might arise from the bigger shortfall now expected in this year's rabi harvest.

A Window on the World

MR. NEHRU: PLEASE NOTE!

By

ODYSSEUS

AT £3,325 millions, British exports achieved a record total in 1959 with a 5 per cent increase over 1958. The prospects for 1960 are for a continued rise in international trade, in which the UK, providing that she can contain home demand at a level at which her prices remain stable, or at worst, rise less than her competitors, should be able to maintain her share.

Many commentators have pointed out that the rate of growth of the UK's exports, and of her economy as a whole, has been slower than that of post-war Germany, France, Italy, and Japan, but the latest issue of the District Bank Review (Spring Gardens, Manchester 2) usefully reminds us that it is relevant not to forget that the UK started from a high level. Looking back as far as the old prewar Macmillan Report, we read "in 1929 UK exports of manufactured goods, though declining, were still greater than those of any other country in the world." As the UK has had neither a rapid growth of population, nor a great store of local raw materials, it has been impossible for her to show a better rate of growth from that high level than countries which have both, or one or the other, as Germany with its influx of 13 million refugees of working age, or than countries, like Italy, starting from a less advanced stage of industrial development. Nevertheless, despite these circumstances, measured in terms of output per head, the UK has nothing to fear from comparisons with other countries.

Because the UK was strongly established as the world's leading international trader before her present competitors took the field, she has pattern of industrial organisation designed for world markets. As markets have shrunk for particular products, the pattern has had to be changed: a slow and costly business, as the cotton and coal industries exemplify. Although these changes involve a loss of saleable output compared with what the UK can achieve when men and capital resources have been re-deployed—just as in a car factory when re-tooling for new models—the UK still owes much of her strength in overseas trade to the original pattern. Organised to export anything from sewing thread to locomotives, the UK made money on both the swings of consumer, and the roundabouts of capital, goods. Now that so many consumer goods are produced by countries with young, often protected, industries, the UK has had to cut losses on the swings and make more on the roundabouts, turning steadily towards industries requiring high capital investment in technical equipment or scientific research. Engineering products generally, and motor vehicles in particular, plastics, chemicals, and large industrial plant are examples, and all are rising in proportionate value and quantity in the total of UK exports.

The dollar gap, which came to be regarded as a permanent natural postwar phenomenon stimulated efforts to sell in what proved a most rewarding, although difficult, market. Not all the effort was successful, of course. Many firms patriotically put money and planning into ventures which proved ill-fated because quotas or tariffs were too limiting, or simply because competition was too keen to allow sales to attain paying levels. But lasting advantage has certainly been gained from the persistence of many producers in building up the right selling and servicing organisation. The hard won experience of the lean early postwar years is paying off handsomely today. The President of the UK Board of Trade was justifiably jubilant that exports to the USA in 1959 topped the $1,000 million mark and that the UK's share of the US market was second only to that of Canada. There is no reason why 1960 should not see these figures improved. Admittedly the sellers of British cars have yet to discover how far Americans will take to the new compact models produced by Detroit to meet European competition, but the prestige value of good class foreign goods is likely to remain high in the USA so long as rising living standards promote sophistication of taste. It is encouraging to note that the UK's record total for 1959 was not so heavily dependent on car shipments as in previous years, although the figures for road vehicles were still the most impressive. At the same time the possibility of quota or tariff action against UK imports into the USA can be expected to disappear only when the USA has achieved a better balance of payments. As the USA moves towards achieving this, keener competition for all other markets must arise.

WANTED: A LEAD FROM INDIA

Both Canada and the USA have recognised the potential expansion of sales arising from the bigger markets of the European Economic Community and the European Free Trade Association, and also the risks of exclusion from either or both of them. For the UK, some of the good recovery in trade with EEC countries, especially Germany, during 1959 may turn out to be hay made while the sun was shining, that is before the EEC's common external tariff is erected. There is concern in the UK at the ultimate effects of the EEC's tariffs in raising these barriers against some UK exports to the countries with relatively low tariffs, Germany, Holland, and Belgium, where some UK prices have only a narrow margin of advantage. Against these, of course, must be set the benefits to be gained from participation in the EFTA of the Seven. These are considerable, but they are likely to arise from trade diversion rather than from trade creation. Trade diversion leaves all participants no better off as a whole than they were before, whereas trade creation raises standards of living all round. It is to be hoped that the leaders of the EFTA and of the EEC come to an agreement, for in creating trade between them, they will add not merely to their own prosperity but to that of the world. It must be admitted that at the moment of writing, the chances of some working agreement between the Six and the Seven do not seem dazzling. I suggest that neutral countries, such as India, should join with the USA and Canada to knock the heads of the Europeans together, and point out that, in the interests of world prosperity, their stubbornness in sticking to their present positions cannot be tolerated. It may be that the way out is through the machinery of the General Agreement on Trade and Tariffs, but whatever the way out, make no mistake, under developed countries will suffer at once from the repercussions of any economic division in Europe. A minority of informed opinion in all European countries would be ready to make economic sacrifices in order to provide greater investment funds for Asia, but it is difficult to see the mass of the uninformed accepting a halt to the rate of increase in their well-being, still less a fall. The only hope, therefore, of finding adequate funds for Asia is that the rate of growth in European wealth will be such as to keep the masses in good humour and, over and above this, provide a surplus for foreign investment. I am not arguing the rights and wrongs of the points of difference between the Six and the Seven. I am saying that unless they reach a common understanding which leads not to trade diversions (still

less to trade war) but to the over all multiplication of the wealth of Europe, not merely Europe, but Asia, and the whole free world will suffer. If Mr Nehru could be persuaded to take a lead in promoting economic co-operation between the Six, the Seven and North America, he might add spectacularly to the changes that he has already made to the course of world history. He has an extremely strong case to put, and would find much more support in the Ministries of Finance and Commerce of Europe that he might think likely.

To return to the UK export picture, whereas the industrialised countries have increased their demand to roughly half the total of UK exports, the rest of the Sterling Area (which has fallen to a 40 per cent intake of UK exports), Latin America, and the Middle East have been slow to pick up after the 1958 set back. Depending largely on agriculture or raw materials for overseas earnings, they have been hit by the terms of trade. The British Chancellor made his plea for lower UK prices with an eye as much on the UK's overseas customers as he did on the domestic consumer. In addition to falling prices for their exports, the primary producers have been hit by the increasing substitution of synthetic for natural products, in such fields as rubber, plastics, and man-made fibres.

Understandably, the primary producers have speeded up the creation of domestic industries to provide as many as possible of the manufactured goods that they have bought from the UK in the past. The process has gone a long way in Australia, New Zealand, and South Africa and is developing in India and Latin America.

Since it is the UK's declared policy to encourage the development of industry in the Sterling Area and to press for the reduction of all barriers to trade, it follows that she can only maintain her own exports by steadily switching from the export of consumer goods to the more highly specialized types of industrial products and to capital goods.

PROBLEM OF FINANCIAL CREDITS

The large capital projects in India undertaken by UK firms in consortium, and similar exports of complete plants to the USSR and other East European countries, Asia, Africa, and Latin America, foreshadow the pattern of an increasing proportion of UK exports. The UK is steadily expanding her capacity to meet the needs of the under developed, but financial credit remains a knotty problem.

The problem in lifting the figure of £200 millions that the UK provides in overseas finance to the target of £450 millions a year is still how to export enough to have a sufficient surplus to lend for the purchase of still higher exports. Trade diversion in Europe will not increase but diminish the UK's surplus of funds for overseas lending, as well the surpluses of all other European countries.

It is splendid that not only the UK but the EEC, the EFTA, America, and Canada, are all agreed on the vital importance of international co-operation to finance the under developed, but it is not enough to be in agreement. What is now needed, as I suggested above, is pressure from Asia to put their own co-operative house in order so that they may be able to give effect to their agreement that aid for the under developed should be increased. The District Bank Review suggests that, among more immediate measures, one would be the encouragement of private investment by the offer of a good return and the prospect of capital growth, which, you will recall, was urged as far back as November 1, 1957, by "The Eastern Economist" in its Blue Supplement on Private Investment. To this should be added some form of international guarantee to diminish risks.

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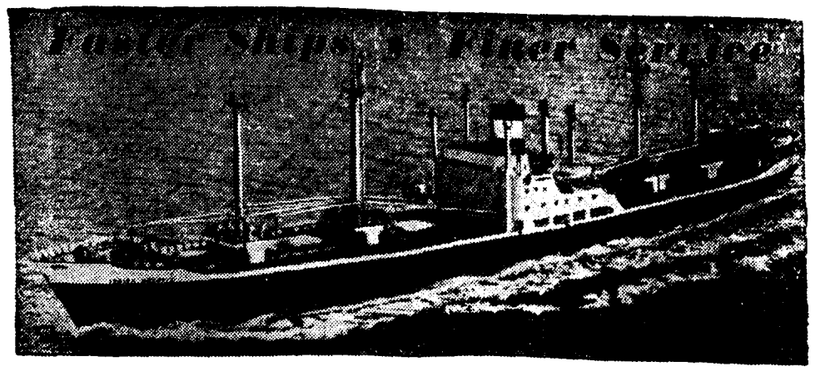
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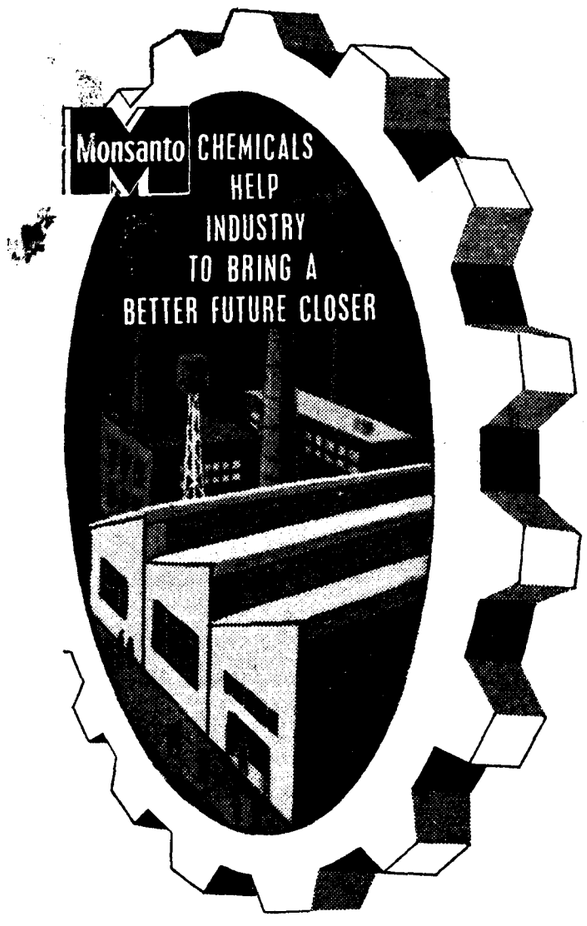


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I. 79

The European Scene

LECLERC FOR INDIA

From Our Special West European Correspondent

PARIS, April 9.

WHENEVER you read in the newspapers that such and such an Indian industry has for the first time reached the point where it can supply all domestic demand and is now looking for export markets, it is important to know that this is not a success story but the story of a failure. When you read that a Minister has gone to address that industry's annual congress and urged it to sell its surplus abroad to earn foreign exchange to assist India's development, it is important to see that this gentleman has radically mistaken ideas about economic development. Since we do read both these things in the Indian papers, and with increasing frequency lately, it is worthwhile reflecting on the causes of such failure and such mistaken ideas; and then it might be profitable to look at certain experiments in commercialisation in Switzerland, West Germany and France that could offer a remedy.

That there is something wrong in the reasoning of our export-boosting Minister can be seen at once by asking him what he hopes to do with the foreign exchange earned by Indian industrial exports. If he hopes to buy food abroad with it, then obviously this is, from the point of view of economic development, a wasteful procedure: the investment in secondary industry whose products are exchanged for foreign grain would have been better invested straight away in Indian agriculture as long as there is scope for increased food production at home. But if he hopes to buy capital equipment with it, one is bound to ask what is going to happen to the products of such new capital equipment. Are they too soon going to run into a fixed ceiling on domestic demand, so that they in turn have to be exported? And so on indefinitely? Even supposing that this were possible today, as it was possible for Japan 50 years ago, it would be clear that our Minister had a curious idea of the future Indian society. Alternatively, if he hopes to market in India the second wave of industrial goods, why does he not seek to promote the marketing in India of the first wave, the one he now wants to have exported?

In other words, to start talking about exports the moment an Indian industry has "made the country self-sufficient" (in the classic and complacent phrase) reveals that one is fatalistically accepting present limits on domestic demand. Yet half the problem of development is to increase effective demand at home. The other half, of course, is to increase production, but if one succeeds in that while failing to stimulate demand one is not succeeding at all in the general task of development. It is not necessary, I hope, to demonstrate the falsity of Say's Law in this situation; the idea that investment in production will by itself create the purchasing power for the goods produced has no application in India (supposing it has elsewhere) because there are too many factors that dampen and mute the multiplier effect.

More important, to talk of exporting India's new industrial goods shows that one has grave illusions about international trade in our time. In an article on this page last December, I took the case of Indian cycles (one of the goods nowadays suggested for export) and demonstrated that their export prospects were very poor. The reason, briefly, is that all developing countries are doing the same as India, protecting their home market to stimulate local production, while the old-established manufacturers in West Europe and the USA are obliged to concentrate on the few importing markets that remain, and there they have advantages that the new Indian industry can scarcely hope to challenge. If you want to know what happens to a new industry in a developing country that passively accepts the limitation of home demand and fails to find export outlets, then the history of Latin America is full of instructive examples. Numerous promising starts have been made in industrialisation, have stagnated and then aborted, while Ministers shouted for more exports and while manufacturers placidly waited for the "spontaneous" expansion of the home market, which never occurred.

Of possible remedies to this situation, there is one that was popular in India a few years ago but which can be dismissed: the blind trust in inflation as a creator of "purchasing power". Inflation does indeed, by definition, increase purchasing power but not necessarily for the goods that are locally in excess and cannot be sold; its one certain effect on them is to increase their price and this only makes matters worse. It is more useful to see what happens to these manufactures after they leave the factory, on their way to the potential consumer, i.e. to attend to the problem of commercialisation. Here we run into something that is just as characteristic of under-developed economies as are their feeble output, unemployment, and primitive agriculture: namely a swollen and parasitical commercial sector. It is quite self-defeating to sweat blood in efforts to increase industrial output and lower costs, while ignoring the stranglehold of this vast parasite over the economy.

One of the signs by which we recognise a backward economy is the excessive proportion of the population engaged in commerce: this is 14 per cent in Africa, 17 per cent in Asia and up to 27 per cent in South America. When you consider the low volume of sales in such countries (where many people live in a subsistence economy, i.e. do not trade), it is clear that this large class of people is in fact doing very little. That would be bad enough if they consented to be paid, for doing very little, at the same rate as real workers. In fact, they demand and get much more; they claim a slice of the national income that is not only out of proportion to their usefulness, but out of proportion to their numbers. Thus if you take as 100 in each country the net product of an agricultural worker, then the net product of persons engaged in commerce is: 65 in New Zealand, 100 in Britain, 130 in Canada, 180 in the USA, 230 in Italy, 300 in India, Japan and Brazil, 650 in South Africa and over 700 in Mexico and Turkey. In these two latter countries, the situation is nothing short of scandalous: 22 per cent of the Mexican population is in commerce and they grab 56 per cent of the national income! But the case is already bad enough in India, where an hypertrophied trading community gets paid three times as much per head as peasants for doing little more than obstruct the marketing of growing Indian industry's manufactures. To tell manufacturers that they must accept this situation and try to export their "surplus" is simply to protect this parasite.

How to extirpate it? Plainly not by a head-on attack or by trying to reform it, but by seeking alternative and more direct channels of communication between industry and its market. About eight years ago the author of these lines suggested repeating an experiment already tried in Mexico: the introduction into India of American-financed department stores and chain stores to sell Indian manufactures in all big towns. After a flicker of interest in New York and New Delhi, that suggestion came to nothing, and today I believe it

would be a mistake. There are reasons for not wanting foreign capital in commerce, and the jump from the bazar to the US chain store and supermarket would be too great. A more reasonable idea is suggested by a form of retailing now being tried in several places on the Continent, and associated with the name of its most successful practitioner, the French ex-priest Leclerc.

It seems this might suit India because it is being violently fought from two sides: by the big department stores and supermarkets as reactionary, primitive and demagogic, and by the shopkeepers as unfair, dangerous and government-backed. This double opposition has already forced Leclerc's West German imitator into bankruptcy; the vested interests of commerce were too big for him and the Bonn Government would not support him. His Swiss opposite number has managed better. Leclerc himself did famously in numerous provincial towns, notably Lyons and in Brittany, but when he dared a few months ago to open up in Paris the established traders sprang at his throat. The political organisations of the small shopkeepers are threatening hell-fire and revolution if the Government does not put an end to his activities, stop mentioning his name on the national radio and charge him with tax-frauds. The giant department stores told manufacturers they would boycott their goods if they continued to supply Leclerc; the manufacturers panicked and refused Leclerc's orders; the press, trade unions and consumer organisations came to his defence, and now the Government has threatened to prosecute any manufacturer who refuses to sell to Leclerc at normal prices.

What did he do to bring the heavens about his ears in this way? Something quite simple naturally, because there is nothing very complicated in commerce. He opened stores in backstreets, in musty disused garages, empty barracks, etc. He employed very few staff; you have to queue to get in and be served. He spent nothing on fixtures, lighting, packaging; just a bare wooden counter with laden shelves behind, and you put your purchases in a paper bag yourself. He started by selling only one or two brands in each line, and chose the most popular. He spent nothing on advertising, but used his connections in the trade unions, in the popular press and in Government departments interested in keeping prices down, to make himself one of the best-known men in Europe. He placed big orders for everything, to get the biggest discounts, and stocked the stuff where he could. Finally, he brought a fighting, crushing spirit into his enterprise which he matched with a genius for organisation. The result is that he is undercutting the small shops by anything up to 30 per cent and is selling at very little above the wholesale price. Now he is threatening the big department stores, by exposing a fraud that brings them much of their profits: fancy prices charged for "prestige" goods which in reality differ very little from ordinary goods except that their trade-label is well advertised.

It cannot be denied that Leclerc is a reactionary from the point of view of the big modern stores. The customer who shops in a brilliantly appointed, well lit and heavily staffed department store, guided in his purchases by the store's advertising, is not being robbed or exploited just because he has to pay for those overheads. The future does not lie with Leclerc's crude methods, and it would be an impoverishment if commerce relapsed to his frugal style. But as a shock operation designed to squeeze out the mass of small parasites that still batten on retail trade in Europe, and to show consumers how they can benefit from industrial progress, his enterprise is important. There will always be room for a Leclerc every couple of years, just to remind consumers what proportion of a retail price really represents the cost of manufacturing a product, and how much of the balance is taken by all sorts of intermediaries whose activities are not necessarily useful or desirable. There is certainly room for a Leclerc in India today, but he would need to have the active support of manufacturers themselves and the benevolent backing of the Government.

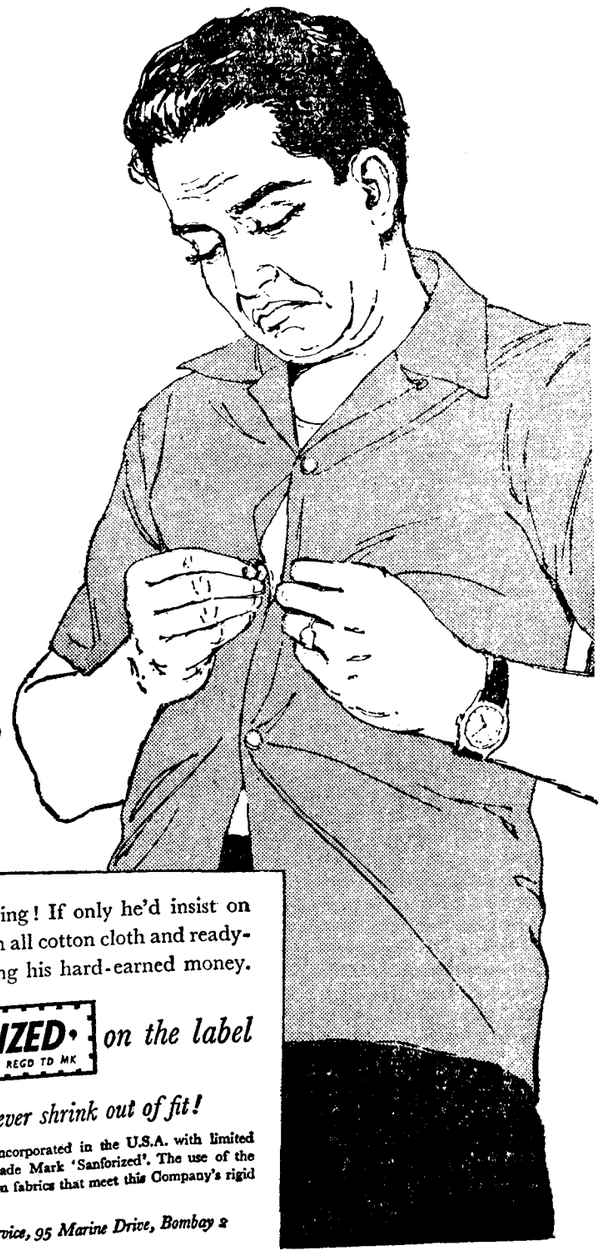
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Economic Report from the U.S.

FOREIGN TRADE

By GUY SIMS FITCH

WASHINGTON, April 5.

ECONOMISTS generally are wary — and justifiably so — of assessments made on the basis of only a few months' experience. Yet the most recent foreign trade statistics of the United States bear out the 1960 forecast so closely as to warrant consideration as more than passing phenomena. Just a few days ago,the U.S. Department of Commerce released a preliminary report showing that U.S. merchandise imports in February totalled $1,287 million — up 15 per cent from February 1959. This came on the heels of an earlier report that U.S. commercial exports in February had set a record for the month at $1,504 million — a resounding 27 per cent above February 1959.

While some statistics are available, it is clear that the trade developments of recent months are in line with what generally has been predicted for 1960 as a whole. From December 1959 through February 1960, the latest three months for which figures are available, commercial export hit an annual rate of $16,500 million, compared with the actual total of $16,300 million. Imports, meanwhile, reached an annual rate of $15,300 million, just about equal to the 1959 record total, and most experts believe that gains in the months ahead will bring the 1960 total to the predicted $16,000 million. Aside from their importance to trade itself, these figures offer an encouraging affirmation of the view that the U.S. trade surplus — the excess of commercial exports over imports — will substantially help alleviate the troublesome deficit in the U.S. international balance of payments. The U.S. export improvement actually began toward the middle of last year, ending a downward trend that had become evident late in 1957. From August 1959, through this past January, for instance, the volume of commercial exports was fully $500 million ahead of the corresponding 1958-59 period — $8,430 million as against $7,925 million. This and a careful analysis of the trade figures themselves seem to provide a sound basis for countering the allegation that American products, by and large, were running into special export difficulties because they were being priced out of world markets. Much of the downturn in American exports in 1958 may well have been associated with a general though relatively modest, dip in world trade as a whole. And it is now likewise possible to say that the recent and sustained upturn in American exports is related to a general upturn evident in world trade.

Economists also point to another interesting coincidence: many other countries, partly with the assistance of liberal U.S. trade and aid policies, were able to build up their gold and dollar reserves to a marked degree in recent years. Consequently, they were in a position to relax their trade and exchange restrictions — relaxations which began to take effect with increasing frequency in mid-1959. It is not too much to say that this trend toward the freer international movement of funds and goods has benefited not only U.S. exports but world commerce in general. An examination of recent U.S. trade data by commodity and product-classes is especially revealing in this respect. They show that a group that would be particularly affected by international price competition, has shown marked export improvement in the past few months. For example, factory sales of American automobiles to other countries rose sharply in February — to the highest total for the month since 1956. As was expected, a substantial improvement in cotton exports has been a major factor in the gains in U.S. sales abroad. But the figures of other export categories demonstrate beyond any doubt that the gains made in U.S. foreign trade have by no means stemmed solely, nor have they depended on, the sharp expansion of cotton shipments. Rather export increases have been so well distributed among merchandise groups as to indicate that most American products are in strong demand abroad.



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Special Article

SMALL SAVINGS THROUGH PRIZE BONDS

GREAT interest attaches to the new scheme of prize bonds introduced two weeks ago by the Ministry of Finance for mopping up small savings. It is to be conceded that the small savings movement has not fared according to expectations during the last four years. The Second Five-Year Plan had set out a target of Rs. 500 crores (at the rate of Rs. 100 crores per year) but according to the Finance Minister's Budget estimates, the total is not likely to exceed the sum of Rs. 374 crores. That the rate of rise in small savings has not been according to expectations is brought out clearly in the Table below. The net addition to the volume of small savings in 1956-57 was Rs. 60.1 crores and steadily rose to Rs. 82.0 crores in 1959-60. While the target for 1960-61 has been placed at Rs. 90 crores, it is evident that the level ruled well below the 100-crore mark set for each of these years.

Technically, the prize bonds are not a component of the small savings scheme, since the Finance Minister included the receipts from the prize bonds in his estimates for market borrowings. The reception accorded to the prize bonds by the public during the past few days shows that the Finance Minister's expectations of the public response to the bonds had been on the lower side. There are fair chances of raising a sum of Rs. 100 crores through the bonds this year, the borrowing programme, thus, will meet with a fair success. There are chances of the total borrowings exceeding the target of Rs. 250 crores in 1960-61.

An interesting feature of the new prize bonds scheme is that the Ministry of Finance has agreed to incur a little higher cost in order to popularise the prize bonds. The quarterly distribution of prizes at Rs. 92,000 for every series of a crore of rupees works out to, on simple interest basis, a little less than 1 per cent per quarter. If all the 20 instalments of prize bonds are accumulated at compound interest, the cost of borrowing definitely works out to more than four per cent per annum. As compared to the prize bonds, Plan certificates yield in five years an interest of 16 per cent; at the compound rate of interest it works out to be three per cent. It is to be hoped that this small rise in cost will be instrumental in attracting a sizeable portion of the additional purchasing power communicated to the middle and lower middle classes by the rising development expenditure.

What is the likely volume of money that can be raised through prize bonds? An attempt is made here to assess the probable volume of finance raised by this scheme on pragmatic principles. On the assumption that out of about 16 million urban families, at least 50 per cent go in for one bond of Rs. 100, it is estimated that a sum of Rs. 80 crores can be raised from th urban areas alone. The rural population, where pe capita income is roughly one-third of the urban income may not be able to subscribe to the hundred rupee bond but the smaller bonds of Rs. 5 will certainly be mor popular. Here again, it is estimated that out of 6 million rural families, even if every other family goe in for a bond of Rs. 5, the total yield will be Rs. 1 crores. In other words, the total may thus come t about Rs. 96 crores.

While it will be possible to raise about Rs. 10 crores in the first year, it is not likely to be repeate

SMALL SAVINGS IN THE SECOND PLAN

(Outstandings at the end of the year)

(In lakhs of Rs.)

Year	National Savings Certificates						Cumulative Time Deposits		10-Year Treasury Savings Deposits Certificates			
	5 year	7 year	12 year	12-year National Plan Savings Certificates	Post Office Savings Bank Deposits	10-year National Plan Certificates	5 year	10 year	3½ per cent	4 per cent	15-Year Annuity Certificates	Total
1955-56 ..	376	548	144,37	—	167,85	16,38	—	—	41,25	—	95	380,04
1956-57 ..	300	601	163,68	—	196,50	25,38	—	—	44,28	—	132	440,17
1957-58 ..	222	473	143,45	71,43	213,91	23,11	—	—	43,58	547	187	509,77
1958-59 ..	173	379	119,11	152,48	226,92	21,01	3	2	42,57	11,68	241	581,73

in the following years unless steps are taken to sustain the public interest in the bonds. In what way can the interest in the prize bonds be sustained? It is suggested that the number of prizes should be increased even if the value of each prize has to be lowered. According to the theory of probability, the larger number of prizes will spread over a larger percentage of the participants. It is the recipients of these prizes who are to act as messengers of goodwill, keeping the interest of the people sustained in these bonds. It is recommended, therefore, that even if the value of the prizes is reduced uniformly to Rs. 500 and the number of prizes is thus increased to 184 and there are at least 100 new series in operation each year, the number of participants will be significantly larger, and will be scattered throughout the country in such a manner as to keep the interest sustained. If the prizes are large and the lucky winners are to be found at some stray places in some corners of the country, the interest may be created only in those areas and may ultimately peter out. This contingency is happily unlikely unless sale is heavily biassed areawise.

The argument has recently been advanced that the volume of money which is likely to be raised by prize bonds would have come into the savings pool anyhow, either in the shape of Saving Certificates or life insurance or bank deposits. This is probably not true. There is a large percentage of families who have shown interest in the prize bonds but have never known these traditional institutions for savings. Every rise in income or surplus in income has meant for them either increased consumption or investment in bullion or other assets. A big proportion of this class of families has come forward to subscribe to the prize bonds, specially because of the hidden desire to fulfil certain cherished dreams through the goddess of chance. Gambling is a recognised element in human nature; therein lies the secret of the continued success of this new scheme.

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THE BUSINESS WORLD

Walchandnagar's Bold Enterprise

By

CROESUS

OFTENTIMES, I have wondered why the Memorandum of Association of a public limited company should be so broad-based as to embrace within the compass of its activities almost everything under the sun. It did not occur to me that my last week-end's visit to Walchandnagar in connection with the expansion of the sugar machinery manufacturing workshop of Walchandnagar Industries Ltd. would provide an explanation. The romantic history of Walchandnagar Industries, Ltd. recalled by Mr. Gulabchand Hirachand, the present Chairman of the Company, in his address of welcome on the occasion explains why, in its memorandum, a company should define its aims and objects in as broad and comprehensive a way as possible. To many who were present on the occasion, I have no doubt, the disclosure of the unconventional origin of Walchandnagar must have come as a revelation. Who would have thought that Walchandnagar Industries Ltd., as we have known it began in 1908 as a British engineering enterprise — Marsland Prisce & Co! Nor could anyone, until a few years ago, have even remotely associated with Walchandnagar engineering works. "By a strange freak of destiny" to quote Mr. Gulabchand, "during the last three years, it has greatly reverted to something more akin to engineering for which the parent concern was founded."

While destiny does play its part, to some extent, it is the human will that really determines either the course of action of an individual or the progress and expansion of an enterprise, and it would, therefore, be belittling the initiative and imagination of a well-known unit of private enterprise in the country, not to attribute "the most important and breath-taking development amongst our expansion activities during these years" — as the establishment of the sugar machinery manufacturing division of Walchandnagar Industries Ltd. has been appropriately described — to the enterprise of the management. Great industries, even today as in the past, grow out of small beginnings. There is nothing surprising, therefore, that from the small beginnings it made, by way of manufacturing items of some machinery on a small scale for purposes of renovation of its own sugar factories, the present sugar machinery manufacturing unit has emerged. Nevertheless, it must be an exciting experience for Mr. Gulabchand and his Chief Engineer, Mr. J. P. Mukerjee, to recall the days when they found themselves busy planning and manufacturing a few important items of machinery of a sugar factory just to overcome the difficulties of supply of capital goods in the immediate post-war years. The product of their own efforts naturally gave them abundant satisfaction, but I am inclined to believe, having visited some of the reputed engineering concerns in the U.K. at the time, the quality of machinery turned out by this pioneering Indian manufacturer could not have been much inferior to that of any foreign make. Many units of the foreign capital goods manufacturers at the time also had to start from scratch because of the damage brought by the Second World War, both to plant and their trained personnel.

Be that as it may, the confidence which this initial effort gave to the Walchandnagar people in particular and to other sugar producers in the country who were not slow to place orders for items of machinery similar to those the manufacture of which was begun there generally prompted the Walchandnagar management to extend their activities to a more ambitious programme of manufacturing important items of sugar machinery not only for their own use but also for supply to other factories in the country. With this objective in view, Mr. Gulabchand and Mr. Mukerjee did well to visit various engineering organisations in Europe, but this was not all. There were other propitious circumstances that favoured this new line of Walchandnagar. Credit must be given here to the Government of India, particularly to the Development Wing of the Union Ministry of Commerce and Industry, for having suggested and encouraged Walchandnagar to take up manufacture and supply of complete plants for sugar factories. Here is a striking instance of the right type of perfect understanding between the Government and the private sector making for increased national prosperity. Government's active encouragement, on the one hand, and the possibility of getting technical collaboration from a well-known firm of foreign manufacturers of sugar machinery like Techno-Export, Skoda, on the other, helped Walchandnagar decide on its destined course of action. As Mr. Gulabchand remarked, "we, therefore, took this plunge and decided on the manufacture of complete plants for sugar factories as a phased programme of progressively increased percentage of indigenous manufacture." It was heartening to see—besides being told by both Mr. Manubhai Shah, the Union Minister for Industries, who was the Chief Guest on the occasion, and by Mr. Gulabchand himself —that Walchandnagar is now manufacturing two complete sugar mills which may be expected to be put into commission early next year. In order to raise the percentage of indigenous manufacture, the Government of India have adopted the prudent policy of steadily restricting imports of foreign components more and more. Mr. Shah went to the extent of telling India's foreign collaborators, through the Czech collaborators with Walchandnagar, that "India is determined to achieve self-sufficiency in machinery manufacture and that she will not halt until that goal is reached." To him what

has happened at Walchandnagar and other places in the country in the field of machinery manufacturing is only "a beginning of the beginning". Anxious to accelerate this process, the Union Minister paid unqualified tribute and conveyed the Government's thanks to all foreign collaborators for their great contribution to the industrial progress of India. He called for more and more instances of such foreign collaboration with India, which, he said, had just completed the first stage of economic development and was on the threshold of an era of self-sufficiency in machine-building, to enable her to make rapid headway. The ambition of Mr. Shah is as great as his infectious enthusiasm for industrialisation. Hence his fervent hope that, at the end of the Third Plan, the country would manufacture capital goods of the value of about three hundred crores rupees per year. "India can make it and shall make it", he declared.

In this connection, I am bound to draw pointed attention to the great assistance and encouragement which Mr. Gulabchand said—and openly acknowledged — Walchandnagar has received from Techno-Export, Skoda. Giving guidance, providing necessary materials at competitive prices, allowing the use of their technical know-how — and that without taking any royalty — and even placing the first orders for several items in respect of orders for sugar plant directly procured by them are services for which Walchandnagar cannot be too greatly indebted to this Czech firm. This is in contrast to the half-hearted and halting help by way of technical collaboration extended by some foreign firms in other fields which have not unjustifiably evoked a storm of country-wide protests. The foreign firms concerned evidently do not appreciate the harm they have done not only to themselves and to their country but also to an economic system which has to contend with another powerful economic system which is leaving no stone unturned to make its impact felt on this country I wonder if the foreign firms concerned have ever cared to approach the question from this aspect.

Business Notes

Industry

PROTECTION FOR STEEL FILES

IT IS now generally recognised that the engineering industry is really the pace-setter of economic growth in India. The steadily increasing production and the good export possibilities for many engineering products have introduced a new dimension in India's industrial structure. This has meant added responsibilities for producers of Engineering goods. For one thing, qualitative improvement, together with the attainment of specified targets, must be the sheet-anchor of their production policy. High-lighting this aspect, Mr. K. R. P. Ayyangar, Chairman, Tariff Commission, rightly declared, in his address whilst opening the public enquiry into the question of continuance of protection to the Engineers' Steel Files Industry, held in Bombay a few days ago, that, "if we want to maintain a steady progress in the development of our engineering industries, it is necessary to maintain quality of the products and, unless the quality of the tools is of a high quality, the finished product will turn out to be inferior. The manufacturers of steel files should, therefore, be extremely careful as regards the quality of their product."

The Tariff Commission Chief also gave some interesting statistics relating to the industry. There are in the country today five units engaged in the production of Engineers' Steel Files, of which three are in Bombay and two are in Calcutta. The annual rated capacity, which was no more than 55,000 dozens, on a single-shift basis, in 1954, has gone up to about four lakh dozens. In respect of production too, the performance has been one of steady improvement. As against an output of just 29,351 dozens in 1954, 2,06,267 dozens in 1957 and 2,47,160 dozens in 1958, the production went up to 3,79,391 dozens in 1959. It should be noted that, although the output has been steadily increasing during the last three years, it has not kept pace with the increase in capacity. According to the Tariff Commission Chief, utilisation of capacity in 1959 was only about 70 per cent of single-shift capacity and the stocks had increased from 42,364 dozens at the end of 1957 to 76,264 dozens at the end of 1959. This is quite serious. A thorough investigation into the question of underutilisation of capacity should be taken up. Incidentally, the problem of excess capacity is not peculiar to this industry alone. A number of other industries too have the same problem. For this reason, the public will watch with interest the discussions regarding the reasons for under-utilisation of capacity and accumulation of stocks in the Engineers' Steel Files Industry, which Mr. Ayyangar said, would be taken up at the appropriate time. It would be very useful if the Tariff Commission also took up an analysis of the reasons for the prevalence of excess capacity in industries generally.

Be that as it may, the Development Wing had estimated the domestic demand for Engineers' Steel Files in 1959 at six lakh dozens, and anticipated that it would go up to 7.2 lakh dozens in 1960, to 8.5 lakh dozens in 1961, and to 10 lakh dozens in 1962. The opinion of the Engineering Association too has been on the low side. Actually, it feels that the present demand may not exceed 5.5 lakh dozens. On the other hand, the Hindustan Files had estimated the annual consumption of files in 1958 and 1959 at around four lakh dozens and visualised that it may go up by about 10 per cent every year during the next three years.

Although the quality of Engineers' Steel Files produced in the country has been steadily improving, some of the consumers, according to the Tariff Commission Chief, have been complaining of defects. These are, 'inter alia': (i) hardening and tempering is not uniform, with the result that the individual performances of the same type and size of files in a given box show considerable variation; (ii) serrations (teeth) become blunt within a short period, due, perhaps, to unsuitable material or defect in heat treatment, and (iii) cutting efficiency is still low and thus results in higher consumption." While the manufacturers should pay greater attention to improve the quality of their output, by way of modernising their equipment and improving their techniques of production with a view to expanding the internal market and capturing foreign markets, the authorities also should assist this promising industry by continuing protection for a further period. Discontinuance of protection at this stage will, as argued by the industry, cause great hardship and create new difficulties, especially in the matter of procurement of licences for raw materials and consumable stores and duty-free import of file steel.

Productivity

IMPORTANCE OF ANCILLARIES

THE SIGNIFICANCE of ancillary industries has rightly been stressed by the Small-Scale Industries Productivity Team in a comprehensive report on its study tour of Sweden, Germany, the USA and Japan. The team, one of the seven, was recently sponsored by the National Productivity Council of India under the TCM Aid Programme, made a special study of the development of small industries in these four countries. The team is of the opinion that it is through the development of ancillary industries that a truly decentralised industrial structure can grow in the country. It goes without saying that a co-ordinated attempt by all organisations concerned with the industrial development of the country can organize the system of sub-contracting so that the small units can achieve a certain level of efficiency, which otherwise may not be possible on that scale. The larger industrial establishments can utilise the services of sub-contractors and in turn can render active technical and other assistance to ensure quality and timely delivery of products. In this connection, the team has suggested the publication of a comprehensive Annual Directory, in collaboration with small industries in the States, of small and large industries containing detailed information about the products of each unit to enable every unit to understand the requirements of the others in its area and establish mutual contacts. This will indeed help the growth of ancillaries considerably. It must be emphasized that some sort of standardisation and classification of products ought to be introduced in this proposed directory.

Another step of some significance that has been suggested by the Team is that the Government should issue instructions to public sector projects to encourage small business sub-contracting. There is bound to emerge enough scope for such co-ordination when some of the larger public sector projects start functioning at full capacity. This proposition, if put into practice, will lay the foundations of a mixed economy based essentially on the basis of collaboration for dispersal. The Team has also recommended the system of employing, on a part-time basis, experienced men drawn from industrial enterprises, government organisations and other technical institutions, for training the technicians of small industries. This will help to overcome the difficulties faced by the smaller units because of inadequacy of technical personnal. It may, however, require deliberate and unremitting effort on the part of all concerned to make such a proposition a success.

Plantations

REHABILITATION FOR TEA

TEA IS one of the two most important items of export which earn a substantial amount of foreign exchange for the country. No measure that helps in the promotion of its export can, therefore, be considered of minor consequence. At present 'common teas', which are the mainstay of our exports, are facing strong competition in the world market. To improve the competitive capacity of Indian tea, certain measures such as participation in Tea Councils and foreign exhibition, have naturally been taken to promote exports. Public relation units have been established in Egypt and Australia and two officers of the Tea Board have been deputed to work in Cairo and Sydney. Then, the rates of excise and export duties have been reduced; in the areas producing common teas' excise duty is the lowest at 2 nP. per lb. Another measure has been the grant of transport and fertiliser subsidies to tea gardens in Tripura and Cachar, common tea producing areas, which are facing a crisis at present.

Now another proposal put forward by the Tea Board to assist tea estates and factories has been approved by the Government of India. The scheme involves an expenditure of Rs. 2 crores. According to this scheme, the Tea Board will acquire certain types of machinery and equipment on full payment on behalf of the tea gardens or factories that have applied for such assistance. The equipment will be supplied to the applicant on hire purchase basis, of course, with an upper limit of Rs. 2 lakhs in each case. It is laid down that the applicant will have to pay 10 per cent of the cost as earnest money, another 10 per cent on installation, the remaining cost being made payable in 7 equal annual instalments. A rate of interest of 6 per cent has been proposed to be charged, which will be 4½ per cent in the case of co-operative societies. Taking into account the needs of renovation and rehabilitation of a large number of gardens and factories which are hard-up for finance, the scheme will be welcomed. The terms are quite reasonable.

Paints

PROBLEMS OF MANUFACTURERS

AS A result of the increased demand a bright future was visualised for the paint industry by Mr. R. G. Goel in his presidential address at the recent Eighteenth Annual General Meeting of the Indian Paint Manufacturers' Association. Keeping in view the tempo of progress, it is estimated that the target of production of 60,000 tons at the end of the Second Plan would be achieved. But with a view of coping with the increasing demand, it is important that an annual production of at least 125,000 tons should be aimed at by the end of the Third Plan. This brings in its train the fact that adequate and regular supply of raw materials must be assured to the industry. Although the attitude of the Government is helpful, Mr. Goel felt that as the indigeneous production is insufficient to meet the industry's demand, Government should allow the import of lithopone, which is cheaper, alongside titanium dioxide, the total value of licences, of course, remaining the same. He also suggested that the licences be issued on f.o.b. basis instead of c.i.f. basis. The argument is that this would save considerable foreign exchange by way of insurance and freight, and that amount could be fruitfully utilised for the import of raw materials. This is on the assumption that the services of Indian insurers and shipping companies will be utilised and they will be invariably available. This is to presume much.

Regarding the difficulties experienced by the paint manufacturers in respect of the availability of containers, Mr. Goel opined that the Government's suggestion for import by the manufacturers of their genuine requirements within the overall value of the licences for imports of raw materials would not help solve the problem. When due to tight foreign exchange position, members already are not being given licences for the import of some of their essential raw materials, it is a moot point as to how the import of steel sheets/tin plates within the overall value of entitlement of imports could be effective in meeting the industry's requirements. So far as exports are concerned, Mr. Goel reiterated.

that exports could be improved further, if the industry were given proper facilities. The element of compulsion that paint manufacturers should offer 10 per cent of their production for export through STC should be avoided. Instead, the manufacturers should be given free choice to export as much as they could for in that way they will be able to capture better markets.

Banking

INDIAN BANK'S STEADY GROWTH

THE INDIAN BANK LTD., MADRAS, has made significant strides in its working during 1959. While the deposits of the Bank increased by Rs. 3 crores to Rs. 43.93 crores, the advances of the Bank increased more rapidly so that by the end of 1959 they stood around Rs. 28.85 crores. The performance of the Bank during the year, therefore, shows that it was able to utilise its funds more effectively than in the previous year. The ratio of advances to deposits at the end of 1959 stood around 64 per cent, whereas it was around 55 per cent a year ago. It is interesting to note that during the same period this ratio for all scheduled banks actually dropped to be around 50 at the end of 1959. The Bank has shown other signs of progress too. For instance, during the year under review, three new branches were opened at Chickmagalur (Mysore State), Tiruppattur (North Arcot) and Pappanacikenpalayam (Coimbatore), so that there is at present a network of around 144 branches all over the country and 5 branches abroad through which the bank is serving its wide clientele.

As the balance sheet published elsewhere in the issue shows, the bank has recorded a profit of Rs. 36.84 lakhs during the year under review as against Rs. 21.30 lakhs last year. An interim dividend at the rate of 5 per cent and a bonus of 2½ per cent (subject to deduction of tax) was paid and now the directors have recommended the payment of a final dividend of 5 per cent and a bonus of 2½ per cent (subject to deduction of tax), thereby making the dividend and bonus for the year amount to 15 per cent, absorbing Rs. 12.45 lakhs. In view of the steady growth of the Bank a similar level of distribution and profits can reasonably be expected in the years to come.

Leather

EXPORT OF FOOTWEAR

IT SPEAKS well of the leather goods industry that the export target of two million pairs of footwear, fixed under the Second Plan, has been exceeded. During the first 11 months of 1959, there were, for instance over 2.27 million pairs of leather footwear exported valued at Rs. 2.17 crores. Encouraged by this performance, an export target of four to five million pairs for the Third Plan period is now being considered. It was also being contemplated that the production target be raised to 153 million pairs in the Third Plan as compared to the Second Plan target of 102 million pairs.

Needless to say that there was prime need of more exports and the export target envisaged for the Third Plan could be achieved if greater attention was paid to quality and if styles and patterns, which were acceptable to the export markets were introduced. So far as the exports of tanned hides was concerned, it was important that if the present level was to be maintained steps should be taken to collect, preserve and process all the hides available indigenously. There was urgent need to increase the export of fully tanned and dressed leathers and finished leather goods and footwear in preference to semi-tanned leathers. Measures were also called for securing fuller utilisation of installed capacity, and promote better marketing of the products. The most important of all was, of course, the need for adequate attention to the productivity and modernisation aspects of the industry.

The export policy of the Government, of course, has been quite helpful. Mr. Manubhai Shah, the Union Minister of Industry, pointed out at the recent meeting of Leather Development Council that in the interest of the indigenous tanning industry, the export of raw sheep skins had also been banned, with the exception of a very small quatity of sheep skins known as 'Papras', which constituted about one per cent of total production of sheep skins in India. Export of raw goat skins were now being controlled. A survey of leather and leather goods industries in all sectors is now being proposed and the sending of a productivity team to study the productivity and modernisation aspect of the industry under the T.C.M. programme to Europe, USA, and Japan was now under consideration.

Private Sector

SOCIAL OBLIGATIONS

MR. G. L. MEHTA, Chairman of the Industrial Credit and Investment Corporation of India, Ltd., again chose the problem of social responsibilities of private industry., this time as the central theme of his inaugural address for the Walchand Memorial Lecture Series, delivered by him in Bombay last week. After paying a richly deserved tribute to the creative genius of the late Mr. Walchand Hirachand, a pioneer in many fields, notably shipping and automobile industries, Mr. Mehta turned to the wider aspect of private enterprise and its social obligations, a theme he has lately been stressing with not a little missionary zeal. Indeed, the times necessitate that. "The joint-stock form of industrial organization, which is called private enterprise", as he observed, "has, in these days, a public face and involves many onerous legal obligations. Private enterprise will survive in so far as it conducts itself as a semi-public utility and if the interests of the investor, the consumer, and of the men who work in it by hand and by brain are safe-guarded and promoted. Private industry has a constructive and vital role to play in the national economy and will be able to do so more usefully, the more it recognizes its social responsibilities."

Fortunately, this notion has come to be accepted not only in the West but also in our own country in recent years. Gone are the days when an industrialist or a business man could concern himself solely with his own pecuniary gains and pay scant attention to his social responsibility, that is his duty to the rest of the society consisting not only of his employees but consumers and the State as well. Today private enterprise organisations know their obligations to the public and many of them have in fact started functioning as genuine "people's enterprise". It is no longer the exclusive affair of a few rich men. Capitalists have shed their exclusiveness and want everyone to be a capitalist, in the sense of acquiring an interest and working for fostering it.

Current Topics

MANAGEMENT OF STATE ENTERPRISES

The form and organisation of State enterprises in India has been a subject of much controversy. The Estimates Committee of Parliament in its 80th report has recommended that all wholly State-owned public undertakings should generally be in the form of Statutory Corporations or, where necessitated by special reasons, in the form of Departmental Undertakings. Company form should be an exception to be resorted to only in cases where association with private capital is involved or envisaged.

THE following is the summary of the conclusions and recommendations of the Estimates Committee on "Public Undertakings — Forms and Organisation."

"The Committee have considered the matter of multiplicity of public undertakings and generally agree with the view that the pattern should be to utilize the existing organisations to take up new activities in the line instead of creation of new bodies for the purpose. This way of building up of public undertakings gains added justification in view of the limited availability of managerial and technical man-power in the country. But this does not mean that where a line of activity has the character of being or becoming huge and monopolistic and is not of strategic significance more than one unit should not be set up for the purpose. Subject to such a consideration, the Committee are of the opinion that before a new undertaking is set up the possibility of entrusting it to an existing undertaking in the same line should be considered. They recommend that not only should this consideration be kept in view by the Government in future, but the feasibility of reducing the existing number of public undertakings by amalgamating some of them may also be examined.

"The Committee consider that all wholly State-owned public undertakings should generally be in the form of Statutory Corporations or, where necessitated by special reasons, in the form of Departmental Undertakings and the Company form should be an exception to be resorted to only for organisations (1) when the Government may have to take over an existing enterprise in an emergency, (ii) where the State wishes to launch an enterprise in association with private capital, or (iii) where the Government wishes to start an enterprise with a view eventually to transfer it to private management. They recommend that an Expert Committee be appointed to examine the whole question and to advise the Government on the principles which should determine the appropriate form of organisation for the various types of undertakings.

"While it is most desirable to have all the public undertakings conform to a common pattern or patterns, both from the point of view of efficient administration and of accountability to Parliament, the Committee feel that some individual variations are inevitable due to the special characteristics and functions of a particular undertaking. Such deviations should not, however, affect basically the overall pattern of organisation and responsibility. It is, therefore, desirable to lay down a framework of such an overall pattern.

"The Committee are of the opinion that it would be desirable to have a law similar to that of general laws of U.S.A. and Canada in India also to govern statutory corporations and Government companies. In order to secure uniformity in the structure, regulation etc., it would be most desirable that the statutory corporations should also comply with the general law.

"To ensure that the Parliament is fully acquainted with all the aspects of a projected company and to enable it to express its considered views, the Committee recommend that in future before a public undertaking is set up in the form of a Government company a resolution seeking the approval of the Parliament for the formation of the company may be moved. If for any reason this procedure cannot be followed, the following steps may be taken: (a) The provision in a Demand for Grant for investment in a joint stock company might be indicated in Part I of the Estimates; (b) A notification may be issued by Government for the setting up of a Government company and a draft of the same might be laid on the Table of the House before a company is registered; (c) The Memorandum and Articles of Association of a Government company as also any subsequent amendments thereto might be laid before the House."

FREE TRADE ZONE AT KANDLA

The Government of India has decided to set up a free trade zone at Kandla port. The tentative scheme was outlined in Lok Sabha on April 9, 1960, by Mr. Raj Bahadur, the Minister of State in the Union Ministry of Transport and Communications.

MR. RAJ BAHADUR gave the following details of the project:

"The idea is to cordon off a small area at the port with a high barbed wire fencing, the entry into and the removal of goods from which could be suitably controlled. Within this area, facilities may be given for the establishment of appropriate industries and permission given to them for the import of raw materials and semi-processed goods for conversion into finished goods and export, without the need for the payment of import duty.

"The industries to be established in the zone will be licensed and subjected to suitable supervision and control, but the intention is that a party wishing to start a particular industry will be allowed to do so unless the establishment of such an industry is likely to set up unfair competition with a similar existing industry elsewhere in India. If there is a demand for the facility of the import of certain types of finished goods to be brought into and stored in the zone free of customs duty with a view to re-export to nearby countries the grant of such a facility could also be considered. It would not, however, be possible to relax the ordinary restrictions as for import into the rest of the country where it is a question of importing gold or certain special articles such as diamonds, watches, etc.

"A regular account will need to be kept of imports into and exports from the zone with a view to prevent smuggling of goods into other parts of India and also in order to secure and retain full advantage of the foreign exchange earnings realised by the export of goods manufactured or processed in the zone and exported to other countries. Any goods or materials moving into the country from the free trade zone will be subject to the normal import restrictions."

A DELHI NOTEBOOK

CABINET'S JOINT RESPONSIBILITY

THE reported complaint of the Union Finance Minister, Mr. Morarji Desai, to his Party that some of his Cabinet colleagues had openly assailed his taxation proposals on the floor of the House has created a mild furore in Parliamentary circles here. It is being argued what will happen to Cabinet's joint responsibility if the Ministers who are supposed to be collectively responsible for all Government decisions start criticising each other when some of these decisions do not suit them? The consensus of opinion appears to be that behind-the-scene activity for getting such controversial decisions modified is a different matter, but airing of the differences publicly should be a matter of concern for any democratic Government run on the principle of "joint responsibility". The Finance Minister's complaint, therefore, should provide food for thought for the constitutional pundits.

ALLOY AND TOOLS STEEL PLANT

The rapidly growing demand for special varieties of steel, it is understood, may necessitate an upward revision of the capacity of the proposed alloy and tools steel plant. Originally it was planned to have a unit to produce about 40,000 tons of ingots in the first instance, with the provision in the layout for expansion to 80,000 tons ingots output per year. It is now felt that a plant of double this size and capable of ultimate expansion to 300,000 tons of ingots may have to be installed. The Indian concern of technical engineers which is preparing the project report for this plant has been advised to submit a scheme for larger works as well. It is estimated that a 40,000-tons plant in the public sector will cost Rs. 17 crores and the bigger one Rs. 35 crores.

The Tata Iron and Steel Company has also submitted a scheme for setting up such a plant having an initial capacity of 100,000 tons of ingots or 60,000 tons of finished steel per year. This scheme envisages the location of this plant at Jamshedpur where clean scrap will be readily available without much transport difficulty and cost. Tatas propose to set up the plant in collaboration with a well-known foreign manufacturer of these types of steel. If it is decided by the Government that there is scope for additional capacity, over and above that of the plant to be set up in the public sector, the proposal of Tatas will be considered along with others.

FOODGRAINS RESERVE

The Union Food Ministry, it is understood, is "actively processing" its proposal to build up a reserve of about 5 million tons of foodgrains, mainly from imports from the United States. Discussions are said to have already taken place between the representatives of the Government of India and the local US officials to this effect. Plans will be finalised during Mr. S. K. Patil's impending visit to USA.

Mr Patil is likely to reach New York on April 24. He will be accompanied by the Union Food Secretary, Mr. B. B. Ghosh. Imports for the proposed food reserve, it is learnt, will be in addition to the supplies which may be negotiated to meet the current requirements.

SHIP-BUILDING

A sum of Rs. 15 lakhs has been earmarked for the grant of financial assistance during the rest of the current Plan period in the shape of loans for the construction of new sailing vessels of improved scientific design. The terms and conditions on which these loans would be given and the procedure to be followed for the purpose are now being finalised. A Naval Architect will be appointed shortly to scrutinise the specifications and give technical advice on the type, designs, etc., according to which the vessels will have to be built.

The Union Ministry of Transport, it is expected, will shortly approach ship-building interests in the United Kingdom, West Germany and Japan to find out whether they would like to assist India in financing the foreign exchange requirements of the second shipyard to be established at Cochin. The project will cost about Rs. 20 crores, of which the foreign exchange component is nearly Rs. 3 crores.

MANUFACTURE OF SCOOTERS

The Government of India, it is learnt, has approved of the application of an Indian company for the grant of a licence under the Industries Act for the manufacture of motor cycles and scooters in collaboration with a Czech firm. The licence will be issued as soon as the concern sends its acceptance of the usual terms and conditions governing such a licence.

The firm will manufacture Jawa 'CZ' motor cycles of 50, 175 and 250 CC with an indigenous content of 80 per cent which it will achieve in a period of three years. The factory will be located near Mysore.

INDO-SWEDISH VENTURE

The Swedish safety razors and razor blade manufacturing concern, Swing Limited A.B., will shortly transfer its Sandviken plant to India where it will be set up near Bombay under the aegies of a private sector Indo-Swedish venture, called Indo-Swing (Private) Ltd. The new company will have a share capital of 1.1 million kronas. Some of the Sandviken factory workers will take up jobs in India. Swing's sales organization in Sweden will, however, be retained to act as agents for the Indian export goods to that country.

COAL CARBONISATION BY-PRODUCTS

The Government of India has set up a high-powered committee to assess the potential availability of the principal by-products of coal carbonisation in the Third Plan period and to suggest measures to ensure their increased utilisation. The Committee will also examine, where necessary, the production costs and recommend fair selling prices of these commodities, particularly of benzene, toluene, xylene and nephthalene.

The members of the Committee are Dr. G. P. Kane, Senior Industrial Adviser (Chemical), Development Wing, Ministry of Commerce and Industry (Chairman), Mr. N. Srinivasan, Industrial Adviser (Chemical) Development Wing, Ministry of Commerce and Industry (Alternate Chairman), Dr. G. S. Kasbekar, Officer on Special Duty, Directorate-General, Ordnance Factories, Calcutta, Mr. K. S. Raghupati, Deputy Secretary, Ministry of Steel, Mines and Fuel, Mr. J. K. Ghosh, Plant Manager, Durgapur Coke Oven Plant and Mr. Joginder Singh, Development Officer, Development Wing, Dyes and Explosives Directorate, Ministry of Commerce and Industry (Member Secretary). The Committee is expected to submit its report by the end of the current year.

BRIEFS

The Government of India have decided to set up a plant for the manufacture of raw film for the cinema industry, X-ray films as well as photographic paper and films in collaboration with M|s. Banchet of France. The agreement in this connection has been finalised and will be signed in the next few days.

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In reply to a question in the Lok Sabha, the Minister of Commerce, Mr. Nityanand Kanungo, said that complaints had been received from half a dozen allottees about the Chinese tyres having failed in service before giving normal mileage. The complaints were under investigation. If the failure could be traced to manufacturing defects, the question of payment of suitable compensation to the allottees of defective tyres would be considered on merits.

WORLDGRAM

India

Stationary Internal Conbustion Engines: By the Finance Bill of 1960, a Central Excise duty at five per cent 'ad valorem' has been levied on stationary internal conbustion engines. With a view to eliminating day-to-day disputes that might arise in the matter of determination of the values while making assessment of duty on such engines, the Government of India have prescribed a tariff value ranging from Rs. 1,600 to Rs. 4,400 each depending on the horse power of th engine. No tariff value has, however, been fixed for stationary engines below five horse power and above 19 horse power. By a notification issued recently, these values take immediate effect.

*

Foreign Trade in February 1960: The provisional figures of foreign trade of India by all routes i.e. sea, air and land, on private and Government account during February 1960, according to information available to date in the Department of Commercial Intelligence and *Statistics, Calcutta*, are as follows: Merchandise: excluding overland trade with Nepal, Tibet, Sikkim and Bhutan; Exports Rs. 47.09 crores, re-exports Rs. 2.72 crores; imports Rs. 69.12 crores. The import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment and of private merchandise under reference to customs for verification. Treasure: Exports (including re-exports) of currency notes Rs. 1.23 crores, gold nil and current coins (exclusing gold coins) Rs. 1 lakh. Imports of currency notes Rs. 52 lakhs, gold Rs. 6 lakhs, current coins (excluding gold coins) negligible.

Balance of trade: Subject to the limitation in import figures mentioned above, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 19.37 crores.

*

Productivity Increases at Durgapur Steelworks: The sulphate of ammonia plant at Durgapur Steelworks has gone into production. This plant utilises the gas available from the coke ovens for the manufacture of ammonium sulphate crystals, which can then be put on the market as a fertiliser. This plant is a unit of the by-products plant. Its rated capacity of production is 57 tons of ammonium sulphate per day from 2 million cu. ft. of gas. These crystals are formed in a saturator bath and are then ejected automatically to a continuously discharging centrifuge machine for preliminary drying. They are then fed by conveyor to a rotary hot air drier and are then automatically weighed into the bags, ready for sale to consumers. Automatic control is achieved by a comprehensive system of instruments. The plant has been designed and built by Simon-Carves Ltd.—a member company of ISCON the British consortium building the steelworks at Durgapur.

*

Assistance to Tea Industry: The Government of India have approved a scheme of the Tea Board, involving an expenditure of Rs. 2 crores, aiming at providing tea estates and factories engaged in the manufacture of tea with facilities of acquiring machinery and equipment on payment by annual instalments. According to the scheme, the Board will acquire certain types of machinery and equipment on behalf of a tea garden or factory, as the case may be, which has applied for such assistance, paying the full purchase price to the suppliers and supply the same to the garden or factory on hire-purchase basis. The repayment of the cost of machinery and other charges including interest will be made in a number of annual instalments. The broad details of the scheme are as follows:

(a) The total expenditure under the scheme shall be Rs. 2 crores and the maximum total value of machinery and/or equipment that may be supplied by the Board in respect of any one single case under the scheme shall not exceed Rs. 2 lakhs. An estate which wants to avail of this assistance will have to submit an application to the Board.

(b) On receipt of information of acceptance of the application by the Board, the applicant must deposit with the Board earnest money to the extent of 10 per cent of the cost of machinery and equipment in question and on delivery and installation of the machinery, the applicant will be required to pay a further 10 per cent of the cost thereof.

(c) The balance hire purchase value of the machinery etc., will have to be paid in 7 annual instalments.

(d) The rate of interest will be 6 per cent per annum which, however, will be 4½ per cent in the case of co-operative societies.

(e) Sufficient safeguards will be taken by the Board to protect its interest.

*

Project to make Baby Food: India's first project to make baby food is well underway at the Amul Dairy at Anand, set up by the Kaira District Co-operative *Milk Producers' Union Ltd. Eighty per cent of the* machinery required for the project has already arrived at Anand. A distinctive feature of the baby food to be manufactured at Anand is its formula, which has been perfected after a series of experiments and research work extending over a year by the Central Food Technological Research Institute, Mysore. The plant is being set up at a cost of Rs. 31 lakhs and will start producing infant milk food by October 1960. Of the machinery parts, 80 per cent have already been imported, 10 per cent are on the way and the rest will be manufactured or fabricated locally. The present licensed capacity at Amul Dairy for infant milk food is 2,500 tons.

*

Setting up a Pharmaceutical Plant: The terms of collaboration for the setting up of a pharmaceutical plant in India by Bengers have been approved by the Government. Apart from the participation to the extent of 70 per cent by Fiscons Ltd. of UK, the principals of Bengers Laboratories Ltd. of UK, in the capital of the Indian firm, the Indian firm will reimburse the firm in UK, the actual cost incurred by the latter upto an amount not exceeding Rs. 1 lakh in each year towards the provision of technical service covering all aspects of the manufacture and packing of Dextran BP and Iron Dextran Complex. This payment will be restricted for a period of seven years.

Manufacture of Micro-optic Theodolities: The scheme of the National Instruments Limited, Calcutta, for the manufacture of Micro-optic Theodolities in collaboration with a Hungarian firm was approved in December, 1959. The Company had planned to establish full production of 600 Theodolities of this type by 1962. The scheme is estimated to cost Rs. 2.6 lakhs, being the cost of capital equipment and technical know-how.

U.K.

Scientific and Engineering Personnel: Over a lakh and half qualified scientists and engineers are currently employed in Great Britain. Of these 63,200 are scientists (41 per cent) and 89,200 are engineers (59 per cent). The figures for employment of scientific and engineering personnel in Great Britain in 1959 have come very close to predictions made in 1956. This is revealed in the report of the second survey of the Advisory Council on Scientific Policy, Committee on Scientific Man-power. The three-year (1956-59) projection was quite realistic, and the prediction for 1962 may also prove so. The increase has been of the order of 20 per cent between 1956 and 1959 and is expected to be another 23 per cent in 1962 over the 1959 figures. A slightly more accelerated demand is indicated for engineers than the scientists. The employment of scientists and engineers in Britain is expected to rise from 152,400 in 1959 to 187,000 in 1962. The proportion of engineers in the total was 57 per cent in 1956, 58.7 per cent in 1959 and is likely to be 59 per cent in 1962. Of the total employed scientists in Britain in 1959, about 42 per cent are chemists. Physicists and mathematicians constitute about 22 per cent each.

*

Assistance for Bombay Road Transport: Perkins, the British diesel engine company, is assisting the Bombay State Road Transport Corporation in a plan to produce qualified engineers and mechanics to maintain more than 3,000 Perkins-powered vehicles operated by the corporation. The corporation has established two service and apprentice-training schools, one at its central workshop at Poona and the other at the regional workshop at Ahmedabad. The schools are equipped with a number of sectionalized and statically mounted operational engines and other instructional equipment supplied by Perkins. Perkins has also loaned service instructors to assist in the formation of the schools.

U.S.S.R.

Drilling Equipment for UAR: The machine-building plants of the ancient Russian town of Uglich on the Volga have sent to the Syrian region of the United Arab Republic a large consignment of drilling rigs and various instruments for geological surveying involved in the construction of irrigation canals. Now the Uglich plants have received an order to manufacture special drilling rigs, pumps and other equipment for the construction of the Aswan Dam. The workers have decided to fulfil this order ahead of schedule—in May.

France

New Trade Agreement with Bulgaria: A new three year trade agreement valid from August 1, 1960 to July 31, 1961 has been signed between France and Bulgaria. Bulgaria will buy machinery from France and for the first time will benefit from conditions offered by credit insurance. Until now Bulgaria could only buy equipment from France for immediate payment. Contrary to the Franco-Soviet three year trade agreement, the Franco-Bulgarian agreement does not fix the figures for trade exchanges between the two countries, but is rather a plan for the development of trade. In 1959, France imported 1,359 million old francs worth of products from Bulgaria and exported 3,769 million old francs worth of products to Bulgaria. Before the beginning of each of the three years of the agreement, a protocol will establish a list of products to be traded. The first of these protocols will be negotiated next July.

Yugoslavia

Export of Textiles: Last year Yugoslav textile firms exported finished and semi-finished products valued at over 27.3 billion dinars, which is 33 per cent more than in 1958. In the pattern of exports to countries of Europe, Asia and Africa the most significant place is taken by cotton and artificial fabrics and by ready made and knitted wear.

Poland

Trade Agreement with Hungary: A long-term trade agreement was signed recently in Warsaw between Poland and Hungary covering the period 1961-65. An agreement on payments for the next five years was also signed. The agreement provides for a considerable increase in trade exchanges.

United Nations

World Exports: A decrease of 4 per cent in the value of world exports in 1958 as compared with the 1957 level, is reported in the Yearbook of International Trade Statistics, 1958, which has been published by the United Nations. This decrease, which reflected a slowing down in the rate of expansion of economic activity during 1958, was brought about chiefly by a fall in prices of primary commodities on the international market, and, to a smaller extent, by a decline in the volume and average price of the exports of the industrialised countries. The Yearbook also shows that the decrease by about 5 per cent between 1957 and 1958 in the value of the exports of industrial countries was due to a drop of about 4 per cent in their exports to the primary producing countries. Analysis by commodities of the 5 per cent decrease shows that trade in food, chemicals, machinery and transport equipment held up well but the trade in fuels, industrial raw material and manufactures, other than chemicals, machinery and transport equipment, declined. The Yearbook also shows that, in an effort to maintain income in the face of the falling prices of primary commodities, the primary producing countries slightly increased the volume of their exports and hence held the decrease in value down to 5 per cent in the face of an average decline of 6 per cent between 1957 and 1958 in the prices received. Thus these countries were able slightly to increase the imports from the industrial countries of machinery and transport equipment on which they depend greatly for economic development (though the rate of decrease was down markedly in comparison with earlier years) and of food, required by rapidly increasing populations. They have, however, to cut their imports from industrial countries of raw materials, fuels, chemicals, and manufactures (other than machinery and transport equipment) and their trade with one another, with the result that the value of their imports as a whole fell by 5 per cent between 1957 and 1958.

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a distant whistle in the night—

evidence that the Indian Railways are forever on the job...moving goods and people to their far-flung destinations.

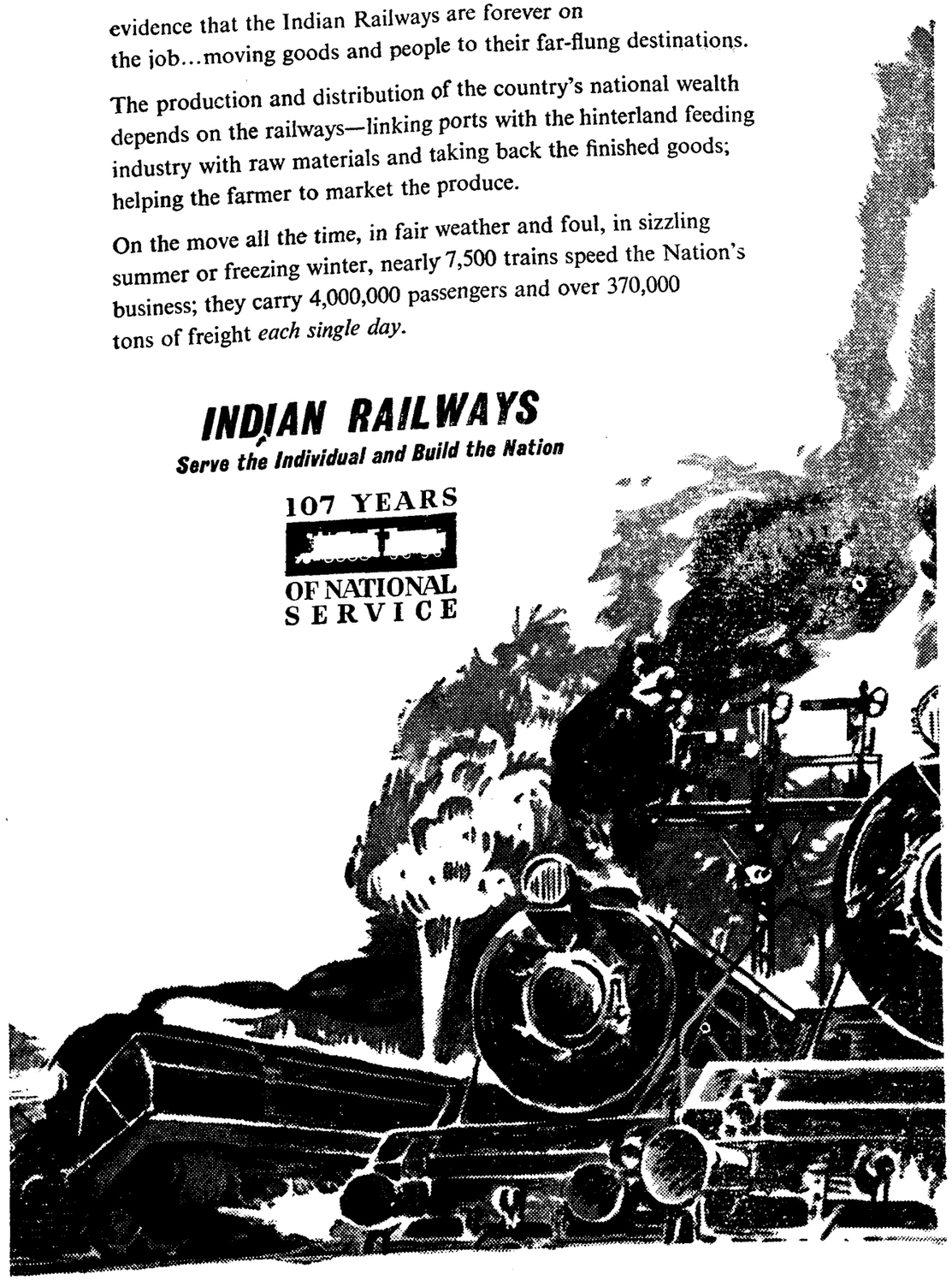
The production and distribution of the country's national wealth depends on the railways—linking ports with the hinterland feeding industry with raw materials and taking back the finished goods; helping the farmer to market the produce.

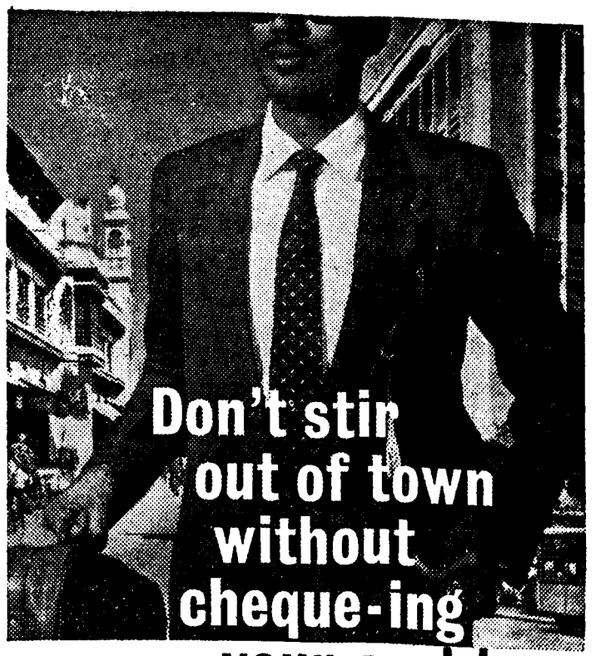
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NEWS IN BRIEF

INDIAN

The Government of India is now considering a number of steps by which the small and medium industries can be made to derive their ligitimate share of the funds set apart for assistance to industries.

*

In India, there are 38.7 million sheep yielding 65 million lbs. of wool. Half the total production of wool is exported, bringing in the much needed foreign exchange worth Rs. 8.75 crores.

*

Mr. D. P. Karmarkar announced in the Lok Sabha recently that a national health survey is to be made in order to obtain a correct 'disease picture' of the country.

*

The Estimates Committee of Parliament has favoured statutory Corporations as the best form of organisation for State undertakings, although enterprises concerning defence or designed to secure economic control might, in its view, be run departmentally.

*

It is reported Canada, in addition to the United States, is likely to help India in a big way in building a food reserve of five million tons for the twin purpose of stabilising prices and meeting unforeseen contingencies.

*

At a recent meeting of the Informal Consultative Committee of Parliament, the Finance Minister, Mr. Morarji Desai, indicated his willingness to exempt producers and labour co-operatives from income tax.

*

The Minister for Industry, Mr. Manubhai Shah, revealed in the Lok Sabha recently that a paper mill, at an estimated cost of Rs. 6 crores and having a capacity of 20,000 tons a year would be soon set up in the Nilgiris district of Madras State.

*

The Government of India has increased the price of coal by 81 nP. per ton and that of hard and soft coke by Rs. 1.08 per ton from April 1.

*

Studies conducted at the Central Fuel Research Institute, Jealgora, have established the possibility of producing pig iron in Madras State utilizing low grade iron ore available in Salem District and the lignite in South Arcot District.

*

As a measure of export promotion the Government of India propose to allow drawback of customs and Central Excise duties paid on materials used in the manufacture of certain additional sizes of plywood panels of tea chests and have issued a draft notification in that connection, proposing a rate of drawback of Rs. 1.29 per 100 sq. ft. of plywood panels.

*

The sulphate of ammonia plant at Durgapur Steelworks has gone into production. This plant utilises the gas available from the coke ovens for the manufacture of ammonium sulphate crystals, which can then be put on the market as a fertilizer.

*

Operation has commenced at the coal washery at Durgapur Steel Works. The capacity of the Washery is 360 tons per hour.

FOREIGN

The Canadian Government has announced its approval of the export to the U.S. of natural gas from Western Canada by four of the five companies which had applied for permission.

*

A two per cent increase in the excise duty on new passenger cars in Sweden as from May 1 has been proposed by the Minister of Finance. At the same time 4 per cent turnover tax on sales of used cars will be abolished, while it will be retained for new cars.

*

The Sterling Area's gold and convertible currency reserves rose in March by £12 million to £993 million. This is the largest increase since April last year, when the reserves gained £40 million.

*

The Australian Government would raise a new money loan of $25 million in New York, the Australian Treasurer, Mr. Holt, announced recently. Proceeds will be applied towards the Commonwealth and State borrowing programmes for 1959-60 approved by the Loan Council.

*

The East African High Commission is seeking to raise a loan of £5.5 million to build a new railway line between Soroti and Lira in Uganda and to link Tanga to the Central railway line in Tanganyika.

*

It is reported plans to form a state-controlled oil refinery and distributing company to take over private refineries in France have been modified. Under the new plan the State would not have a majority shares in any refining and distributing company to be formed.

*

Wages and salaries in Britain and the Gross National Product both rose by 3½ per cent in 1959, while the total of personal income went up by 4½ per cent.

*

The Polish Government has cut the retail price of coffee and of a number of industrial consumer products by up to 40 per cent in a bid to dispose of swollen reserves.

*

The World Bank has made a 10-year loan, equivalent to about £2 million to assist a programme to improve the standard of living of African farmers in Southern Rhodesia by helping them to increase their output of crops and livestock.

*

West German chemical industry exports rose by 18 per cent to DM 5,450 million last year, in spite of falling prices. Imports increased even more by 20 per cent to DM 2,100 million.

*

The people of the Soviet Union will save annually about one thousand million roubles as a result of the recent considerable cuts in the retail prices of medicines. This is the third and biggest reduction of medicine prices in the Soviet Union over the past five years.

*

Raw wool exports from Pakistan for the first nine months of 1959 came to 20.6 million lb. or 24 per cent more than a year ago. Shipments to the U.K. were 14 per cent lower at 6.3 million lb. but those to the United States rose by 68 per cent to 14 million lbs.

COMPANY AFFAIRS

INDIAN ALUMINIUM COMPANY LTD.

With a sustained demand for all products and commencement of new production at the Hirakud smelter, the Indian Aluminium Company's sales for 1959 reached another record, amounting Rs. 970 lakhs compared with Rs. 743 lakhs in 1958. Business conditions continued to be generally satisfactory. With the successful completion of the first stage of the new smelter at Hirakud, the Company has embarked upon its second stage of expansion. The capacity of the Hirakud smelter will be doubled from 10,000 tons of ingot per year to 20,000 tons. Alumina and related bauxite facilities will be expanded from 18,000 tons of alumina per year to 54,000 tons. The capacity of the Belur rolling mill will be increased to approximately 16,500 tons of rolled products annually. A new extrusion press of 3,300 tons ram pressure and with an annual capacity of 2,500 tons will be installed alongside the existing press at Alupuram. A contract has been signed with the Government of Orissa for the additional electric power required for the ingot expansion at Hirakud. The necessary licences under the Industries (Development & Regulation) Act, 1951, have been obtained from the Government of India. An import licence for most of the equipment that must be obtained abroad has been received and the Company has already placed a substantial number of orders with foreign suppliers.

An engineering project department has been established for the execution of the expansion programme. An agreement, which has the approval of the Government of India, has been entered into with the Company's technical consultants, Aluminium Laboratories Limited of Canada, for engineering design and technical services connected with the expansion. It is presently estimated that the capital cost of the expansions will amount to Rs. 9.1 crores, of which the foreign exchange component for fixed capital equipment is currently estimated at Rs. 4.85 crores. Foreign exchange has been made available to the Company through the Government of India's Export-Import Bank Programme and through a loan from Aluminium Limited of Canada, the terms of which have received the approval of the Government of India. To meet a portion of the rupee funds, required, the Company successfully issued in December 1959 Rs. 3 crores of 6¼ per cent Debenture Stock 1970-75 at 102 per cent. The issue was over-subscribed and allotment of stock was made by the Directors, after consultation with the Ministry of Finance, New Delhi, and the Calcutta Stock Exchange, on December 23. Arrangements are also being made for obtaining bank finance.

The net profit for the year 1959 amounted to Rs. 67,99,787 after providing for depreciation and depletion at normal rates, Rs. 55,00,000 for current income taxes and Rs. 61,50,000 for Development Rebate Reserve. The Directors have recommended that a dividend of Rs. 1.20 less tax be paid on each ordinary share and a dividend of 5 per cent less tax be paid on the preference share capital both in respect of the year 1959, which will absorb Rs. 48,12,300 for the dividends on ordinary shares assuming no convertible loan stock is outstanding on the date of declaration of dividend and Rs. 2,00,000 for dividends, less tax, on preference shares.

DEVKARAN NANJEE BANKING CO. LTD.

The Bank made fair progress during the year 1959. Eight branches were opened, three of them in South India, and several more are being opened in rural and urban areas for the further progress and prosperity of the bank. Last year, the bank started the Personal Loan Scheme which had proved popular, and also introduced plastic money saving boxes to encourage the habit of thrift. This year, the bank has introduced Minor's Savings Scheme to instil the saving and banking habits in the minds of children from a very early age.

The deposits of the bank have increased to Rs 35 crores, working funds to Rs 45¾ crores, advances to Rs 19 crores, and investments to Rs 16¼ crores. The ratio of savings deposits of the bank to its total deposits is 22 per cent, which is quite high compared to many other banks and which shows the popularity of the institution. The payment of a final gross dividend of Rs. 2.52, making a total of Rs. 4.38 per share, i.e. 3.73 per cent gross, which is slightly more than the net dividend of 6 per cent tax-free declared last year, was passed at the annual general meeting.

BANK OF RAJASTHAN LIMITED

The deposits of the Bank during the year 1959 have increased by Rs. 38 lakhs to Rs. 4.91 crores. Similarly, the working funds of the Bank have gone up to Rs. 5.96 crores against the last year's figure of Rs. 5.36 crores. The profit of the Bank during the year comes to Rs. 2.61 lakhs out of which Rs. 53,000 have been transferred to Reserve Fund to raise it to Rs. 5.44 lakhs making the percentage to paid-up capital as 58.98 lakhs. Rs. 96,000 have been provided for income-tax and Rs. 37,000 for bonus to staff. The Directors have recommended a dividend at the rate of 8 per cent subject to income tax, as against last year's dividend at 6 per cent free of income tax, absorbing a sum of Rs. 73,864. During the year the Bank has been able to make adequate provisions for bad and doubtful debts and contingencies.

THE UNITED BANK OF INDIA LTD.

The profits for the United Bank of India Ltd. for the year 1959 was Rs. 14.29 lakhs after providing for the taxes as against Rs. 14.15 lakhs of the previous year. Directors of the Bank have recommended gross dividend at 4.30 per cent which, after deduction of tax, will work out at the same net rate of tax-free dividend as in the last year i.e. 3 per cent. Payment of dividend will absorb Rs. 11.39 lakhs and allocation to Reserves Rs. 2.90 lakhs. There will remain Rs. 1.81 lakhs to be carried over which is same as in the last year.

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Paid-up Capital	... ...	**Rs. 15,00,000.00**
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FIT

Firestone

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I. 43 B

COMMODITY NEWS AND NOTES

ALL-INDIA FINAL ESTIMATE OF SANNHEMP, 1959-60

The All-India Final Estimate of Sannhemp, 1959-60 puts the current year's area and production at 813,000 acres and 80,000 tons respectively according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. As compared with the Partially Revised Estimates of 807,000 acres and 31,000 tons for 1958-59, the estimates for 1959-60 show an increase of 6,000 acres or 0.7 per cent in area and a decrease of 1,000 tons or 1.2 per cent in production. The increase in current year's acreage under the crop has been shared mainly by Madhya Pradesh and Bihar and has been attributed partly to favourable climatic conditions at the time of sowing and partly to high prices of sann fibre. Bombay State has, however, recorded some decrease in area. The decrease in production of Sannhemp fibre during the current year is accounted for mainly by Uttar Pradesh attributed to drought and excessive rains in some districts of Uttar Pradesh. The decrease has, however, been offset to some extent by the increase in production in Bihar State due to the increase in acreage. Details in respect of Sannhemp crop grown for (i) fibre, (ii) green manure and (iii) fodder given in this estimate are not complete as some of the States have not supplied separate figures for each of the categories.

WORLD RECORD WOOL IMPORTS LAST YEAR

The 14 main wool importing countries of the non-Communist world bought about 22 per cent more raw wool last year than in 1958, reports the Commonwealth Economic Committee in the current issue of Wool Intelligence. The total came to over 2,600 million lb. (actual weight) and is believed to be the highest ever recorded. Largest proportionate increase was in the United States, with a 50 per cent rise. Japanese imports were up by over one-third, and the United Kingdom (world's largest user of wool) showed a 14 per cent improvement. The six Common Market countries together registered an increase of 16 per cent in their wool imports, compared with 1958. World exports of wool tops also set up a new record in 1959, when they reached 240 million lb., or about one-fifth more than in the previous year. In the final quarter of the year, however, there were signs that the rise had begun to level off. In India imports were, however, lower by 2.5 per cent at 15.5 million lb. The United Kingdom remained the largest single supplier, and her top exports rose by 8 per cent. Striking improvements were recorded by West Germany, Japan and South Africa, while traditional producers such as France, Belgium and Australia showed increases of between 15 and 30 per cent each. China remained the world's largest buyer of tops, though imports into that country fell about one-eighth last year to some 27 million lb.

PRICE CONTROL EXTENDED TO SUGAR FACTORIES IN SOUTH BIHAR

The Government of India have fixed with immediate effect ex-factory price of Rs. 38.35 per maund for ISS D-29 grade of sugar produced by factories in South Bihar. Ex-factory price of other grades will be according to prescribed differentials. The controlled price will apply to all the stocks available with the mills, and also to the sugar produced hereafter. The entire sugar of these factories will now be allotted by the Central Government for sale at the fixed ex-factory price. Sugar produced by the factories in Uttar Pradesh, North Bihar and Punjab is already allotted by the Central Government at fixed ex-factory prices.

RELEASE OF SUGAR

The Government of India has decided to release 1.85 lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, North Bihar, South Bihar and Punjab except a small quantity which will be released to each factory for sale to its employees. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orissa, Madras, Kerala, Bombay State, Himachal Pradesh, Assam, Manipur and Tripura from factories in the controlled region will be made only to the nominees of the State Governments. In case of Punjab and Jammu and Kashmir, allotments will be made direct to the State Governments or to their nominees. Allotments to Delhi will continue to be made on the existing basis. Allotments will be made at prices fixed under Notifications No. GSR 118/Ess. Com/Sugar dated October 25, 1959 and GSR 386/Ess. Com/Sugar dated April 4, 1960. The controlled ex-factory price for U.P. and North Bihar factories is Rs. 37.85 per maund and for factories in Punjab and South Bihar Rs. 38.35 per maund for ISS D-29 grade with prescribed price differential for other grades. The fixed f.o.r. destination prices in respect of allotments made to Kanpur and Calcutta will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

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(Established 7th September, 1906.)

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CAPITAL PAID-UP	.. ..	Rs. 3,00,00,000
RESERVE FUND	.. ..	Rs. 3,10,00,000

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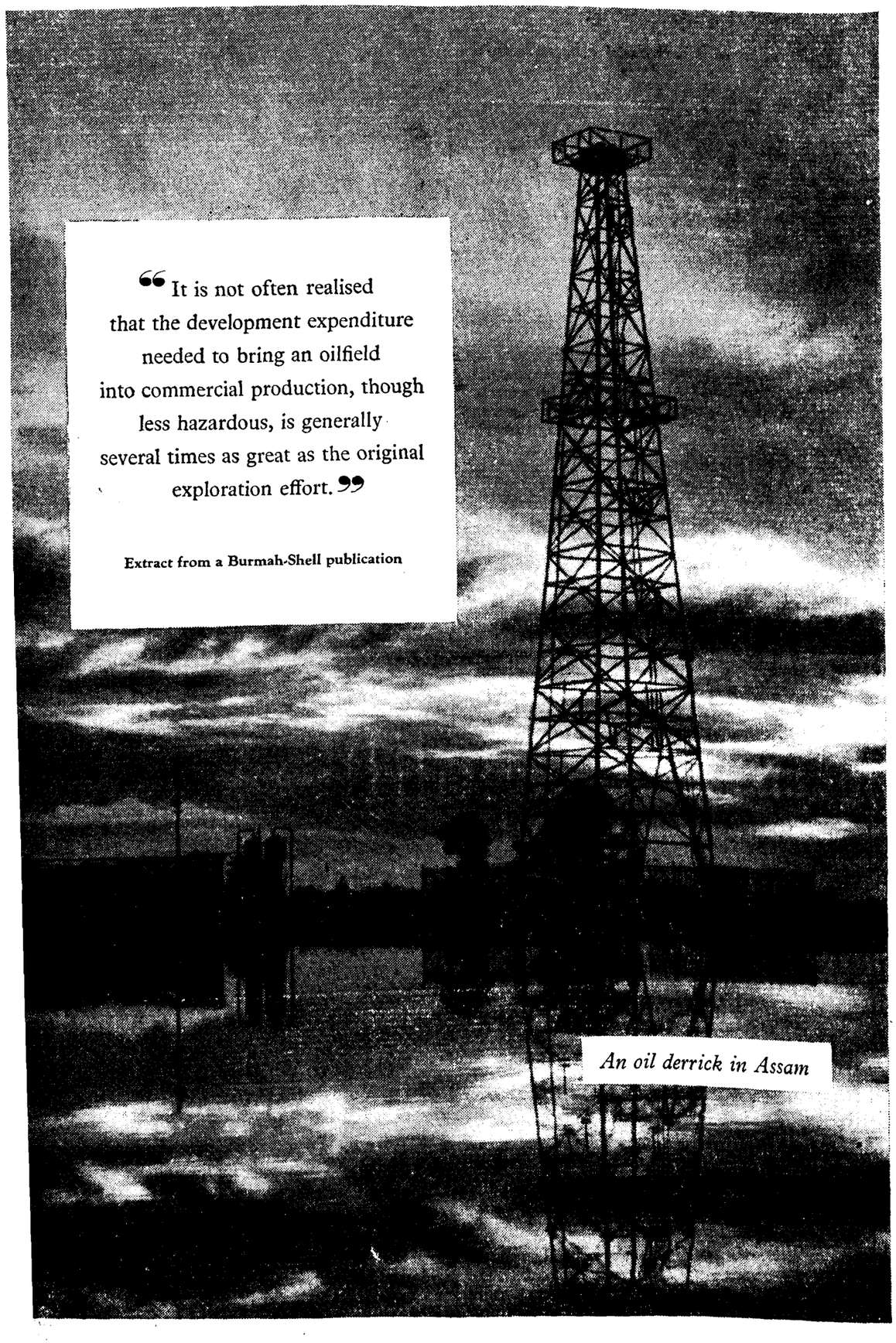
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THE INDIAN BANK LIMITED, MADRAS

(Estd. 1907)

(To be placed before the shareholders at the ensuing Fifty-third Annual General Meeting to be held on 20th April, 1960 at the Registered Office of the Bank "The Indian Bank Buildings", North Beach Road, Madras-1.)

DIRECTORS' REPORT

One Hundred and Fifth Report

The Directors have the pleasure to submit a statement of Assets and Liabilities and of Profit and Loss Account of the Bank for the year ended 31st December, 1959. The Auditors' Report is also annexed.

2. The Net Profit of the Bank for the year amounts to Rs. 36,84,210-42 and together with the sum of Rs. 60,932-76 carried from the previous year's account, makes a total of Rs. 37,45,143-18.

3. Out of this sum, the Directors have made the following interim appropriations:	Rs.	nP.
An ad interim dividend at the rate of 5% and a Bonus of 2½% (subject to deduction of tax at the prescribed rates) was paid which absorbed	6,22,500	00
The Directors now recommend that the following further appropriations may be made:		
To pay a final dividend of 5% and a Bonus of 2½% (subject to deduction of tax at the prescribed rates) thereby making the dividend and bonus for the year amount to 15%	6,22,500	00
To provision for taxes	23,00,000	00
To transfer to Sinking Fund	1,00,000	00
To transfer to Bank's Buildings account	20,000	00
To carry forward	80,143	18
	37,45,143	18

4. The Bank rate remained unchanged at 4%.

5. Offices of the Bank were opened during the year at Chickmagalur (Mysore State), Tiruppattur (North Arcot) and Pappanaickenpalayam (Coimbatore).

6. In accordance with Articles 92 and 93 of the Articles of Association of the Bank read with Sec. 256 of the Companies Act 1956 four Directors, Messrs. K. Balasubramania Iyer, L. Alagusundaram Chettiar, P. V. R.M. Kulandayan Chettiar and Rao Saheb E. M. Muthappa Chettiar retire this year by rotation and they, being eligible, offer themselves for re-election.

THE INDIAN BANK

Balance Sheet as at

Corresponding figures 31st December, 1958

Rs.	nP.	Rs.	nP.
		1,00,00,000	00
		72,00,000	00
		44,00,000	00
		22,40,000	00
		66,40,000	00
		15,255	00
		66,24,145	00
66,24,145	00		
31,17,300	00		
		51,82,900	00
		8,61,683	78
		Nil	
60,44,583	78		
		14,27,68,255	24
		6,76,03,289	72
		7,34,60,114	37
		12,54,85,670	76
40,93,17,330	09		
		Nil	
		Nil	
Nil			
1,02,35,169	97		
		2,30,52,464	44
		99,24,584	22
3,29,77,048	66		
		48,416	30
		1,11,233	38
		5,96,837	08
		9,45,228	31
		1,00,982	57
		43,20,339	31
		32,960	37
61,55,998	52		
2,48,45,308	21		
19,02,932	76		
50,12,19,816	79		

CAPITAL AND LIABILITIES

	Rs.	nP.	Rs.	nP.
1. Capital:				
Authorised Capital:				
1,00,000 SHARES of Rs. 100 each	1,00,00,000	00		
Issued and subscribed Capital:				
(a) 72,000 SHARES of Rs. 100 each for payment in cash	72,00,000	00		
(b) 16,600 SHARES of Rs. 100 each issued as fully paid bonus sheres	16,60,000	00		
	88,60,000	00		
Amount Called up:				
On 44,000 SHARES of Rs. 100 each	44,00,000	00		
On 28,000 SHARES at Rs. 80 per share	22,40,000	00		
	66,40,000	00		
Less: Calls unpaid.	1,010	00		
	66,28,990	00		
16,600 SHARES of Rs. 100 each issued as fully paid bonus shares	16,60,000	00		
	82,98,990	00		
Add: Forfeited shares	Nil			
			82,98,990	00
Share Premium Account:				
			14,57,300	00
2. Reserve Fund and other Reserves:				
(i) Reserve Fund under Section 17 of the Banking Companies Act, 1949	68,44,583	78		
(ii) Reserve Fund other than that under Section 17 of the Banking Companies Act, 1949	Nil			
(iii) Sinking Fund	Nil			
			68,44,583	78
3. Deposits and other Accounts:				
Fixed Deposits	16,44,81,486	77		
Short-term Deposits	6,56,32,647	77		
Savings Bank Deposits	7,87,34,175	18		
Current Accounts, Contingency Accounts, etc.	13,04,24,801	66		
			43,92,73,811	38
4. Borrowings from other Banking Companies, Agents, etc.				
(i) In India	1,55,25,095	89		
(ii) Outside India	Nil			
			1,55,25,095	89
Particulars:				
(i) Secured (Secured by part of investments in Central and State Government securities as per contra), Rs. 1,55,25,095 89				
(ii) Unsecured Rs. Nil				
5. Bills Payable:			1,03,36,661	50
6. Bills for collection being Bills receivable as per contra:				
(i) Payable in India	2,14,20,109	51		
(ii) Payable outside India	93,74,915	24		
			3,07,95,024	75
7. Other Liabilities:				
(i) Rebate on Bills	1,01,748	05		
(ii) Unclaimed Dividends	1,09,526	79		
(iii) T. Ts. Payable	7,17,748	45		
(iv) Sundries Payable	12,18,541	37		
(v) Provision for Taxes	12,97,900	11		
(vi) Branch Adjustment	43,02,036	35		
(vii) Interest Realisable	41,482	27		
			77,88,983	39
8. Acceptances, Endorsements and Other Obligation per Contra.			4,19,11,273	54
9. Profit and Loss:				
Profit as per Balance Sheet as at 31st December 1958.			19,02,932	76
Less: Appropriations:	Rs.	nP.		
(i) Final dividend of 5 per cent and a Bonus of 1½ per cent (both free of income-tax)	4,32,000	0		
(ii) Provision for taxes tax)	6,50,000	00		
(iii) Transfer to Reserve Fund under Section 17 of the Banking Companies Act 1949	7,30,000	0		
(iv) Transfer to Bank's Buildings account	30,000	00	18,42,000	00
Add: Profit for the year brought from the Profit and Loss account.			60,923	76
			36,84,210	42
Less: Interim Appropriation: Ad-Interim dividend at the rate of 5 per cent and a bonus of 2½ per cent both subject to tax).			37,45,143	18
			6,22,500	00
			31,22,643	18
Carried forward ..			Rs 99 52 787	41

LIMITED, MADRAS

31st December, 1959

Corresponding Figures 31st December, 1958

Rs.	nP.	Rs.	nP.
3,85,23,044	50		
		14,94,428	63
		73,41,224	23
88,35,652	85		
1,61,33,764	02		
		12,45,36,498	75
		12,93,321	50
		3,83,500	00
		8,50,423	67
		1,59,143	63
		11,58,336	00
		50,000	00
		1,35,00,000	00
		Nil	
14,19,36,223	55		
		17,12,91,163	72
		1,29,80,429	31
		3,28,06,536	96
		1,43,74,990	01
23,14,53,120	00		
		2,30,52,464	44
		99,24,584	22
3,29,77,048	66		
2,48,45,308	21		
		10,61,949	13
		5,58,582	14
		16,20,531	27
		5,62,631	10
10,57,900	17		
		15,64,453	24
		3,26,723	93
		18,91,182	17
		64,256	84
		18,26,925	33
		8,06,613	37
10,20,311	96		
49,67,82,374	23		

PROPERTY AND ASSETS

			Rs.	nP.	Rs.	nP.
1. Cash: In hand and with Reserve Bank and State Bank (including foreign currency notes.)					3,74,70,390	46
2. Balances with other Banks:**	**On Deposit**	**In Current Account**				
(i) In India	Rs. Nil	17,69,995 29	17,69,995	29		
(ii) Outside India	,, Nil	94,25,981 37	94,25,981	37		
					1,11,95,976	66
3. Money at call and short notice:					13,00,142	47
4. Investments (At Cost):**						
(i) Securities of the Central and State Governments (Terminable loans) and other Trustee Securities, including Treasury Bills of the Central and State Governments.	**Face Value**	**Market Value**			13,84,19,387	07
Quoted	Rs. 13,22,23,800	13,12,14,946 40				
Unquoted	,, 68,94,200					
(ii) Shares (quoted)						
Preference (other than Banking companies) Fully paid		Rs. 66,900 00				
Ordinary (Banking and other companies) Fully paid		Rs. 7,13,402 00				
Partly paid		,, 5,33,019 50			13,13,321	50
(Market Value Rs. 12,38,615 50)						
(iii) Debentures: Face Value (Unquoted) Rs. 3,83,500 00					3,83,500	00
(iv) Other investments: — (Quoted)						
Malayan and F. M. S. Terminable loans Face Value St. $1,658,000 (Market Value Rs. 25,09,008 04)					25,71,711	47
British 3½ 1960-70 Loan Face Value £14,724-12-2 (Market value 1,64,120 77)					1,62,035	51
Ceylon Government Terminable Loan Face Value (Market Value			Rs. 10,01,011 00 Rs. 9,91,015 00)		10,01,011	00
Ceylon Development Finance Corporation Shares Paid-up Value (Market Value			Rs. 50,000 00 Rs. 42,500 00)		42,500	00
Fixed Deposit with Joint Stock Companies					Nil	
(v) Gold					Nil	
					14,38,93,466	55
5. Advances: (Other than bad and doubtful debts for which provision has been made to the satisfaction of auditors)						
(1) Loans, Cash Credits, Overdrafts, etc.						
(i) In India			Rs. 20,63,88,441	24		
(ii) Outside India			Rs. 1,42,91,746	52	22,06,80,187	76
(2) Bills Discounted and Purchased excluding Treasury Bills of the Central and State Governments).						
(i) Payable in India			Rs. 4,73,14,163	48		
(ii) Payable outside India			Rs. 2,04,72,383	53	6,77,86,547	01
					28,84,66,734	77
6. Bills Receivable being Bills for collection as per contra:						
(i) Payable in India					2,14,20,109	51
(ii) Payable outside India					93,74,915	24
					3,07,95,024	75
7. Constituents' liabilities for acceptances, endorsements and other obligations per contra:					4,49,11,273	54
8. Premises:						
At cost as at 31st December, 1958			Rs. 16,20,531	27		
Additions during the year			Rs. 3,95,055	89	20,15,587	16
Less: Depreciation written off to date					6,31,791	67
					13,83,795	49
9. Safes, Furniture, Fixtures, etc.						
At cost as at 31st December, 1958			Rs. 18,26,925	33		
Additions during the year			Rs. 2,39,006	79	20,65,932	12
Less: Deduction in the year					43,875	62
					20,22,056	50
Less: Depreciation written off to date.					9,73,071	97
					10,48,984	53
Carried Forward ..					56,04,65,789	22

THE INDIAN BANK

Balance Sheet as at

Corresponding Figures 31st December, 1958		CAPITAL AND LIABILITIES — (Contd.)				
Rs.	nP		Rs.	nP.	Rs.	nP.
50,12,19,816	79	Brought forward ..			56,83,53,767	41
		10. Contingent Liabilities:				
	16,30,675	00 (1) On partly paid up shares of Banks and other companies Rs. 16,65,675 00				
		(2) Claims against the Bank not acknowledged as debt:				
	25,000	00 (a) Rs. 25,000 00 failing which				
	670	69 Rs. 670 69				
	84,191	81 (b) Rs. 69,157 85				
	1,56,87,965	55 (3) On guarantees given on behalf of constituents Rs. 6,34,54,878 37				
	1,91,42,587	84 (4) On Forward Exchange contracts Rs. 7,75,96,274 13				
		Note: The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Companies Act 1949, read with Section 211 of the Companies Act 1956.				
50,12,19,816	79	Total ..			56,83,53,767	41

Profit & Loss Account for the

Corresponding Figures 31st Dec. 1958		EXPENDITURE				
Rs.	nP.				Rs.	nP.
1,07,76,196	57	1. Interest paid on deposits, borrowings etc.			1,16,48,216	16
71,86,880	50	2. Salaries and allowances, Provident Fund, Bonus etc.			30,99,166	41
..		(Salary and Allowances, etc., to Secretary Rs. 57,702-84)				
1,18,384	36	3. Directors' and Local Committee members' fees and allowances ..			1,31,661	12
6,84,693	87	4. Rent, Taxes, Insurance, Lighting, etc.			7,38,632	62
14,846	20	5. Law Charges			11,838	56
5,14,960	84	6. Postage, Telegrams and Stamps			5,66,970	43
28,491	90	7. Auditors' Fees			26,581	65
2,50,228	19	8. Depreciation on and repairs to the banking company's property ..			2,61,957	87
5,43,793	78	9. Stationery, Printing, Advertisements, etc.			6,32,734	15
Nil		10a. Loss from sale of or dealing with non-banking assets			Nil	
Nil		10b. Net loss on sale of investments			Nil	
7,56,406	84	11. Other Expenditure			8,96,732	95
21,30,556	94	12. Balance of Profit Subject to taxation)			36,84,210	42
2,30,05,439	99		Total ..		2,66,98,702	34

We have audited the above Balance Sheet of the Indian Bank Limited as at 31st December, 1959 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:-

(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:
(b) Such information and explanations have been found to be satisfactory;
(c) The returns received from the branches have been found adequate for the purpose of our audit;
(d) The transactions of the Bank as have come to our notice have been, in our opinion, within the powers of the Bank;
(e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required, subject to the note appended to the Balance Sheet.
(f) In our opinion, (i) The Balance Sheet gives a true and fair view of the state of the Bank's affairs as at 31 December, 1959.
(ii) the Profit and Loss Account gives a true and fair view of the Profit and Loss for the year ended that date and shows a true balance of profit for the period covered by the audit; and
(iii) 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
(g) The Bank's Balance Sheet and the Profit Loss Account dealt with by the Report are in agreement with the books of account and returns.

V. SOUNDARARAJAN & CO.
KARRA DAKSHINAMURTHY
BRAHMAYYA & CO
B. PURUSHOTTAM & CO.
SUNDARAM & SRINIVASAN.
Chartered Accountants. — Auditors.

MADRAS, Dated 21st March, 1960.

Directors

L. ALAGUSUNDARAM CHETTIAR
P. V. RM. KULANDAYAN CHETTIAR
K. BALASUBRAMANIA IYER
E. M. MUTHAPPA CHETTIAR
M. A. M. MUTHIAH CHETTIAR
R. K. VENKATACHALAM
R. SUNDRAM IYER
T. S. KACHAPIKESA MUDALIAR
O. M. SP. L. M. MEYYAPPA CHETTIAR
M. A. MUTHIAH CHETTIAR
K. ARUNACHALA MUDALIAR
RAMDOSS PURUSHOTHAMDOSS

S. MUTHUSWAMI,
Ag. Chief Accountant.

T. RAMAKRISHNA RAO,
Ag. Secretary.

LIMITED, MADRAS

31st December, 1959

Corresponding Figures 31st. December, 1958		PROPERTY AND ASSETS (Contd.)				
Rs.	nP.		Rs.	nP.	Rs.	nP.
46,67,82,374	23	Brought forward ..			56,04,65,789	22
		10. Other Assets, including Silver:				
	6,97,458	07 Books and Stationery	8,75,421	07		
	20,83,437	60 Sunderies Receivable (including advance Income-tax amounting to Rs. 46,16,494 39).	51,61,512	84		
	12,65,137	93 Interest Accrued on Investments	15,41,870	37		
	46,672	01 Stamps and Drafts	49,411	96		
	Nil	Silver	Nil			
40,92,705	61				76,28,216	24
3,44,736	95	**11. Non-Banking assets acquired in satisfaction of claims:** ..			2,59,761	95
		(At cost — Either reserve price fixed by Court or purchase price paid at public auction).				
		** Includes investment of Staff Security Deposits.				
50,12,19,816	79	Total ..			56,83,53,767	41

year ended 31st December, 1959

Corresponding Figures 31st Dec. 1958		INCOME (Less provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions.)		
Rs.	nP.		Rs.	nP.
1,80,36,124	43	1. Interest and Discount	2,15,84,797	75
44,15,534	78	2. Commission, Exchange and Brokerage	46,91,459	08
88,265	85	3. Rents	89,279	76
1,82,288	00	4. Net profit on sale of investments gold and silver, land premises and other assets. (Not credited to Reserves or any particular fund or account)	38,376	49
Nil		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)	Nil	
14,405	54	6. Income from non-banking assets, and profit from sale of or dealing with such assets.	9,531	57
2,68,821	39	7. Other receipts	2,85,257	69
2,30,05,439	99		2,66,98,702	34

31-12-1958 AMOUNT		(a) PARTICULARS	AMOUNT	
Rs.	nP.		Rs.	nP.
18,19,36,922	96	(i) Debts considered good in respects of which the Banking Company is fully secured	22,25,21,142	77
3,77,64,856	75	(ii) Debts considered good for which the Banking Company holds no other security than the debtor's security	5,18,31,836	23
		Advances under Joint and several Pronotes including Bills Discounted and Purchased 4,21,24,188 51		
		Advances to individual parties including Bills Discounted and Purchased 97,07,647 72		
1,09,64,323	44	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors ..	1,26,59,559	74
7,87,614	85	(iv) Debts due to temporary overdrafts and other advances ..	14,54,196	03
Nil		(v) Debts considered doubtful or bad not provided for	Nil	
23,14,53,120	00	Total ..	28,84,66,734	77
1,26,478	48	(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. 1,31,020 31 is fully secured)	1,17,141	78
1,84,89,813	93	(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. 43,08,585 12 is fully secured and (b) Rs. 1,25,43,414 39 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) ..	1,80,28,565	97
1,47,277	28	(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 other persons (of which Rs. 1,52,107 90 is fully secured)	1,84,634	23
1,88,30,507	91	(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. 65,23,352 17 is fully secured and (b) Rs. 1,18,81,166 85 is due by a company where a director of the Banking Company is an ex-officio director and advance is guaranteed by a State Government.)	2,02,51,220	45
6,04,450	91	(x) Due from Banking Companies	7,01,399	55

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 ..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56 ..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108 2	108.1	108.4
1958-59 ..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1960-61 ..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
January 1959 ..	114.3	103.6	115.1	114.1	110.5	108.4	108.4	112.4
February ,, ..	115.7	104.4	115.9	115.5	110.6	108.1	108.5	113.3
March ,, ..	113.8	100.3	116.0	116.2	109.4	108.5	108.6	112.4
January 1960 ..	117.5	100.9	117 6	130.9	121.6	115.1	116.0	118.8
February ,, ..	118.8	96.0	117 4	131.6	120.5	115.6	116.2	119.5
March ,, ..	117.0	96.4	117.3	131.9	121 3	115.9	116.6	118.8
5-3-1960 ..	117.6	96.3	117.9	131.2	121.7	115.7	116.5	119.0
12-3-1960 ..	116.7	96,1	117.8	131.8	121.2	115.9	116.6	118.6
19-3-1960 ..	117.1	96.1	117.2	132.9	121.1	115.8	116.6	118.0*
26-3-1960 ..	116.6	97.1	117.3	132.0	121.3	116.0	116.7	118.6

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 =100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
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	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165	433	164	178	173*
September	403	422	319	156	399	465	510	162	434	162	179*	173*
October	408	427	324	158	406	470	510	166	441	162	179*	174*
November	405	424	322	158	399	475	511	163	449	162	177*	174*
December	401	420	311	157	389	460	511*	163	441	162	175*	171*
1960 January	403	422	304	159	385*	460	509	—	441	—	—	171
February	399	418	294	161	—	468	511	—	448	—	—	—
March	—	—	—	—	—	—	—	—	446	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED 1-4-1960 High	1-4-1960 Low	1-4-1960 Average	25-3-1960 High	25-3-1960 Low	25-3-1960 Average	18-3-1960 High	18-3-1960 Low	18-3-1960 Average	11-3-1960 High	11-3-1960 Low	11-3-1960 Average
Gold (per fine tola) —	131.62	129.91	130.63	131.75	129.31	130.77	131.44	128.69	129.58	132.16	130.56	131.35
Silver (per 100 fine tolas)	217.62	216.44	217.04	218.00	216.87	217.38	218.06	216.00	216 98	218.25	216.81	217.65

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES: Notes in Circulation	LIABILITIES: Notes Held in Banking Department	LIABILITIES: Total Notes Issued (a)	ASSET: Gold Coin and Bullion (b)	ASSET: Foreign Securities (c)	ASSET: Total of (b+c)	ASSET: (b+c) as Percentage of (a)	ASSET: Rupee Coin	ASSET: Rupee Securities	ASSET: Total Assets
1953-54* ..	1,133.95	23,03	1,156,97	40.02	594,02	634,04	54 80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40.02	648,81	688,83	56.58	112,26	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 (117,76)	545,01	585,63 (663,37)	39.95 (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
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
Average of Fridays										
January 1959 ..	1,621,47	10,46	1,631,93	117,76	164,68	282,44	17.31	134.70	1,214,80	1,631,93
February ,, ..	1,660,09	16,85	1,676,94	117,76	174,68	292,44	17.44	132,22	1,252.28	1,676,94
March ,, ..	1,694 62	12,40	1,707.02	117,76	178,01	295,77	17.38	129,88	1,281.37	1,707,02
January 1960 ..	1,766,07	14 42	1,780.49	117,76	163,01	280,77	15.77	130,31	1,369,42	1,780,49
February ,, ..	1,803,57	18.74	1,822.31	117,76	163,01	280,77	15 41	126,73	1,414,82	1,822,31
March ,, ..	1,836,41	16,64	1,853,05	117,76	163,01	280,77	15.15	124,00	1,448,28	1,853,05
Week-Ending										
26-2-1960 ..	1,798,98	25,95	1,824,92	117,76	163,01	280,77	15.39	126,86	1,417,30	1,824,92
4-3-1960 ..	1,820,91	21,42	1,842,33	117,76	163,01	280,77	15.24	124,42	1,437,14	1,842,33
11-3-1960 ..	1,837,90	8.67	1,846,57	117,76	163,01	280,77	15 20	123,69	1,442 11	1,846,57
18-3-1960 ..	1,841,93	14,51	1,856,44	117,76	163,01	280,77	15.12	123,74	1,451,93	1,856 44
25-3-1960 ..	1,844,90	21,94	1,866,84	117,76	163,01	280,77	15.04	124,14	1,461,93	1,866,84

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS: Central Government	DEPOSITS: Other Governments	DEPOSITS: Banks	DEPOSITS: Others	DEPOSITS: Total	Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad §	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	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 19	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
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
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
Avr. of Fridays														
January 1959 ..	56.88	29.42	72.41	116,16	274,88	80.27	440,15	10,52	12,68	28 85	26,49	88,18	262,21	11,20
February ,, ..	58,62	21,88	72,09	115.27	267.85	85,17	438,02	16,90	6,18	30,14	25.02	89.41	258.69	11,68
March ,, ..	55,82	24,53	68,84	117,73	266.92	90,90	447,81	12,47	7,22	34,98	23,79	104,21	253,15	12,00
January 1960 ..	54,26	23,94	81,53	120,76	280.49	86,67	452,19	14,48	39,44	46,55	21,53	106,74	210.48	12,93
February ,, ..	54 68	25,82	75.76	107.57	263.84	92,51	441,35	18,82	19,84	41,98	23,97	123 39	200 73	13,52
March ,, ..	54 20	41,86	83,07	96,73	275,86	110,21	471,06	16,71	18,36	33,02	25,06	143 45	229.44	14,03
Week-Ending														
26-2-1960 ..	51,76	30,22	79,96	93,90	255,85	94,61	435,46	26,02	8,11	44,34	25,99	121,07	204.71	13,75
4-3-1960 ..	50,37	34.27	81.92	94,49	261,05	89,28	435,33	21,49	4,79	33.73	27,77	126,52	207,17	13,86
11-3-1960 ..	50 64	29,76	71,63	95,04	247,07	102,91	434 98	8,74	7,48	32 27	29,49	135 61	207.49	13,91
18-3-1960 ..	52,62	60.45	85,84	97,27	296,19	117.29	498,48	14,59	27,58	31,96	20,64	155.12	234 51	14.08
25-3-1960 ..	63 15	42,97	92,90	100,10	299 12	131,34	515,46	22,02	33 60	34,11	22,34	156,54	232,58	14,26

* 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 of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

INDUSTRIAL CAPACITY AND PRODUCTION IN MAJOR INDUSTRIES
CHEMICAL INDUSTRIES

Industry	1958 No. of Units	1958 Installed capacity	1958 Actual production	1959 No. of units	1959 Installed capacity	1959 Estimated production	Brief explanations for appreciable fall or rise in production
1. **ACIDS**							
(i) Chromic Acid (metric tons) ..	5	508	179	4	468	105	
(ii) Hydrochloric Acid (tons) ..	27	17,311	11,064	27	17,253	11,000	
(iii) Nicotinic Acid (Kgms.) ..	2	8,000	320	2	8,000	4,632	
(iv) Nitric Acid (tons)	22	3790	1,539	21	3,650	1,600	
(v) Oleic Acid (tons) ..	4	1,140	217	4	1,140	230	
(vi) Phosphoric Acid (tons) .	2	725	862	2	726	1,170	
(vii) Stearic Acid (tons) ..	5	3,570	1,368	5	3,570	2.205	
(viii) Sulphuric Acid (tons) ..	36	290,066	226,588	35	374,084	300,000	
2. Activated Carbon (metric tons)	3	756	202	3	2,508	312	
3. Alum (Ammonia) (tons) ..	15	10.260	4,677	14	9,930	4,900	
4. Aluminium sulphate							
(i) Ferric (tons ..	15	52,579	32,077	15	52.579	39,000	
(ii) Iron Free (tons) ..	8	6,898	3,751	10	7,988	4,000	
5. Ammonium Chloride (tons) ..	3	8,498	6,640	3	8,498	6,000	
6. Ammonium Suiphate (tons) ..	8	432,005	384,232	8	432,005	395,000	
7. Bichromates (tons) ..	7	6,848	3,447	7	6,848	4.000	
8. Bismuth Salt (kgm.) ..	2	96,000	32,662	2	96,000	25.741	
9. Bleaching Earth Activated (metric tons) ..	5	5,572	2,171	5	6,108	2,200	
10. Bleaching Powder (metric tons)	3	14,540	6,613	3	14,540	5,500	Low off-take reported by one unit and power shut down from D.V.C. in another unit.
11. Bromides (metric tons) ..	1	451	101	1	456	95	Sudden change in the climatic condition told upon production.
12. Bromine (metric tons) ..	1	263	138	1	268	126	,,
13. Calcium Carbide (metric tons)	2	4,125	3,858	2	4,125	3,752	Poor demand.
14. Calcium Carbonate							
(i) Activated (metric tons) ..	2	1,860	473	2	1,860	483	
(ii) Precipitated (metric tons) ..	2	1,860	389	2	1,860	600	
15. Calcium Chloride (tons) ..	3	2,861	1,172	3	2,861	500	
16. Calcium Gluconate (kgms.) ..	3	61,818	30,391	3	61,818	38,938	
17. Calcium Lactate (kgms.) ..	3	181,818	65,333	3	181,818	121,116	
18. Caustic Soda (metric tons) ..	15	67,945	58,103	17	98,945	70,000	
19. Chloral Hydrate (kgms.) ..	2	78,500	17,974	3	89,500	42,295	Revised capacity for 1958.
20. Copper Sulphate (tons) ..	11	6,135	2,084	11	6,135	3,000	
21. Electroplating Salts							
(i) Brass (metric tons) ..	2	33	1	2	66	1.60	
(ii) Cadmium (metric tons) ..	2	121	5	2	99	10	
(iii) Copper (metric tons) ..	2	2,296	2	2	1,864	8	
(iv) Nickel (compound) (metric tons) ..	3	5,783	29	3	3.465	94	
(v) Tin (metric tons) ..	2	35	0.15	2	53	3	
(vi) Zinc (metric tons) ..	3	345	2	3	363	5	
22. Ether B. P. and Anesthetics (kgms.) ..	3	720,000	280.180	3	720.000	423,188	
23. Ethyl Acetate (tons/kgms.) ..	—	—	—	2	360*(tons)	166,882(kgms.)	*Estimated
24. Ethyl Chloride (kgms.) ..	1	32,727	30.433	1	72,000	69,150	
25 Ferric Chloride (tons) ..	3	2,277	163	3	2,277	150	

(Continued on the next page)

162-516

INDUSTRIAL CAPACITY AND PRODUCTION IN MAJOR INDUSTRIES
CHEMICAL INDUSTRIES

Industry.	Accounting unit	1958 No. of units	1958 Installed Capacity.	1958 Actual Production.	1959 No. of Units.	1959 Installed Capacity.	1959 Estimated Production
26. Ferrous Gluconate	Kgms.	2	28,000	9,116	2	28,000	7,331
27. Ferrous Sulphate	Tons	9	1,399	664	10	3,973	2,400*
28. Gases:							
(i) Carbon Dioxide	000 Kgms.	11	15,313	5,561	12	16,968	7,160
(ii) Dissolved Acetylene	000 Cu. Meters	4	3,725	2,088	4	4,188	2,300
(iii) Nitrous Oxide	Mil Liters	1	100	54	1	100	63
(iv) Oxygen	Th. Cu. Meters	4	19,471	13,489	5	23,708	15,960
29. Hydrogen Peroxide	Metric Tons	1	1,200	952	1	1,500	1,000
30. Hydroquinon	Kghs	2	34,000	25,500	2	34,000	17,543
31 Incandescent Gas Mantles	000 Gross	6	212	129	7	220	122
32. Liquid Chlorine	Metric tons	10	31,440	20,387	12	36,060	22,000
33. Magnesium Carbonate	Metric tons	2	1,320	3	2	1,320	18.44
34. Magnesium Chloride	Tons	4	39,600	6,662	4	39,600	7,000
35. Magnesium Sulphate	Tons	16	8,085	3,836	15	7,929	3,800
36. Nickel Ammonium Sulphate	Metric tons	2	111	8	2	128	9
37. Nickel Carbonate	Metric tons	2	50	6	2	50	6
38. Nickel Chloride	Metric tons	2	83	9	2	99	9
39. Nickel Sulphate	Metric tons	3	150	54	3	277	56
40. Nickethamide	Kgms.	5	10,000	3,900	3	8,088	4,226
41. Phosphorous Trichloride	Metric tons	1	165	17	2	465	77
42. Potassium Chlorate	Metric tons	2	3,660	2,821	2	3,660	2,600†
42. Saccharine	Kgms.	2	107,273	96,360	2	107,273	90,370††
44. Shark Liver Oil	Gallons 6000 I.U.G.)	3	70,000	50,500	2	70,000	11,548
45. Soda Ash	Metric tons	2	111,000	90,862	2	111,000	96,128
46. Sodium Bicarbonate	,,	2	6,720	5,514	2	6,720	5,700
47. Sodium Bisulphite	,,	5	1,218	892	5	1,218	1,000
48. Sodium Hexameta Phosphate	,,	1	168	160	1	672	393
49. Sodium Salicylate	Kgms.	4	200,000	162,000	4	200,000	154,590
50. Sodium Sulphate	Tons	19	21,587	17,536	19	21,587	20,000
51. Sodium Sulphide	Tons	9	9,239	4,019	8	9,074	4,500
52. Sodium Sulphate	Metric tons	4	828	447	4	828	550
53. Sodium Thiosulphate	,,	5	2,153	1,047	5	2,153	1,000
54. Superphosphate	Tons	15	310,570	166,846	15	330,670	230,000
55. Zinc Chloride	Tons	5	1,876	751	4	1,546	900
SOLVENTS							
56. Acetic Acid	Kgms.	2	3,273,552	283,000	2	3,273,552	3,087,703
57. Acetic Anhydride	Kgms.	—	—	—	1	2,550,000	2,680,042
58. Acetone	Kgms.	1	609,000	740,000	2	609,000	651,204
59. Carbon Disulphide	Tons	4	8,150	8,325	4	11,000	9,170
60. Methanol	Tons/Kgms.	—	—	—	1	60 (Tons)	20,905
61. Photographic Developer	Gallons/ Kgms.	—	—	—	2	Not available.	Kgms. 25,553 56,308

Brief explanations for appreciable fall or rise in production:—

* Fluctuation in demand

†Labour strike in one unit from 26-8-59 to 30-9-59.

†† Slight fall due to seasonal demand.

(Continued on the next page)

INDUSTRIAL CAPACITY AND PRODUCTION IN MAJOR INDUSTRIES
CHEMICAL INDUSTRIES

Industry	Accounting Unit	1958 No. of Units	1958 Installed capacity	1958 Actual Production	1959 No. of units	1959 Installed capacity	1959 Actual production
PHARMACEUTICALS AND DRUGS							
62. Galenicals	Gallons	47	3,086,400	815,300	41	3,086,400	1,041,792
NATURAL DRUGS OF VEGETABLE ORIGIN							
63. Caffeine and its salts	Kgms.	3	9,000	6,615	3	9,000	4,671
64. Ephedrine and its salts	Kgms.	2	1,800	5.5	2	1,800	15.0
65. Opium Alkaloids and its salts	Kgms.	1	1,500/2,000 (Single shift)	1,422	1	1,500/2,000 (Single Shift)	1,546
66. Strychnine	Kgms.	2	20,000	5,743	2	20,000	3,779
LIVER EXTRACTS							
67. Injections	000 ccs.	19	117,204	36,045	17	75,424	37,490
68. Orals	Lbs./Kgms	19	1,447,764 (Lbs.)	303,467 (Lbs.)	17	652,080 (Kgms.)	164,204 (Kgms.)
ANTIBIOTICS							
69. Chloramphenicol	Kgms.	1	3,600	2,077	1	3,600	2,608
70. Chlorotetracyclin (Aureomycein)	Kgms.	1	9,600	1,770	1	9,600	1,574
71. Penicillin	Mil. M.U.	1	25.00	26.93	1	30.00	30.00
CHEMOTHERAPEUTICS							
(a) Anti-Leprosy							
72. D.D.S. and its Derivatives	Kgms.	3	7,800	2,450	3	8,160	3,928
(b) Anti-Tuberculosis							
73. Isonicotinic Acid Hydrazide	Kgms.	6	25,864	20,051	6	31,032	29,372
74. P.A.S. and its salts	Kgms.	5	126,000	66,093	5	126,000	107,596
(c) Sulpha Drugs							
75. Sulphadiazine	Kgms.	2	107,400	41,396	2	107,400	43,425
76. Sulpha Pyridine	Kgms.	1	18,200	13,320	1	18,200	8,604
77. Sulphasomidine	Kgms.	1	24,000	19,915	1	24,000	27,916
78. Sulphathiazole	Kgms.	2	182,300	56,826	2	182,300	57,931
(d) Anti-Dysentery							
79. Di-iodohydroxy (quinoline and) Iodochlorohydroxy quinoline)	Kgms.	17	75,000	25,029	14	59,520	23,551
(e) Insecticides							
80. Benzene Hexa (Chloride	Tons	3	3,000	3,080	2	3,900	2,635
81. Copper Oxy Chloride	Tons	3	1,788	600	4	2,268	408
82. D.D.T.	Tons	2	2,800	1,755	2	2,800	2,441
83. E.D.B.	Tons	1	96	25	1	96	13
(f) Alkaloids							
84. Reserpine	Gms.	1	18,000	3,680	1	18,000	8,706
(g) Harmones							
85. Testosterone and other Harmones	Gms.	2	118,000	22,687	3	684,000	647,000
(h) Anti-Diabetes							
86. Tolbutamide and Carbutamide	Kgms.	1	600	690	1	600	193
AROMATIC CHEMICALS							
87. Amyl Acetate (Perfumery Grade)	Lbs.	1	7,200	1,782	1	7,200	2,100
88. Amyl Salicylate	,,	1	14,400	3,810	1	14,400	3,550
89. Aurantiol	,,	2	10,200	2,931	2	10,200	1,700
90. Cedryl Acetate	,,	1	6,000	519	1	6,000	525
91. Citronellal Crude	,,	1	8,000	7,455	1	8,000	3,000
92. Citronellol	,,	1	3,600	3,300	1	3,600	8,201
93. Citronellyl Acetate	,,	2	600	202	2	600	150
94. Geraniol	,,	2	18,000	14,688	2	18,000	25,639
95. Geranyl Acetate	,,	2	4,000	2,323	2	4,000	3,823
96. Hydroxy Citronellol	,,	1	3,000	2,489	1	3,000	4,585
97. Ionone 100%	,,	1	9,600	6,170	1	9,600	9,310
98. Linallol	,,	1	1,200	1,678	1	1,200	1,080
99. Phenyl Ethyl Acetate	,,	1	6,000	1,916	1	6,000	2,194

Fall in production is due to less demand.

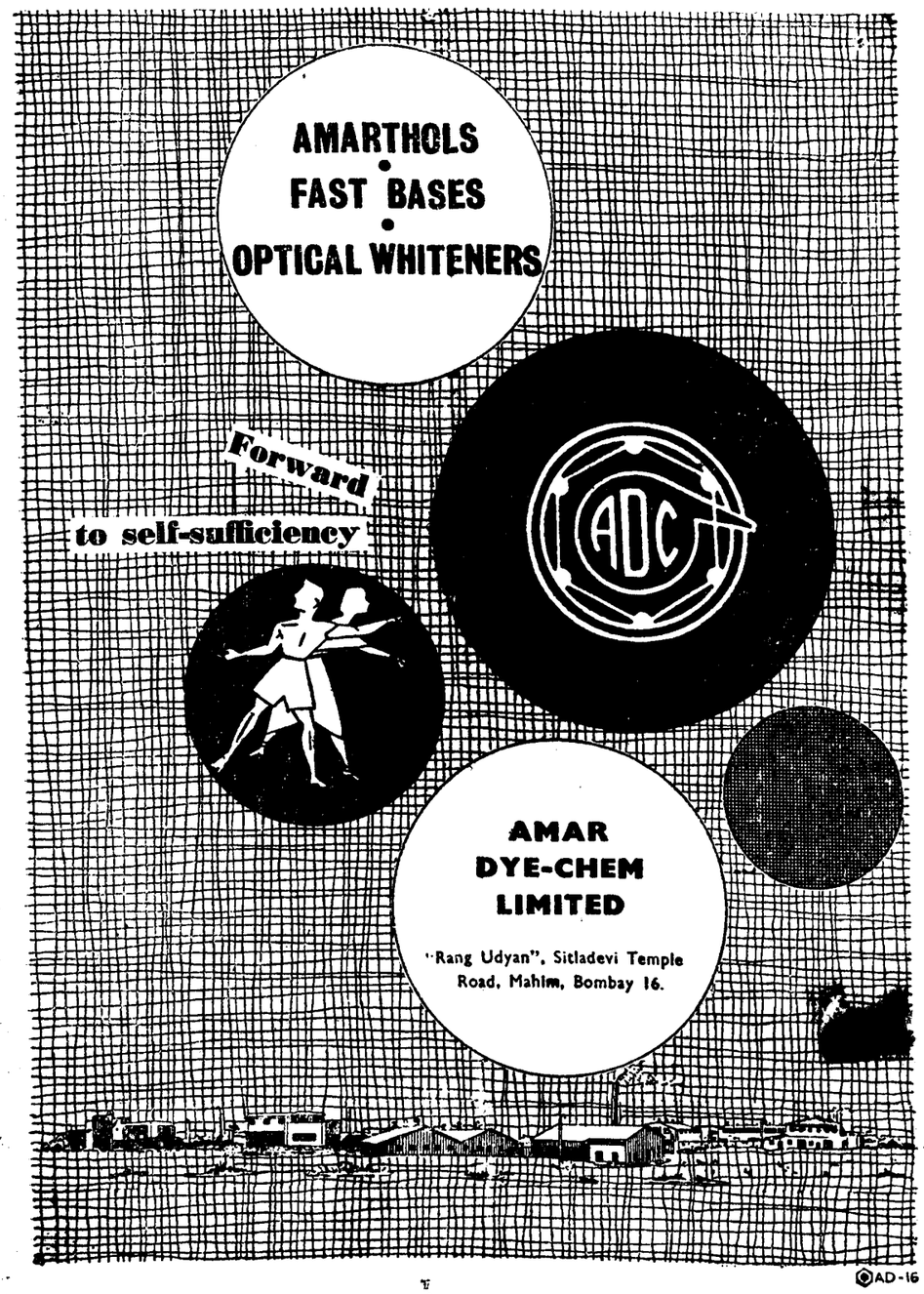
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INDUSTRIAL CAPACITY AND PRODUCTION IN MAJOR INDUSTRIES
CHEMICAL INDUSTRIES

Industry	1958 No. of Units	1958 Installed Capacity	1958 Actual Production	1959 No. of Units	1959 Installed Capacity	1959 Estimated Production
Essential Oils						
100. Eucalyptus oil § (Lbs.)	—	—	306,000	—	—	300,000
101. Flavouring Essences (Tons)	11	200 to 300	191	11	300	250
102. Geranium oil § (Lbs.)	—	—	1,500	—	—	1,500
103. Lemon Grass oil§ (Tons)	—	—	1,050	—	—	1,100
104. Linalee oil § (Lbs.)	—	—	6,000	—	—	6,000
105. Palmarosa oil § (Tons)	—	—	95	—	—	100
106. Rosin (organised units) (Tons)	3	12,200	10,195	3	12,200	10,896
107. Sandal wood oil (Lbs.)	7	298,800	275,150	6	266,000	271,048*
108. Turpentine oil (organised units) (Gallons)	3	735,000	582,649	3	735,000	605,609
Resinoids						
109. Balson Tolu (Lbs.)	2	9,600	1,189	2	9,600	1,050
110. Benzoin (Lbs.)	2	16,000	5,552	2	16,000	1,304
111. Labdanum (Lbs.)	2	9,600	468	2	9,600	300
112. Styrax (Lbs.)	2	7,000	1,341	2	7,000	1,582
Dye Stuffs						
113. Aze Dyes (Lbs.)	2	2,593,520	1,871,895	2	2,969,720	2,725,948
114. Fast Colour Bases (Lbs.)	1	672,000	356,164	1	1,456,000	796,087
115. Fast Colour Salts (Lbs.)	5	630,000	288,731	5	630,000	284,540
116. Ink Blue (Lbs.)	1	30,000	25,226	1	30,000	29,544
117. Methylene Blue (Lbs.)	1	30,000	7,200	1	30,000	30,598¶
118. Naphthols (Lbs.)	2	2,016,000	997,933	2	2,128,000	1,228,822
119. Optical Bleaching Agents (Lbs.)	3	277,000	178,800	5	451,720	280,206
120. Solubilised Vats (Lbs.)	3	370,500	142,403	3	370,500	181,211
121. Stabilised Azoics (Lbs.)	9	1,146,500	594,193	9	1,146,500	586,504
122. Sulphur Black (Lbs.)	2	3,000,000	1,357,733	2	4,000,000	3,124,524
123. Vat Colours (Commercial Strength) (Lbs.)	2	602,000	415,690	2	1,060,000	618,489
Coke Oven and Coal Tar Distillation Products						
124. Benzene (Gallons)	3	718,500	789,084	3	694,000	1,064,013
125. Creosote oil (Gallons)	5	†	885,517	5	†	1,049,000
126. Crude Coal Tar (Tons)	11	117,300	119,581	12	304,195	175,500
127. Motor Benzol (Gallons)	5	2,414,000	902,620	4	2,239,200	622,256
128. Naphthalene Refined (Tons	5	1,040	684	5	1,040	640
129. Pitch (Tons)	5	†	4,580	5	†	5,175
130. Road Tar (Tons)	5	†	19,772	5	†	18,426
131. Solvent Naphtha (Gallons)	5	†	98,589	5	†	100,123
132. Toluene (Gallons)	3	250,000	53,585	3	250,000	154,963
Industrial Explosives						
133. Industrial Explosives (Tons)	1	4,500	218	1	4,500	3,524‡
134. Safety Fuses (Number of coils of 24 ft. length)	1	1,080,000	690,155	1	1,080,000	893,957
Paints and Varnishes						
135. Alkyd Resins (Tons)	8	2,372	1,972	12	4,040	2,500
136. Aluminium Pastes (Tons)	1	500	333	1	500	420
137. Chrome Colours (Tons)	10	—	802	10	—	850
138. Nitrocellulose Lacquers (lakh gallons)	7	8.0	2.7	7	8.0	2.7
139. Paints (Tons)	49	65,000	48,000	53	71,160	55,000
140. Phthalocyanine Blue (Lbs.)	1	—	45,278	1	—	83,000
141. Red Lead (Tons)	3	5,100	4,943	3	8,360	4,450
142. Titanium Dioxide (Anatase) (Tons)	1	1,800	1,715	1	1,800	1,730
143. White Lead (Tons)	2	3,720	1,100	2	3,720	1,110
144. Zinc Oxide (Tons)	4	12,360	6,622	4	12,360	7,030

Brief explanations for appreciable fall or rise in production:
* One of the units closed down.
¶ Better utilization of capacity.
‡ Production commenced in November 1958.
† No separate capacity for these items.
§ These oils are produced on a cottage industries scale. As such authentic statistics about their production are not available.

Source: Annual Report of the Ministry of Commerce and Industry.



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CONTENTS

	Page
Leading Articles:	
THE THREE WISE MEN REPORT	905
PRICE POLICY: ANIMATED SUSPENSE?	906
KANDLA: OUT OF A MURKY PAST?	907
DELHI DIARY	908
THE WEEK'S NOTES Rail Transport; Cement; Law and Order; Taxation.	909
WINDOW ON THE WORLD: Odysseus on "India, Europe, and the Commonwealth"	913
THE EUROPEAN SCENE: The European Trade Crisis	917
ECONOMIC REPORT FROM THE U.S.: Balance of Payments	920
Special Article:	
THE VOLUME AND DISTRIBUTION OF URBAN INCOMES: 1958-59	923
The Business World:	
CONFUSION OVER TEXTILE POLICY	925
BUSINESS NOTES Labour; Cement Industry; Provident Fund; Rubber; General Insurance.	926
CURRENT TOPICS:	
Coal Award	929
Storing of Foodgrains	929
A DELHI NOTEBOOK	930
WORLDGRAM AND NEWS IN BRIEF	933
COMMODITY NEWS AND NOTES	936
COMPANY AFFAIRS	938
STATISTICS	944

The Three Wise Men Report

THE report of the members of the International Economic Mission—currently described as the Three Wise Men—on the problems of development in India and Pakistan issued this week is surprisingly brief and may seem, on the surface, to be elementary. It has been mistaken in a small section of the Indian Press for superficiality, which is a serious misreading of the value and purpose of this particular report. In the first place, it is to be remembered that it was addressed primarily to the world outside India; it cannot for that reason be filled with technical details or factual information such as would convince a pedantic Indian audience that the authors have steeped themselves in the requisite statistical environment. The authors have wisely chosen to contain their erudition, and have even concealed their remarkably clear perception of things as they are behind a seemingly elementary report. The report is meant for the judicious reader, and particularly, the wise investor abroad, who, reading between the lines, will find many answers he is seeking.

Firstly, the authors, speaking as businessmen of the topmost rung in their respective countries, have approved in no small measure of what India has achieved and what it proposes to accomplish in the Third Five-Year Plan. It is right that they should draw attention to two major conditions of success, the first of which is the need to underpin agriculture and the second discipline; "if inflationary pressures develop, as the programme moves ahead, fiscal and monetary action will

need to be prompt and decisive." They draw attention to the fact that, because of foreign exchange difficulties, phasing might be necessary. But what is most important of all is that one emerges, after reading this report by three of the foremost bankers of the world, with an assurance that they have found India a good business risk. There is no question here of democracy or political stability, or any non-economic considerations; this is a straight economic document in which India has emerged as a proved economic opportunity for the rest of the world.

It is fair, and no doubt the authors of this carefully worded report would not resent the view, that there are now obligations on the Western world as well as upon ourselves to see that the Plan, which has thus been approved, emerges successful from the undoubted ordeals it will encounter in the next five years. The greatest question in this respect is the problem as to when the foreign exchange credits are made available. If they are delayed — as inevitably they were in the Second Five-Year Plan — then the phasing of the Plan, to which the authors invite attention, will occur automatically because India will be unable to place orders except on rupee account and against the few foreign currency credits which have already been made available — notably, the yen credit of Japan and the Austrian credit of last year. All in all, therefore, the question of phasing of India's Five-Year Plan is not in India's control, so far as that portion of the Plan which needs to be financed by foreign exchange is concerned. This is the West's responsibility, and unfortunately, the Western world has created the impression in India that there will be a grave hiatus between the coming of the credits and the beginning of the Plan. This was not the position in the case of the Second Plan, when we had our sterling balances to expend. This is a subject in which Sir Oliver Franks and his colleagues could be of substantial help to us in the first or second year of the Third Plan. Incidentally, they will be of substantial help to their own countries if they can arrange a throw-forward of credits which will undoubtedly come later.

So far as the Indian public is concerned, it should recognize that a report presented largely to reassure the world of India's economic future should be appreciated and valued as an instrument in our battle of 'communicating' with the Western world on our own capacity. It is still one of the great problems of 'communications' to be able, as a recipient of capital or aid, to convince givers or investors that our needs provide them with good economic opportunities. Sir Oliver Franks and his colleagues have rendered a signal service both to us and to foreign governments and foreign investors by providing the missing link in the range of "objective" evaluations acceptable to investors over the wide world. No more acceptable authorship for such a document could have been found; and nothing succeeds so well as the success recognised by the "right" people.

Price Policy: Animated Suspense?

THOSE who had the credulity to believe, after the postponement of a decision on price policy by the National Development Council in March last and its reference to the Chief Ministers of States for settlement in a matter of barely four weeks, that a positive policy would be evolved must have been sadly disillusioned by the abrupt decision taken by the NDC last Sunday not to decide the issue for the time being. The scheduled departure of the Food Minister to the USA for the foodgrain deal under PL 480 was known to everybody for quite a long time. To make an excuse of his departure for putting off the decision once again can convince nobody that, but for this unhappy accident, a splendid constructive policy could have been found. In truth, Delhi has presented a sorry spectacle of confusion. Its cause is simple. We desire Socialism and a grandiose plan; but the production of consumer goods refuses to race ahead to accomplish either end without inflation. The net result is our slogans belong to a world different from that in which remedies can work.

Food still dominates thinking and it is appropriate that this should be so. A policy for food prices is the crux of the general problem of prices, and it must continue to be so at least until self-sufficiency in food production is achieved by the end of the Third Plan. This is precisely why the Chief Ministers loom so large—as they ought to—in the picture at the present time. It is on them that the implementation of the food price policy will devolve. An intensive application of the administrative apparatus for the execution of the policy is feasible only when an understanding of its rationale and propriety is brought about. But again the answer is Production, and Production only.

This places a task on their shoulders whose magnitude needs to be appreciated fully and clearly. Unfortunately, there is little evidence that this is the case. Instead of facing the failure in production, everyone runs into the distribution *cul-de-sac*. State trading in foodgrains at the wholesale level within a nebulous framework was conceived by the NDC in a fit of fancy, but it continues its hold on the minds of the custodians of food policy at the State level. Its alluring aspect appears to be that the instrument of State trading will procure for the States the supplies they would need to repel the consequences of possible shortages.

Of all the States, it occurred only to Bihar at last Sunday's session of the NDC to demand a clear definition of the scope and at least the minimum implications of State trading. Available reports of the proceedings indicate that Bihar's query was systematically side-tracked. Can this attitude of evasion succeed in evading the consequences and responsibilities which State trading in foodgrains as a normal method of distribution will bring in its train? Is it assumed that State trading in staple foodgrains will not be defeated by a free market in coarse grains? If prices are to be pegged at the required levels and the State is to ensure that distribution proceeds in conformity with regulated prices, can it be put through without a machinery of controls? These are some of the major challenges posed by the policy of State trading. To ignore them is not to be prepared to meet them.

Andhra, Mysore and Punjab, which assumed the role of enthusiastic advocates of State trading, revealed the extent of the muddle in their thinking. Andhra's plea for thorough controls over the entire State at all the seasons will crack as soon as surpluses of output fail to materialise and the problem of marshalling limited supplies raises its head. Mysore's major plank, in the short-term plan is to impose a total ban on advances against the security of foodgrains at all sources—scheduled banks, non-scheduled banks and private agencies. Luckily for the Chief Minister, no one cross-questioned him how the ban would be carried out in practice against the predominating private credit agencies when he explained the policy in the State Legislative Council on April 15. Punjab is confident that a policy of complete control minus compulsory procurement and rationing will serve the end of State trading. A vital ingredient of its policy is State buying at market prices. How this scheme fits in with a state of marginal or short supplies has not been explained. It is in the absence of surpluses that State trading will need to be pressed into action vigorously.

Mr. S. K. Patil's realism could not brook this complacency-cum-muddle over price policy. He would have been untrue to the country if he had failed to stand up against this counsel of confusion. His open clash with the advocates of State trading was needed at this time. It would appear that he has assured himself initially that his mission to the USA for a single deal of 12 million tons of foodgrains to meet the prospective shortage over the next three to four years is likely to evoke favourable response. Another 5 million tons—and both under PL 480—is being attempted for the buffer stock. This is an interim strategy to prepare the defences in advance until we produce all the foodgrains we require.

Kandla: Out of a Murky Past?

THE Union Minister for Transport, Mr. Raj Bahadur, announced in the Parliament a few days ago the Government of India's decision to establish a free trade zone at Kandla port. The announcement, though it has failed to evoke as much enthusiasm as expected, is welcome; it marks a step towards the realisation of a dream of a great son of India and Gujerat, Sardar Vallabhbhai Patel. It was he who with great vision perceived the prospects of developing a major port at Kandla by attaching to it a free trade area which could not only help the economic development of the region, but also make valuable contribution to the country's export trade. More recently the need to set up such zones was reiterated by the Export Promotion Committee which recommended that Kandla and Cochin both should be developed as free ports. The fact that it has taken nearly ten years for the Government to take a decision on this important matter is a poor reflection on the unimaginative handling of adventurous ideas even when they are born in the highest political circles.

What impulse can be given to business activity by the establishment of free trade zones adjacent to port towns has been amply demonstrated, so far as industrial development is concerned, by the phenomenal prosperity of Hong Kong and, so far as trading is concerned, by that of Singapore and Aden. The development of export industries at Kandla is sought to be encouraged through "import of raw materials and semi-finished goods for conversion into finished goods and export, without the need for the payment of import duty". Entrepot trade in finished goods will be fostered by allowing them to be imported free of customs duty and permitting them to be exported without the levy of any tax. Sceptics might say that this arrangement will pose a mighty problem of smuggling; this bogey might even be raised by some industrialists who may fear that their business would be affected somewhat. But this is not a problem peculiar to this country. In other countries also wherever free trade zones exist this problem is being faced and solutions have been found to check this nefarious activity. The Government of India proposes to meet this problem through licensing and suitable supervision and control of the industrial and business houses that may be set up in the free trade area; they will be required to maintain regular accounts of the imports into and exports from the zone.

Kandla, however, will have to go through a painful and long process of development, both of the zone earmarked to be the free trade area and the hinterland, before the great expectations from the project are realised. The development of the hinterland has all along been neglected. There are no proper means of transport and communication in the region, which accounts for the small amount of commercial cargo handled by the port. Except for Bhuj which can be reached by a not very good road, some forty miles long, there is no air connection to the port today. Rail communications too are far from satisfactory; Kandla is linked to Northern India by a terribly slow metre gauge railway system. The port is made to limp by the absurd neglect of the railway and road systems on which alone its growth can be built.

Another problem which requires immediate attention of the Government is the provision of certain basic facilities to the industrialists for setting up their manufacturing units there. It is disconcerting to note that the price of the land near Kandla earmarked for industrial purposes is absurdly high—almost as high as the prevailing price around Bombay. This is said to be acting as a great deterrent to the development of the industry in the area. The Government will do well to fix the price of the land in the free trade zone at a reasonable level which should give adequate incentive to the manufacturer who in the initial stages will be greatly handicapped by the non-availability of skilled and even unskilled labour; the population of the prospective industrial area around the port is reported to have dwindled to about the size of a small sub-divisional town during the recent past.

Instances can be multiplied of plant and machinery landed at the port lying unused and rapidly deteriorating for failure of some sanction or another. A dead hand has lain on almost everything here: The Ministry of Transport has still to be awakened to its terrible neglect. Will the current official announcement raise fresh hopes only to dash them to the ground? This is a question which long-suffering residents and merchants of Kandla anxiously ask. To whom can they look for a reply?

A DELHI DIARY

BOYS VERSUS GIRLS?

I KNOW I shall be accused of having an outrageous sense of perspective, with Mr. Chou En-lai in Delhi and many other exciting things happening here, to give first place to a teenage dispute in the campus of Delhi University. The story relates to Mr. Madan Gopal Gupta, a student of Ramjas College, who has been rusticated for slapping a girl student of Miranda House. It is stated that this is the first time in the history of the University — it is now 38 years old — that a boy has been rusticated for slapping a girl. This may even be the first case of its kind in the Indian Union for all I know. And I am told there are very few world precedents. But the point is not that the history has been made, but that both boys and girls are highly agitated over the situation. One newspaper says "Girls Jubilant, Boys Say Order Unfair". Apparently, the rights of women (not to be slapped!) have been established at least to the extent that any man who misbehaves in this manner in a University, is threatened with rustication. But the atmosphere is still tense and the tenseness has taken a new boy-girl character. Is it an accident that 99.99 per cent of the boys are on the boy's side, and, as far as I can gather, a 100 per cent of the girls are on the side of the girl? Nice social problems have been raised and a leading student leader has delivered himself on this problem. "Such instances of juvenile delinquency," says he pedantically, "should be treated as social problems and dealt with accordingly." The President of the University Union is reported to have said "there is much more to it than meets the eye. The entire blame of the incident cannot be put on the boy"; the enquiry committee has failed to "pin-point" the crux of the matter.

Here we have all the elements of a nice mystery problem. Only we have not got the famous detectives on the job or Agatha Christie to write a thriller for us. If the crux of the matter has not been pin-pointed — can a crux ever be pin-pointed? — where is the crux and where the pin-point? Not with Dr. Sushila Nayar, M.P., apparently, who holds flatly that the decision was justified, showing that some women even outside the University are arrayed on the girl's side. Dr. Nayar said that it was wrong to say that some of the University girls were "immodestly dressed"; they were only keeping up with the times. But even "the provocative dress" provides no justification for the boys to misbehave. Do I understand that Dr. Nayar wants to have her cake and eat it? Or rather does she want to have the "provocation" as well as the denial that any "provocation" exists? In any case, here is a nice problem for an overworked Vice-Chancellor, and much serious thinking as well as much heart searching — are these boy-girl affairs not matters of the heart? — is taking place. One can expect that in the fulness of time a moving equilibrium will be found in which the rate of engagements on the campus will overcome their temporary decline!

COLD BUT CORRECT

I must now move, by force of duty, to the second subject of topical interest. This is Mr Chou En-lai whose arrival in Delhi on Tuesday last was marked by a reception which was cold but correct. Why was 5 p.m. chosen when the April heat kept crowds away at that time? Was this an excuse for the coldness of almost all concerned? Multitudes of policemen in some places were left holding hands with no one to hold back. Surely security in this case was badly overdone. Additional precautions were taken wisely in that the Chinese Prime Minister travelled in a closed car, and observers noticed that it was moving at a speed of 45 miles an hour most of the time. Surely this was hardly necessary; or is 45 a critical point at which additional security is reached, just as we have a freezing point at 32°F. I noticed that Delhi, almost from nowhere (or is it everywhere?) produced a vast Chinese population that was contained in many closed buses driving to the airport. It cannot be that all live in the precincts of the Chinese Embassy. Is it possible that the Chinese Restaurants are now giving employment on a scale which suggests that a China Town might be built here as is the famous town round The Nanking in Calcutta?

THE DEFENCE MINISTER: AGAIN!

As I write, everyone is talking about Mr. Krishna Menon's sudden appearence on the scene on the first day of the Sino-Indian border talks. I get, as usual, my information at second hand from the daily press. Mr. Frank Moraes writing in "The Indian Express" has put it very strongly. He says: "Ejected as it seemed from the wings, Mr. Krishna Menon apparently has leaped into the centre of the stage, beckoned there at the urgent invitation of Mr. Chou En-lai, to whose request for a confabulation with the Defence Minister, the Prime Minister apparently yielded. We must expect some Sino-Indian fireworks shortly and in our midst." At the same time, as "The Indian Express" has carried this exciting news of the Defence Minister's arrival in the heart of a new controversy, "The Times of India" carries on its first page the story of the 'Jeep Case' settled out of court, in which the Government of India has waived its claim for a mere £250,000 as damages. My statisticians tell me that £250,000 is equivalent to 1/3 of a crore of rupees, or, more precisely, 33.3 recurring lakhs of rupees. Now this is not a small sum. Why has the Indian Government waived its claim for such a large sum? There is a widespread belief in the country that there is something to hide; otherwise why was there this anxiety to settle the issue out of court? This is a perfectly rational suspicion. Surely the Government of India should place before Parliament all the reasons why it has taken this unusual and somewhat expensive course?

In any case, the Defence Minister is in the heart of violent controversy all over again. Is this good for India's security at a critical time in India's military history? Obviously it is unwise for the Prime Minister to ignore the point that controversy on a central figure of this kind is dangerous to morale, and can only be more dangerous when it is continuously frustrated by not facing the extent of failing in this matter. However, this is all I am allowed to say this week: I, therefore, hastily withdraw!

ARGUS.

THE WEEK'S NOTES

Rail Transport

CRISIS OF COAL STOCKS

THE RAILWAY MINISTER was in the unenviable position of disclosing to the National Railway Users' Consultative Council that, between its last meeting in November 1959, and this week's meeting, strains had begun to appear in some important areas of railway operations. Wherever he had the story of progress to tell, it was hardly such as would inspire optimism from the long-term view-point. This is not to say that wherever set-backs have been received in strategic sectors, the blame can be laid squarely on the railway administrations. But certainly if the pace of improvement has been marginal, or more correctly illusory (because the base period of 1958 taken for percentage comparisons is a period of low economic activity), the Railway Ministry needs to make a real heart-searching in order to locate the causes of tardy progress and to explore means to stimulate energetic effors in order that the railways might face up confidently to the task of heavy pressures of traffic which are bound to emerge with the developmental tempo in the Third Plan.

The worst development that took place between November last and now was the crisis of coal stocks. It is generally assumed that a stock build-up sufficient to cover requirements of ten days' consumption is the safe minimum which must be possessed. This assumption relates to the overall situation, but the real limits of safety must depend upon the changing prospects of volumes of traffic at different seasons and on different sections of the railways. It will come as a shock to the entire nation that in some areas the railways literally eked out a hand to mouth existence in recent weeks and they had to get on with stocks which were below requirements even of a single day.

The fact that these areas were not wide-spread over the network of the railways is not significant. The significant fact is that such a highly critical situation was allowed to develop at all even in a few areas. It speaks as much for the failure of the coal industry in both the sectors as for the regrettable extreme lack on the part of the railways to take advance precautions.

The North Eastern, Northern and Central Railways were the worst victims of coal shortage. Stocks on these railways ranged as low as 2 to 4 days' requirements of consumption. The overall position was that on March 1, 1960, coal stocks were of the order of 6.4 days' consumption over the entire system as a whole—3.6 days' consumption below the minimum limit of safety. This position is to be contrasted with stocks of 16.2 days' consumption on October 1, 1959. Coal wagons booked to consignees other than railways were diverted to the railways to avert an exceptional deadlock in transport. This was nothing short of transferring hardship from rail transport to industry.

It is rather surprising that Mr. Jagjivan Ram, who devoted a good part of his opening speech at the Council's session to small improvements in railway amenities, did not find it worth while to take the railway users into confidence as regards the causes that created the crisis, the apportionment of responsibility for it and precautionary action that the railways and other authorities concerned intended to take to prevent the recurrence of such a crisis again.

Cement

NEEDED PRICE RATIONALISATION

THE CEMENT industry should feel gratified, if not elated, by the forceful plea made by the Parliament's Estimates Committee for an immediate review of the sale price of cement. After a detailed scrutiny the Committee has reached conclusions vindicating the views expressed on this issue by the spokesmen of the industry on many an occasion during the recent past. Two of the findings of the Committee are quite pertinent. The Committee considers it most inappropriate that in addition to the considerable revenue raised by the levy of high excise duty, the Government should have taken advantage of its monopoly in raising substantial additional revenues by fixing high prices of cement. Secondly, while the amount of sales tax recovered by the selling agents has been shown as paid to State Governments, the payment of the sales tax recovered as part of the selling price has not been reflected in the accounts; that amount has gone into "cement surplus". These two observations of the Committee contain an indictment of the action of the Executive and its over-cautious approach to the problem of fixation of selling prices of cement when the State Trading Corporation took over the internal distribution of the commodity.

With the cessation of imports, the element of cushion in the selling price of cement, according to the Committee's calculations, should be as high as Rs. 8.65 per ton, on the basis of 1957-58 cost of production. The implementation of the Wage Board's Award, necessitating higher retention prices for the industry, and the fresh surcharge of 5 nP. levied by the Railway Minister this year will, of course, erode a part of this cushion, but it should still be considerable. Whatever may have been the justification for appropriating the surplus revenue from the sale of cement hitherto for developmental purposes, the consumer should not be denied the fulfilment of his legitimate expectations of a reasonable price for the commodity when the factors that asked for a sacrifice on his part do not exist today. The Estimates Committee has rightly observed that cement prices should be forthwith revised on the basis of actual cost and not kept unduly rigged up due to S.T.C.'s monopoly in distribution.

Considering the terrible shortage of houses, especially in the urban areas, the need to lower the price of cement can hardly be over-emphasised. With the supply position of structural steel having improved during the recent past, a lower cement price would surely help house-building activity. The Committee has expressed doubts about the prohibitive excise duty too, especially in view of the low per capita consumption of cement in India and the surplus production. A rational review of the position should bring down the sale price of the commodity quite substantially.

Law and Order

FROM DEFIANCE TO RESPECT

THE ALL-INDIA LAW CONFERENCE convened at Patna last week served to focus attention on the worsening state of law and order and the supreme need for a sustained effort to assert the principle of respect for law. At various levels, the student, the worker, the politician, organized political parties and the general public have indulged in isolated activities, whose cumulative effect has been to feed the forces of defiance of law and to undermine the basic principle of the rule of law which is the rock-bed of democracy. It is possible to argue that the spirit of light-hearted defiance of law has been generated by a sense of frustration — by the disillusionment that change in the different walks of life has not materialised on the scale expected — rightly or wrongly — in the wake of independence. Mr. M. C. Setalvad, the Attorney-General of India, who brought

a note of gravity in the discussion of the problem of law and order, carried his probe deep below the surface manifestation of the sense of frustration. He traced the spirit of defiance to the root cause of an utter lack of a sense of civic responsibility and discipline on the part of the citizen and the public at large.

The reference made at the session to the political philosophy, which the politicians preached for nearly three decades until independence was won, touched an important, if delicate, spot. Civil disobedience, based on the technique of defiance of law and order, was certainly never preached and practised indiscriminately. It was selective in its restricted operation and aimed at peaceful defiance of laws which militated against the sense of justice — defiance of unjust laws imposed by an alien power and devoid of the sanction of the people's consent. This philosophy, however justifiable it may probably be, was too abstract and subtle for the generality of the people to comprehend. The concept of unjust laws could be stretched according to one's lights and the inherent danger which this philosophy carried was that it had the potential to shake basic respect for law. To reassert implicit respect for the law of the land, whatever the grievances of particular groups, and to seek redress through the instrumentality of the ballot box may prove to be a process not as fast enough as one would desire, given the level of the average understanding of constitutional rights and responsibilities.

The pace of legislation has been forced at a terriffic rate since independence in the name of the Welfare State as well as of social, political, economic and fiscal reform. Even amendments to the Constitution have been carried out on a scale disproportionate to its brief span. The resultant legislation bears the impress of immature thought in several cases and it is corroborated by the turn-over of Amendment Acts. This process may not only fail to preserve the balance between the increasing powers of the State and the rights of the individual but it may foster a sense of instability of law which threatens to cut at the root of respect for it. Mr. B. P. Sinha, the Chief Justice of India, urged that research should be undertaken in law in all its ramifications as a permanent activity. It is worth while actively pursuing the proposition he has made to set up the Indian Law Institute on the pattern of the American Law Institute with its long record of fruitful research. It should help to put a rational brake on the enthusiasm for quick legislation.

Taxation

SMALL MERCIES

HAVING LEVIED only what was described in these columns as a "petty order of new taxation," estimated to cover not more than 28 per cent of the deficit on revenue account, the Union Finance Minister, Mr. Morarji Desai, could hardly be expected to grant any major concessions in his taxation measures for the current year. In the light of the criticism, both in the Parliament and outside, he has practically amended the entire range of his imposts, but to the extent that the total quantum of relief announced aggregates to barely Rs. 63 lakhs. Except in the case of film and automobiles industries, the concessions granted are only token ones, designed to remove anomalies and undue hardships which could not be visualised earlier, or to show deference to current attitudes and sentiments. In the first category fall the modifications in excise duties on staple fibre fabrics, cotton fents, aluminium sheets and pulp boards and in the second the concessions granted to the small manufacturers of cycle parts, electric motors and stationary type of internal combustion engines as also the relief announced for co-operative societies.

The film industry should feel gratified that its plea for lowering the incidence of new taxation has not proved to be infructuous. The Finance Minister has shown sympathetic understanding of the problems of the industry arising out of the production of quality films which, despite their higher cost of production, sometimes do not prove box-office hits. Besides reducing the maximum rate of duty from 50 nP. to 30 nP. per metre of exposed cinematograph feature films and granting total exemption to educational films, children's films and films not exceeding 9.5 mm in width, he has now fixed graduated rates of duty on the basis of the number of prints. The concessions are quite substantial and should go some way in meeting the demand of the industry. Equally wholesome is the relief granted by Mr. Morarji Desai in the case of cars and tractors. Agricultural tractors have been exempted from the whole of the excise duty. Motor cars of more than 16 HP but not more than 20 HP which were formerly assessable at Rs. 3,000 per car will, in future, be assessed at Rs. 1,000 per unit.

No relief has, however, been granted to the road transport industry which was singled out for heavy taxation. Though the Finance Minister has held out some hope that the anomalies in the new tariff which this industry has recently brought to his notice and which are under examination would be removed, his blunt assertion that the tax burden on the industry is "neither unbearable nor unjustifiable" holds out little promise of any substantial concessions. Many will question the validity of this statement in the light of the findings of the Motor Vehicle Taxation Enquiry Committee and the overwhelming trend of general opinion on this question. The holders of preference shares also will derive little comfort from Mr. Morarji Desai's appeal to the corporate sector to pass on some of the benefit of reduction in company taxation to them through suitable increases in their dividends. It is to be seen whether the threat of legislation he has held out in this connection will lead to suitable adjustments in preference dividends.

BRAZIL'S NEW CAPITAL

A LONG-CHERISHED dream of Brazilians was realised yesterday when the seat of the Brazilian Federal Government was shifted to Brasilia, the new national capital, situated close to the geographical centre of the country. The idea of transferring the seat of the Federal Government to a new location was first conceived by the patriots who staged an unsuccessful attempt to free Brazil from the yoke of the Portuguese rule as far back as 1789. The notion, since then, had been held in high esteem by many a distinguished statesman of Brazil and the plans started to be implemented in the year 1956 with President Juscelino Kubitscheck assuming office. The name "Brasilia for the new capital was itself suggested by the Patriarch of Braizilian Independence, Jose Bonifacio de Andrada as long back as 1823.

The new capital, built on modern lines, is located on the Brazilian Central Plateau, at a distance of 940 kilometres from Rio de Janeiro, between latitude 15°30' and 16°03' South and on meridian 48°W, at an altitude of 1240 metres (3720 feet above sea level). The main axis of the National Highways Scheme, currently being implemented vigorously, runs through it. Its climate is salubrious, the mean average temperature during the coolest month being 17.7°C. The mean yearly average is 21°C and the maximum temperature recorded so far 37°C. Annual rainfall averages 1700 millimetres.

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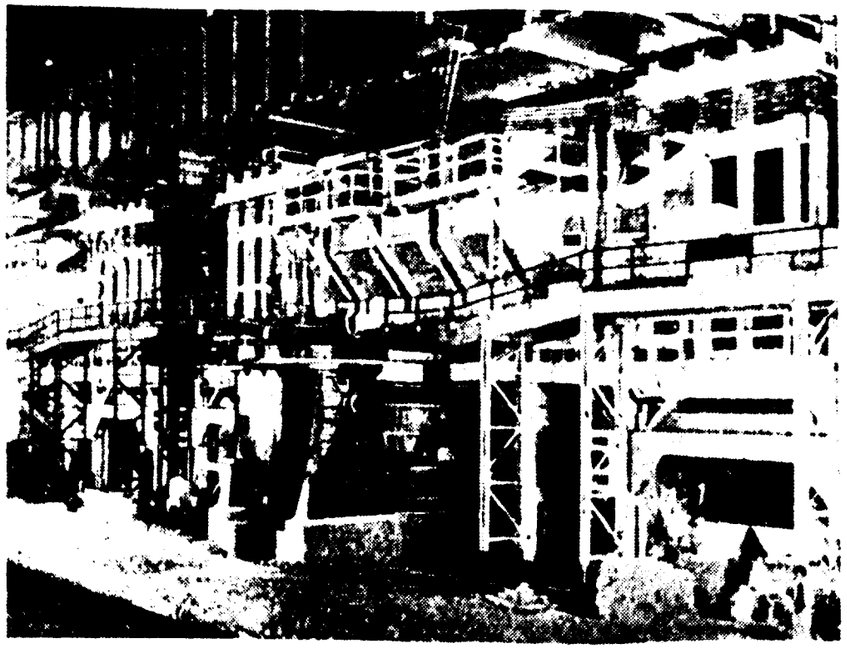
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BRITISH COMPANIES WORKING FOR INDIA

A Window on the World

INDIA, EUROPE AND THE COMMONWEALTH

By ODYSSEUS

ONE OCCASIONALLY HEARS people ask what India gains from membership of the Commonwealth. On the highest level the answer is obvious: the presence of India's Prime Minister at the periodical gatherings of Commonwealth Premiers, and of other Ministers at other conferences, enables India not merely to get her views on vital international issues across to the national leaders of the Commonwealth but positively to influence their policies and to play a leading role in the course of international events, as was seen in the close collaboration between India and Canada in solving the Suez crisis.

But Commonwealth membership also enables India to share in policy making at innumerable meetings and exchanges at lower levels which, in their cumulative effect, give her wider influence on opinion than she would otherwise enjoy. I can give an example from my own experience this week when, in my capacity as London representative of "The Eastern Economist", I was invited to take part in the proceedings of the Anglo-German Society's annual conference at Koenigswinter in West Germany.

The Anglo-German Society is a non-official body of members of the British and German Parliaments, business leaders, educationists, editors, and economists, of whom about fifty representatives from each country meet for a week's conference once a year to study outstanding sources of misunderstandings. This year's agenda covered: Obstacles impeding a common Western policy and the means to overcome them. The European Economic Community, the European Free Trade Association and North America. The implications of maintaining the Status Quo in Europe (i.e. a divided Germany) and the Alternatives. Disarmament and Security. The Impact of Africa on European Affairs. Current Anglo-German Misunderstandings (e.g. the German fear that the UK is trying to influence the USA to appease the USSR by making concessions over the status of Berlin which would result in ending the Allied Occupation and handing the city over to East German control).

The British delegation included such people as David Astor, editor of the "Observer", R.H.S. Crossman, the Labour M.P.; J. Grimond, leader of the Liberal Party; Sir James Hutchison, President of the Assembly of Western European Union; Paul Johnson, leader writer of the "New Statesman", Gilbert Longden M.P., Chairman of the Conservative Party Foreign Affairs Committee; and Kenneth Younger, Director General of the Royal Institute of International Affairs.

On arrival, the delegates were invited to join one of the five study groups listed above. A Steering Committee had prepared an agenda for each. On the final day, the Chairman of each study group reported in public plenary session the conclusions reached in the confidential group discussions.

DIRTY LINEN

In reporting the public plenary session, some newspapers struck gloomy notes, emphasised the gaps between the British and German viewpoints on some of the problems which are agitating world opinion, and asked whether Anglo-German relations would not be further embittered by the washing of so much dirty linen in public.

It is true that Anglo-German policies differ on many points, and it was inevitable that these differences should be emphasised and sharpened when presented in summarised form to the public plenary session. These differences are not matters for rejoicing; it would be better for the whole free world if they did not exist; but I suggest that as long as they exist, it was invaluable that they should have been discussed with the utmost frankness, but also with friendliness, courtesy, and patience, between intelligent men and women, anxious to understand each other's problems. After discussion conducted in such an atmosphere, if there is no agreement, there is at least enlightened disagreement, which, although it cannot change differing policies themselves, can modify the way in which they are carried out, thereby softening their impact. When two parties disagree in anger, they take up cast iron positions and make future joint action almost impossible. When they part with goodwill, they enable advantage to be taken of any favourable new development, for the one thing that can always be said about any "status" is that it is never "quo"!

For example, in the study group on the Six and the Seven, it was a foregone conclusion that on the one hand, the British would not budge from their position that they could not join the Six because, in their view, that would mean a surrender of sovereignty which would prejudice their political and economic relations with the Commonwealth, and, on the other, that the Germans could not agree to tariff reductions under any conditions which would conflict with the Treaty of Rome which they have signed. But although no agreement could be reached on this, the discussions clarified in concrete terms the problems that political split in Europe threatens to create for both British and Germans, and thus sharpened the appreciation in each group of the importance of carrying out their divergent policies in such a way as to minimise these difficulties.

REPERCUSSIONS ON INDIA

As the only representative of an under developed country present, I was given the opportunity to explain India's fears that the EEC's external tariff, combined with the preferences to be accorded to exports from the overseas territories associated with it, would hit India's existing exports to the Six, and would impede a rise in India's exports as her new industries came into existence. In 1958, West Germany was, to take a random example, India's best customer for coffee, of which she imported Rs. 2.3 crores, or 30 per cent of India's total coffee exports. I elaborated free Asia's anxieties that the flow of capital from the Six would cease to grow, and even be diverted altogether to the Six's own under developed areas. I pointed out that if the split in Europe led to a slower rate of economic growth in the UK, the surpluses available for investment overseas, which had reached the total of £2,500 million since the war, might be reduced, and that, if serious diversions of European trade against the UK occurred, this might lead to a recrudescence of sterling crises. While the effects would be felt first in the UK, the repercussions on trade would be world-wide. Economically the free world is one: we all live out of each other's pockets.

In 1958, India's exports to the Six totalled Rs. 20 crores (of which Rs. 12 crores to West Germany). Her imports from the Six were Rs. 163 crores. Unless the Six increase their buying of India's main exports of food, crude materials, minerals, oils and fats, and her developing consumer manufactures, what is the use of exporting capital to her? India's exports to the EFTA in 1958 were Rs. 171 crores (of which Rs. 165 crores to the

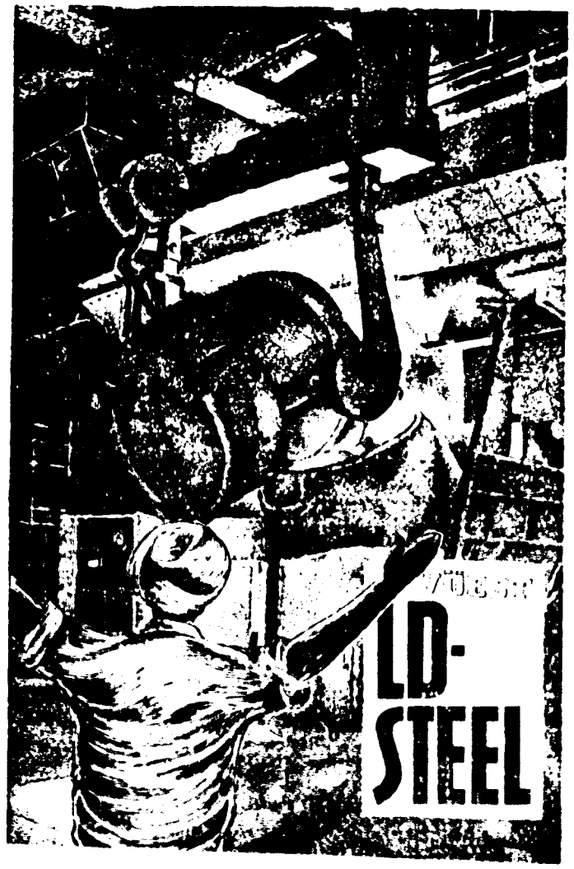
ployers (sic) are decisive foundations, and free competition an important element, of a free economic society. The autonomy of employee and employer associations in the conclusion of wage contracts is an important part of the free order. Totalitarian control of the economy destroys freedom. The SPD therefore favours a free market, wherever free competition really exists. Where markets come under domination of individuals or groups, however, manifold measures are necessary to preserve the freedom of the economy....." An old fashioned Socialist might cite other passages against this, such as "Public ownership is the legitimate form of public control which no modern state can do without." But the document as a whole suggests that what the SPD condemns is not private ownership but monopolies, which exploit consumers, or strive to usurp political power.

An SPD spokesman explained to me that the party rejects nationalisation because it creates a static economy. The SPD seeks a dynamic economy, constantly sloughing off old techniques, responsive to structural changes. The SPD is trying to hammer out a system of public ownership, where necessary, of sectors of industry as a whole. In using such terms as "planning," the context suggests that the SPD means no more than the maintenance of full employment and the smoothing out of alternate booms and depressions. The SPD threatens eternal damnation only to any in big business who fall into the mortal sin of cartelisation. In a word, whereas the old-fashioned Socialist regards public ownership as heaven—the goal of all striving—the SPD regards it as hell—a necessary sanction in a system of incentives and punishments required to ensure a dynamic economy. The relevant text of the new SPD bible is "As much competition as possible—as much planning as necessary." Mr Harold Macmillan would endorse this at once, and would positively cheer at the gloss added by Dr Heinrich Deist, the SPD's economic expert: "The state eliminates human freedom if it limits the independence of private economic initiative." Give Mr Gaitskell time. He'll bring his party round to all this yet.

Whereas many British Socialists attribute the Conservative victory to lavish expenditure on propaganda, the SPD has publicly recognised that elections are won by policies. "No one," declared Carlo Schmid, "believes that it was only the millions spent by out opponents that won the election." Finally, the SPD has affirmed its support of the constitution and of national defence, and has made peace with religion. The SPD now offers Germans an alternative government with a progressive programme which as Carlo Schmid says, calls "a spade a spade," and is rid of terms "meaningful 60 years ago, devoid of all significance today."

Since the British Labour party has only one millstone to get rid of, compared with the five formidable millstones from which the SPD has found it possible to cut itself free, my prediction is that, with five years in hand, British Socialists will have caught up with the SPD and have discarded Socialism in time for the elections of 1964.

P.S. Anyone who suspects my interpretation of the SPD's new programme can obtain a copy in English from the SPD, 170 Friedrich-Ebert-Allee, Bonn.



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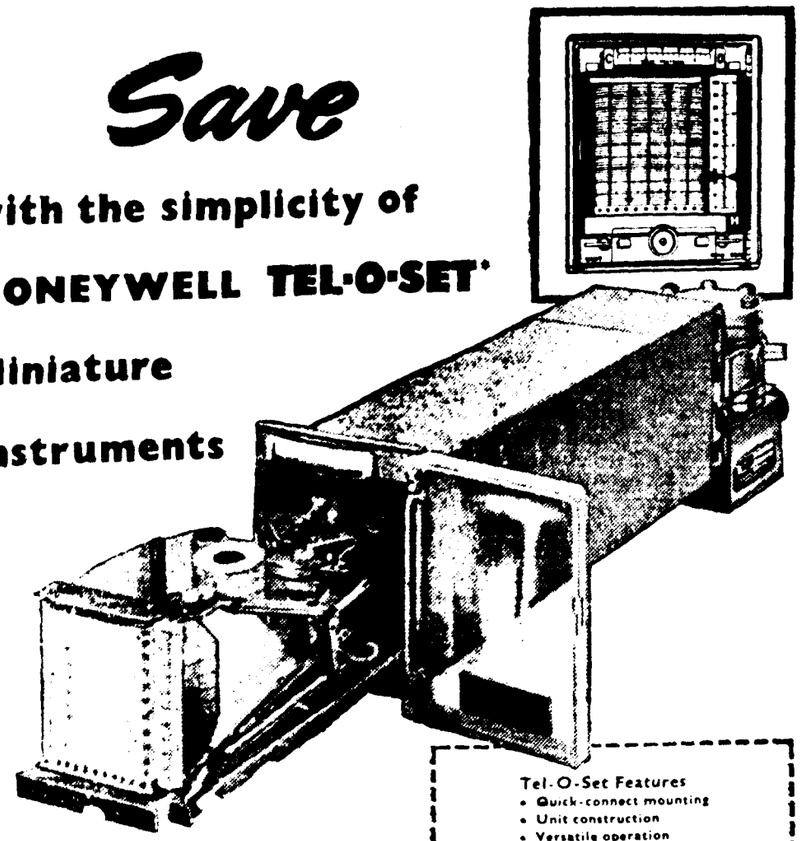
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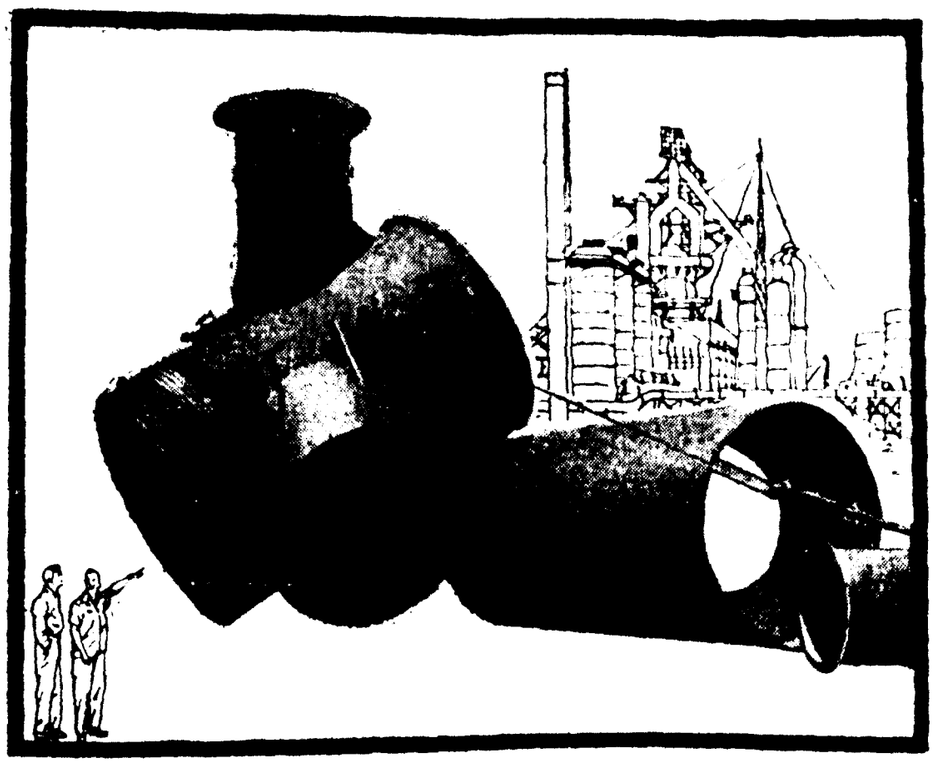
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The European Scene

THE EUROPEAN TRADE CRISIS

From Our Special West European Correspondent

PARIS, April 16

THE immediate future of European trade is now in the hands of heads of governments and diplomats, and so it is virtually impossible for the mere economist to predict what decisions they will take between now and July. The strictly commercial issues involved, the terms of the Rome Treaty and the effects of the Hallstein plan for hastening the Common Market, all these are clear enough. But there has come of limited relevance when the statesmen take over and restate the economic facts in terms of their philosophy of history. What the economist thought was bargaining about quotas and tariffs then becomes an olympian struggle between power blocs, and the facts are soon submerged under waves of threat, bluff and jingoism. Mr. Harold Macmillan, for example, lately flew to Washington to present the dispute about the Hallstein plan in language borrowed from school textbook accounts of England's epic battle against Bonaparte (complete with recollections of the alliance with Russia). The effect of this was to make President de Gaulle feel flattered by the comparison with Bonaparte, and to encourage him in defiance of London by suggesting that Mr. Macmillan had lost control of his nerves. Its effect in Bonn and Rome was to revive suspicion of perfidious Albion, forever dedicated to dividing and ruling the Continental powers.

Obviously, we are no longer on the ground of economic rationality, and no one can predict what will be the upshot of a dispute that degenerates to nationalist passion and secret diplomacy. We shall just have to wait and see the outcome of the complicated tussle now going on between London, Washington and the six Continental capitals. Meantime, however, we can get clear on the relatively simple economic and political facts that underlie the debate. The main one is that Britain is not yet resigned to the existence of the Common Market and has not yet abandoned the hope that this enterprise can be ruined before it goes any farther. The day (if ever that day comes) Britain admits that the Common Market is a reality, even though an unpleasant one, and that it is here to stay, then everything will fall back into place. The European trade problem will then be seen to be that of adjusting various interests so that mutual damage is kept to a minimum and so that the expansion of production and commerce in the West continues unhampered. Continental governments are confident that this recognition can be forced on the British before very long, and indeed the evolution of opinion in some London newspapers after President de Gaulle's visit might encourage this confidence. But it is always an error to under-estimate British tenacity. The case is not decided yet, by any means.

The pretext for the present crisis is the proposal to hasten the integration of the Common Market by setting up a common external tariff in July this year instead of 18 months later, as foreseen in the Treaty. This is a pretext. That proposal does not entail doing anything that the members of the Common Market were not already pledged publicly to do at the end of 1961. It simply entails doing it earlier. The consequences for non-members will be no greater than if it were left till end-1961. So, to greet that proposal as though it were the end of the world shows that one had all along had the intention of opposing the implementation of the Rome Treaty. Not only that. The present proposal includes concessions to non-members (the offer to reduce the external tariff by 20 per cent the moment it comes into force) that were not foreseen in the Treaty. In addition, since the proposal was put forward, various amendments have been suggested that would make its effect on non-members less abrupt (French and Italian tariffs will come down at once, but West German tariffs will rise slowly in stages). Now, if this plan is still regarded as a sinister Continental conspiracy, it is plain that opposition to the very existence of the Common Market goes very deep indeed.

At the present moment, it seems unlikely that the Common Market Six will withdraw the acceleration plan. If they hesitated, in the face of opposition, to do now what they should do eventually anyhow, confidence in their enterprise would be severely shaken. Manufacturers on the Continent and investors outside would draw the conclusion that the Six were not determined to go through with the Common Market, and once confidence is lost the bare letter of the Treaty will mean nothing. Moreover, outside opponents of the Common Market would be so heartened by this victory that they would multiply their pressure a hundredfold over the next 18 months to ensure that the next stage of the Treaty was never implemented.

On the other hand, it seems equally unlikely that the Hallstein plan for accelerating the process of integration will be put totally into effect in July. Quite apart from the desire to placate ferocious British opposition, that plan evokes contradictory responses within the Common Market. The French think they will have done handsomely enough if they bring their tariffs down to the common level, without immediately lowering that level by 20 per cent. The Germans and Benelux are afraid of the effect on prices of raising their tariffs to the common level, even if that level is then lowered by 20 per cent. This sort of disagreement, naturally, can only be settled by negotiation between the partners, and the usual result of such negotiation is, of course, a compromise. What form that compromise will take cannot yet be foreseen, though we should be better informed early in May.

One of the probable ingredients in a compromise would be the decision to delay the introduction of the common external tariff somewhat: delays of three months and of six months have been mentioned. The length of this delay will be of crucial importance. This is so because the affair has now been thoroughly politicalised and thus depends in part on the coming presidential elections in the USA. Washington is today the best supporter of the Common Market and is turning a deaf ear to British warnings of the supposed political dangers of the enterprise. But Washington here signifies the present Administration, and in particular Under-Secretary of State Douglas Dillon. If the Continentals delay a decision by three months, the vigour of Washington's support will already begin to weaken as the pre-electoral climate becomes established, while if they delay by six months this will carry them into a period (beginning Jan. 1, 1961) when no one knows who will be in office in Washington. In seeking an apparently harmless postponement, the opponents of the Common Market are in fact placing their

hopes on another President who will reverse present American policy, or at least get rid of London's bete noire, Mr. Douglas Dillon.

A delaying action of this sort seems to be the best card of the critics of the Common Market. They can present their opposition to the acceleration plan as a mere request that the Six stick to their original time-table, while hoping that every month gained makes implementation of the Treaty more difficult. Dr. Adenauer, after all, is not immortal and if he were to be succeeded by Dr. Erhard it is doubtful if the Common Market would assume its intended shape. The present Franco-German entente on which the Common Market is based is exposed to every sort of contingency, particularly during negotiations with Russia over the future of Berlin and Germany, negotiations that are to start next month. The uncertainty of American policy under a new President has been mentioned. Moreover, the further the Six go with the other aspects of integration—a common agricultural policy, co-ordinated fiscal and social policies, etc.—the more difficult integration appears; progress in these matters can only be continued under the stimulus of constant and accelerating tariff disarmament. Finally, current optimism about the future of the Common Market depends in large measure on the expansion of European industry, and no one knows what can happen to business conditions over the next 18 months.

Thus, tenacious opposition to the acceleration plan has a certain chance of undermining the Common Market. We cannot count the British beaten unless this summer the Continental Six decide to go beyond the point of no-return marked by the introduction of a common external tariff. The future of European trade will be played out between now and July, and he would be a wise man who knew at this stage what was going to happen. In watching developments, it would be as well to bear in mind that an apparent decision merely to "postpone" the introduction of the external tariff might well disguise a real victory for the outside opponents of West European integration. Looking further ahead, we can see that such a victory would be a defeat for all the Western nations. The ideology of free trade on which the alternatives to the Common Market are based is as dead as the dinosaur. A free-trade Europe would not survive a few years in the middle of the 20th century. It would lead to the economic balkanisation of the West and, with the first period of bad trade, we would see the re-appearance of all the classic weapons and illusions of protectionism. The choice is not between a Europe divided into Six and Seven, and a Europe united on a free-trade basis. It is between the existence of a low-tariff six-power bloc, and the re-emergence of an atomised Europe cutting its own throat with high national tariffs.

With its transfer to the level of political passion, this choice has been taken out of the hands of business men and economic administrators, to be decided by the diplomats and statemen. In that case, much will depend on the political philosophies of Dr. Adenauer and President de Gaulle. The strictly economic consequences of the Common Market do not so much matter to these two men (supposing that they even understand them very clearly); but they are convinced that it is only by integrating West Germany with her Western neighbours that she can be anchored securely in the democratic camp. Ironically, all the British arguments against this (e.g. the danger that West Germany will not be integrated but will dominate the Common Market) are completely familiar to President de Gaulle—because they were his own arguments before he came back to power. It must have been a curious experience for the General to hear recently in London all the warnings he dispensed himself in the days when he fought European integration in the name of narrow French nationalism. London must have seemed populated with out-of-date Gaullists. If he now regards that policy as out of touch with events, it is because he has been converted to a new faith in Franco-German unity. And since the discussion about the Common Market has left the domain of economic rationality for that of political vision, such faith could be a deciding factor in the months ahead.

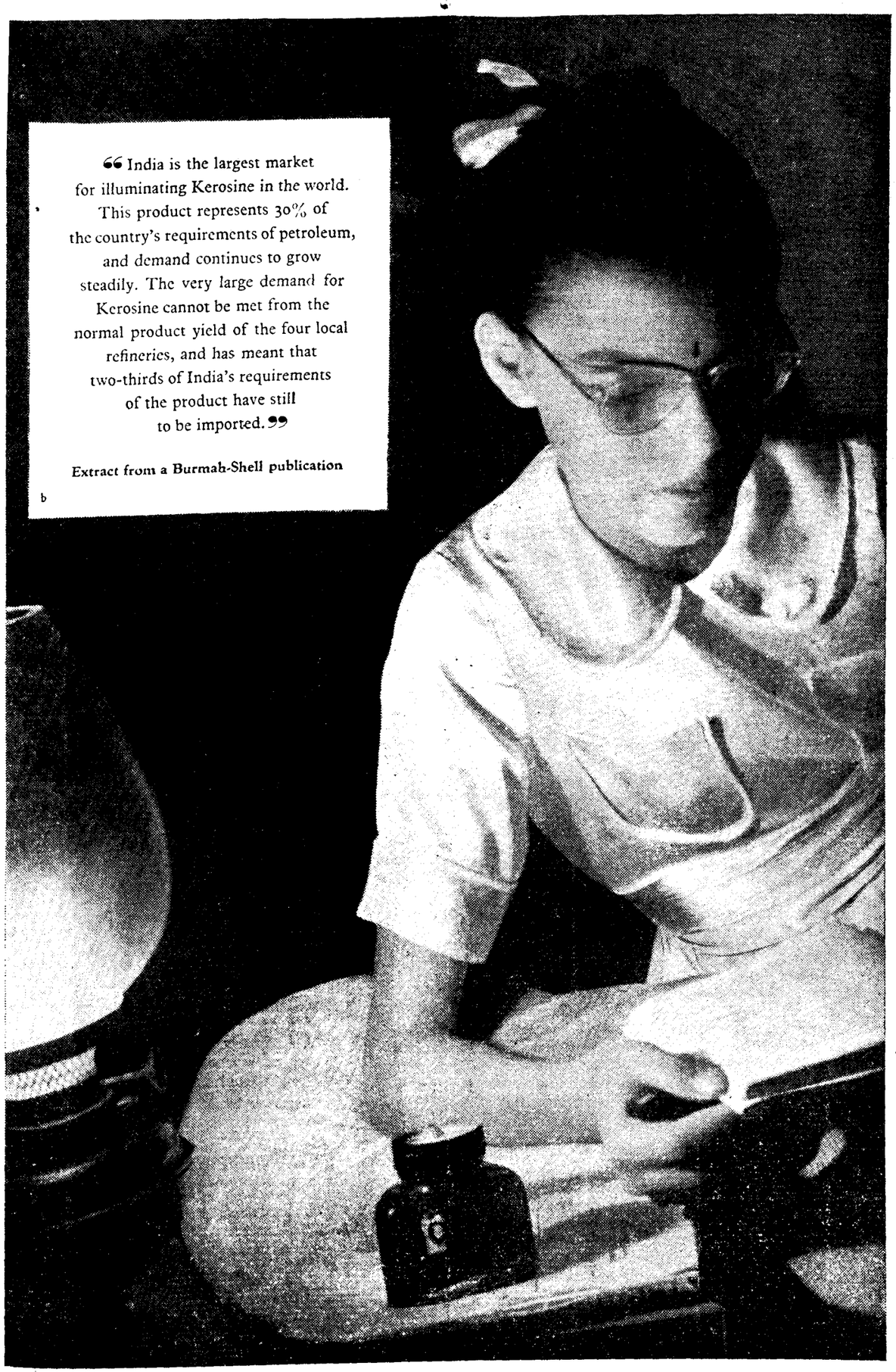
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Economic Report from the U.S.

BALANCE OF PAYMENTS

By GUY SIMS FITCH

WASHINGTON, April 12.

AN encouraging indication of substantial improvement under way in the international balance of payments of the United States is found in figures published recently by the U.S. Treasury. They reveal that during the first quarter of this year, U.S. gold reserves declined by only $48 million. This outflow, the result of U.S. transactions with other countries, was the lowest for any quarter since 1957, and marked an important turn for the better as compared with the experience of the past two years. In 1958, the gold outflow from the United States was nearly $2,300 million, and in 1959 it was a little less than $1,100 million. It can be seen, that the quarterly average for those two years was in the neighbourhood of $409 million, nearly nine times the gold loss for the opening quarter of 1960. The gold loss, of course, represents but one side of the balance-of-payments accounts, the other being the outgo of short-term dollar liabilities. And in this, too, there is evidence of considerable improvement.

Thus, while the total balance-of-payments figures for the first quarter of 1960 will not be complete for another few months, those that are available now certainly point to a marked reduction in the sizable deficits racked up by the United States in the past two years. The over-all deficit — the net outflow of gold and dollars — was $3,400 million in 1958 and $3,700 million in 1959. Fuller analysis of these balance-of-payments developments must wait on the complete report, of course. It seems safe to say, however, that the rise in U.S. exports in the early months of 1960 has been a major factor in the improvement. Underlying the foreign demand for U.S. goods have been the strong economic conditions abroad and those officials of the U.S. Department of Commerce whose job it is to keep an eye on international economic movements see no reason why this strength should not continue for the rest of the year and help both U.S. exports and world commerce in general. This stress on the declining outflow of U.S. gold and dollars as a favourable development reflects, to a large extent, the changes that have taken place in the world economic picture in the past ten years. These changes have been discussed in dramatic fashion by no less a personage than Eugene R. Black, head of the United Nations International Bank for Reconstruction and Development (IBRD), known more popularly as the World Bank.

In his eleventh annual report to the U.N. Economic and Social Council (ECOSOC) in New York last week, Mr. Black pointed out that more than 60 per cent of IBRD's total resources now come from outside the United States. Yet at the time the Bank made its first loan in 1948, nearly 90 per cent of its resources were supplied from the United States. It was inevitable that the United States should have provided most of the Bank's resources in the immediate post-war period, as most other industrial countries faced gigantic economic reconstruction tasks. But this is a phase which Mr. Black sees as now definitely over. Through their own efforts, and with the open-handed assistance of the United States, those other countries have made extraordinary progress during the past decade not only in building up their economies, but in correcting their earlier shortages of gold and dollars and in making their currencies convertible on world markets. The redistribution of the world's gold and monetary reserves is one indication of the success of these co-operative efforts. During the 1950's, the United States lost to other free nations some $5,000 million in gold, over one-fifth of its holdings, and its proportion of the free world's gold stock fell from about 70 per cent to close to 48 per cent. In addition, its short-term liabilities to other countries increased by $9,000 million during that decade.

Thus, with other industrial countries now enjoying basically sound economic and financial postures, the United States must look to its own balance of payments problems as it maintains its traditionally liberal international programmes. And these problems obviously concern all other nations, since the United States has been and continues to be the world leader, by far, in trade and in dispensing economic assistance to developing areas.



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Special Article

THE VOLUME AND DISTRIBUTION OF URBAN INCOMES, 1958—1959

AN interesting estimate of the volume of urban national income in the Indian Union has been compiled by the Economic Intelligence Unit of the Indian Institute of Public Opinion on the basis of two all-India surveys, one by the Tea Board and the other by the Indian Institute of Public Opinion. The first group consisted of 38 towns chosen for Tea Board surveys in the year 1958. The second group consisted of 33 towns and the survey was conducted in March and April 1959 and thus both areas and the times of the surveys were different and they are not strictly comparable in these respects. It is not unnatural, therefore, that Tables I and II which present the results of family monthly incomes in various income brackets should differ, quite apart from the fact that the brackets themselves are not the same. Nevertheless, it is believed that the figures are of interest in themselves as providing an estimate of the volume of income impounded in each group.

In the case of the Indian Institute of Public Opinion, the survey obtained a figure of average size of the family in each case and the average size was linked with the percentage distribution of families. This has enabled, as in Table II, an estimate of total income in each income bracket to be computed. In the case of Tea Board surveys this was also possible but the distribution of families has been estimated on the basis of an overall average size of the family. Here there is an element of approximation and the total number of families does not accord with that of the Indian Institute of Public Opinion sample for 1959. With these qualifications of the differences in the structure of the two samples and the average size of the family, one must look at the total annual income in each bracket as a figure subject to some particular statistical hazard. On the other hand, the fact the total urban income comes to be almost the same in both cases might lead one to the conclusion that the total figure as well as the figure above Rs. 500 is good enough for important calculations such as might be involved in determining the number of people who might possibly be in the market for a small car or for consumer durables requiring significant initial expenditure.

It is desirable that studies of this kind should be pursued year by year to determine the change bracket-wise in income groups. It would be interesting also to recast the figures in this group so as to show the income brackets by deciles or tens as is frequently done to show income changes in Western countries. For the present, however, interest attaches particularly to the fact that urban income is a little less than 3 tenths of total income against a population of 1/5th or 2 tenths, if we take the national income at current prices at 12,500 crores of rupees in the year 1958-59. The implication is that urban income constitutes about 3,200 crores of total income. This suggests that the average income in towns is not so much more than the average rural income, since about 20 per cent of India's population is supposed to live in towns. The extent of the higher standard of living is represented roughly by the observation that 20 per cent of India's urban population enjoys about 25 per cent of the national income

TABLE I.

THE DISTRIBUTION OF URBAN PERSONAL INCOMES

(On the basis of Tea Board Surveys in 1958)

Family Monthly Income (Rs.)	Percentage Distribution of Families	Estimated Distribution of Urban Families in 1960 (In millions)	Total Annual Income (In Rs. crores)
1— 40	.. 2.86	0.422	15.19
41— 80	.. 18.73	2.770	199.44
81—150	.. 41.83	6.184	853.39
151—250	.. 20.40	3.016	723.84
251—500	.. 11.50	1.700	765.00
Over 500	.. 4.68	0.692	622.80
All	.. 100.00	14.784	3179.66

TABLE II.

THE DISTRIBUTION OF URBAN PERSONAL INCOMES

(On the basis of I.I.P.O. survey during March-April 1959)

Monthly Family Income (Rs.)	Percentage Distribution of Families	Estimated Distribution of Urban Families in 1960 (In millions)	Total Annual Income (In Rs. crores)
1— 50	.. 7.38	1.2398	37.20
51—100	.. 22.64	3.1696	285.26
101—200	.. 27.28	3.8192	687.46
201—300	.. 17.14	2.0568	617.04
301—400	.. 10.59	1.1120	467.04
401—500	.. 6.01	0.6300	340.20
501—600	.. 2.52	0.2657	175.36
601 & above	6.44	0.6010	576.96
All	.. 100.00	12.8941	3186.52



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THE BUSINESS WORLD

Confusion over Textile Policy

By CROESUS

SEVERAL factors go to invest with some significance the proceedings of the Second Annual General Meeting of the Indian Cotton Mills' Federation which took place in Bombay last week. In making this observation, I am not mainly carried away by the somewhat unusual procedure of a member of the Committee of the Federation itself—Mr. Ramnath Podar—proposing a vote of thanks, but, as Mr. Podar said in doing so, there were special circumstances in the situation on this occasion. In the first place, the first Chairman of the Federation, Mr. Kasturbhai Lalbhai, who has helped the Federation reach its present position, has retired. Secondly, in place of Mr. Kasturbhai, Mr. Krishnaraj M.D. Thackersey has been elected as Chairman. The mantle of this responsibility could not have fallen on worthier shoulders. For, besides his intimate association with the industry for about three decades, Mr. Krishnaraj has held several key assignments, such as chairman of important textile bodies like the Textile Control Board, the Advisory Committee on Textiles, the Bombay Textile Research Association, and the Textile Advisory Board, to mention only a few. He is also member of the Working Group appointed by the Government of India to study the modernisation needs of the cotton mill industry. Mr. Krishnaraj's place as Vice-Chairman of the Federation has also gone to another well-known and competent textile man, Lala Bharat Ram of the Delhi Cloth Mills.

In a neat speech, before adopting the resolution placing on record the valuable services of Mr. Kasturbhai, Mr. Podar spoke briefly of the valuable contribution made by Mr. Kasturbhai and said how much the Federation would be missing his leadership and guidance, as Chairman. He also expressed the hope that the latter's rich experience and valuable advice would be available to the Federation at all times in the future also. With this shift of the Federation chairmanship from Ahmedabad to Bombay there probably begins a healthy convention—so one hopes—of selecting the Federation's Chairmen from different regions of the country in rotation.

The main interest of the proceedings was, of course, the retiring Chairman's speech. To be in keeping perhaps with the tradition of a valedictory address, Mr. Kasturbhai took a rapid stock-taking of the cotton mill industry, but he did this, it seems obvious, with the specific purpose of highlighting the failure of the cotton textile policy of the Government of India. The lack of any appreciable increase in the 'per capita' availability of cloth from the pre-war level (15.7 yds.), the unimpressive expansion of the productive equipment of the industry, the almost stationary position of the weaving capacity (at around two lakh looms) all these 20 years, and the misguided—even if it be well-intentioned —policy of encouraging the handloom sector which, in the event, has only served to help the powerloom sector are facts that no one can dispute. Considering that its policy so far has so miserably failed to yield results, one hopes that, at least during the Third Five-Year Plan period, the Government would be prudent enough to accept the advice of this stalwart of the textile world and allow the weaving capacity of the organised sector to be expanded. That, "is the only way in which we can regain the capacity to adjust production according to needs", declared Mr. Kasturbhai. The Government, he suggested, should allow for expansion in the weaving capacity in the mills by at least 25 per cent, with a corresponding increase in the spinning capacity.

A good part of the address of Mr. Kasturbhai was also devoted to the question of wages and bonus. From what he said, it looks as though the implementation of the Central Wage Board for the Cotton Textile Industry, although unanimous and although accepted by the Government, will not have smooth passage, unless the Central Committee of Employees and Employers, recently set up by the Federation to resolve differences arising out of the Wage Board's recommendations, succeeds in its task and employees also co-operate in this work. The main burden of the Federation's complaint against the Wage Board's recommendation is that, though unanimous, they are vitiated by being based on the Wage Policy Resolution of the 15th Indian Labour Conference. It is Mr. Kasturbhai's contention that, had the Wage Board submitted its report after the Pay Commission's report, the results would have been different, because both the Pay Commission's report and the reference to it by the Finance Minister in the Lok Sabha make it abundantly clear that the Government itself has not accepted the wage policy resolution of the Indian Labour Conference. This is not to say that the millowners are opposed to any wage increase as such, but they are convinced that, "in the present economic conditions of the country, higher wages can come only through higher productivity, particularly so in the textile industry, where the wage rates are already one of the highest and the profits one of the lowest of all organised industries in this country." While on this subject, Mr. Kasturbhai referred to the leeway yet to be made by the industry in the matter of modernisation and by labour in the matter of workloads. In short, judging from the reactions in textile circles, generally, the Wage Board's recommendations can stand a fair chance of being implemented only if labour agrees to the linking up of any further rise in wages to productivity and also adopts a more helpful and co-operative attitude towards rationalisation.

On the question of bonus, I felt that Mr. Kasturbhai was doing nothing but reflecting faithfully the strong views of the industry on the recent announcement of the Union Labour Minister, Mr. Gulzarilal Nanda, in the Lok Sabha, about the proposal for a high power commission to evolve norms for the payment of bonus to workers. There is strong resentment not only a raising this question after the highest judicial tribuna

in the country—the Supreme Court—had already laid down certain well-defined principles with regard to payment of bonus, but also at the attitude of the Union Labour Minister, who they feel, more often talks like a trade union leader than as a responsible Minister who has to hold the scales even as between the rival claims of employers and employees. While this resentment is understandable, if only because there must be finality at some stage or other—and, unfortunately, this has been rendered impossible now by Mr. Nanda's announcement—the industry must remember that the bonus commission proposal has not come as a bolt from the blue, at any rate to those representatives of the industry who participated in the second meeting of the 18th session of the Standing Labour Committee which met in New Delhi early in March last. At this meeting, it would appear, while the employers' representative did suggest that bonus was an uncertain element in the wage cost and should, therefore, be done away with, he was nevertheless a party to the discussion on the question, as also to the agreement that a bonus commission be appointed to go into the question of evolving some suitable norms. This was, in fact, the forum in which—also the proper time when—the stand now taken by Mr Kasturbhai should have been vigorously put forward. Incidentally, this Standing Labour Committee meeting followed the Supreme Court judgment referred to by Mr. Kasturbhai. Be that as it may, the conclusions agreed to at the 18th Session of the Standing Labour Committee are due to be placed again before the forthcoming meeting of the same Committee towards the end of this month for adoption, and, unless adopted, they cannot be taken as binding on the employers as the General Secretary of the INTUC seems to have assumed. The employers' representative must not lose this opportunity, therefore, of challenging the conclusions of the last meeting of the Standing Labour Committee if they are not properly recorded and, in any case, of reiterating the stand taken by Mr. Kasturbhai. Otherwise, the unfortunate impression would get abroad that the representatives of the employers on these bodies either do not fully reflect the views of the industry or fail to consult the leaders of the industry before committing themselves on such vital questions. That would be fatal both to the organisational work of the industry and to its future.

Business Notes

Labour

LABOUR POLICY

THE DEBATE in the Lok Sabha on the demand for grants for the Ministry of Labour and Employment has hardly succeeded in clarifying further the Government of India's Labour Policy. Except for the announcement by Mr. Nanda that a Bonus Commission would be appointed which would evolve some norms for the payment of bonus, there is nothing new in his statement, In fact, it is the repetition of old platitudes. The Labour Minister's assertion that the Labour policy was a national policy acceptable to all is difficult to accept. This, however, is certain that labour has received a very generous deal regardless of due performance of their obligations. No one, of course, grudges the benefits accruing to labour, but in the interests of the national economy it is imperative that the workers must realize their responsibility and make the fullest use of their energy and skill for the purpose of increasing production and productivity. The idea of linking wages with productivity is to give workers an additional incentive which in turn could be helpful for promoting production.

The demand for wage freeze is, of course, as fantastic as the demand that wages all round should be put up by a certain percentage. There is some element of truth in Mr. Nanda's assertion that wages had no influence over prices. If prices, for example, are stepped up to subsidise exports, such rise in prices could neither be attributed to wages nor to inflation. This type of price increase is an exception and not the rule. But, this, however, is to be recognized that there is intimate relationship between wages and prices. This, among other things, is borne out even by the Labour Ministry's Circular No. Lc-10(30)60, dated April 7, 1960, addressed to the State Governments in regard to the Seventh Session of the Industrial Committee on Coal Mining. The Circular, inter alia says: "The Government of India have been allowing increases in its price whenever there has been rise in the wages payable to workmen employed in the coal mining industry as a result of Labour Awards. Thus whenever there has been increase in the wages and other amenities of the workmen employed in coal mines, the burden thereof has been passed on to the consumer". No doubt a large dose of deficit financing in the Second Plan has contributed to inflation. It is, therefore, here that a wise policy is called for. The vicious circle of higher prices leading to higher wages and thus again to higher prices must be ended by checking and controlling further price increases. The price-wage spiral must be stopped at this point.

The need for the appointment of a Bonus Commission is to be questioned particularly when the Supreme Court has laid down after great deal of consideration some well-defined principles with regard to payment of bonus. Such commissions are utterly unable to eliminate irksome delays and on top of that they are usually prone to show a bias for labour and distribute the benefits of higher remuneration as a rule without strict relevance to output. The need is that industrial relations should be smooth, productivity should be increased and a sense of co-operative partnership in enterprise developed, between workers and their employers. Steps concerete need to be devised to achieve that objective.

Cement Industry

MYSORE CEMENT: A TIMELY VENTURE

THE DRAFT of the Third Five-Year Plan tentatively placed the target of cement output by 1965-66 around 15 million tons. When observed against the actual output of 6.82 million tons during 1959; it appears that an all-out effort will have to be made to achieve the Third Plan target. With this background, the floatation of Mysore Cement Ltd. seems quite well timed. The Company proposes to set up a factory with an initial installed capacity of one lakh tons, which may, depending upon the prevailing market conditions, be raised to two lakh tons. The proposed location at Ammasandra in Mysore will have the advantage of a ready market for cement as a result of special emphasis that will be laid on irrigation and power supply works as well as improvement and augmentation of ports and harbour facilities in the State during the Third Five-Year Plan. The location is justified by convenient railway approach, sufficient clay deposits and enough land for expansion at a later stage. The Dry Process has been proposed to be employed for the manufacture for which trial production tests had been carried out by Kaiser Engineering Overseas Corp. It is likely to result in certain economies in the consumption of water and fuel, not possible in the case of the Wet Process.

There is an additional advantage that the company has entered into an agreement with Kaiser Engineering Overseas Corp. of the U.S.A. for engineering and technical assistance in the design, construction and start-up of the plant. This organisation has a world-wide reputation and one of the affiliates already have experience at the engineering works of the Tata Steel Company and the Hindustan Aluminium Corporation. A long-term rupee loan to the tune of Rs. 55 lakhs is likely to materialise from the U.S. Export-Import Bank.

As an announcement of the Prospectus of the Company, published elsewhere in the issue, indicates, the authorised capital of the Company will be to the tune of Rs. 3 crores — Rs. 2.25 crores as equity capital and Rs. 75 lakhs as 7 per cent (tax free) cumulative Preference Shares. Out of this issued capital of Rs. 1.15 crores, Equity shares worth Rs. 12.55 lakhs have already been allotted to Directors, Rs. 2 lakhs to New India Assurance Co., Ltd., and Rs. 19.3 lakhs to Willys Overseas Export Corporation. Now more equity capital has been subscribed by Mr. P. K. Sarangapany Mudaliar, his relatives, friends and associates to the extent of Rs. 12.45 lakhs. Equity shares of Rs. 9.7 lakhs have been subscribed by Kaiser Engineering Overseas Corporation and Rs. 15 lakhs by the Government of Mysore. Under the Prospectus 4,40,000 equity shares of Rs. 10 each are being offered to the public for subscription at par for which the list will open on April 21, 1960, and will close on April 30 or earlier but not before April 28, 1960. Taking into account the soundness of the proposition, the issue is almost assured of a favourable response in the market. Entire public issue has, however, been underwritten by the ICICI, LIC and the Canara Bank Ltd.

Provident Fund

HOUSING FOR INDUSTRIAL WORKERS

BY AN amendment to the Employees Provident Fund Scheme, 1952, it has been made possible for industrial workers to draw advances from their provident fund for acquiring houses under the subsidised industrial housing scheme or for their purchase, or construction. As regards acquisition of a house under the subsidised industrial housing scheme, a worker who is a member of the fund can draw an advance not exceeding 12 months basic wages or his own total contribution in the fund plus interest thereon or his own share of the cost of the house, whichever is less. When a member wants to purchase or construct a house independently, he will be entitled to an advance not exceeding 12 months basic wages or his own total contribution in the fund with interest thereon, whichever is less.

While the amendment made is a step in the right direction, it is not likely to go far enough or to benefit employees to the extent such a provision ought to if it is conceived primarily with the object of extending substantial assistance. In limiting the advance to the employee's own contribution, the purpose of the Government apparently appears to be to keep the employer's contribution to the fund for old age. This, of course, is understandable, but what is not intelligible is why the advance should be limited to 12 months' basic wage alone, when the provident fund contributions are made on the basis of basic wages plus dearness allowance. When the mounting costs of house sites and new buildings is taken into consideration, it seems highly doubtful whether the funds that would be available to the employees would be sufficient to meet more than a fraction of the outlay required for a habitation of their own. If the idea is to give benefit to a large number of employees and also on a fair scale, this scheme will need to be modified liberally.

Rubber

DUNLOP'S EXPANSION PROGRAMME

THE DUNLOP RUBBER COMPANY has embarked upon a new plan for expansion which evidently is in line with the general development in the Indian economy. At present the capacity of the Company is fully utilized and to meet the additional demand for rubber products, which is bound to arise, the Company is planning to raise its output. Any programme of expansion, however, involves foreign exchange for plant and machinery for which negotiations are in progress with the Government of India. Mr. John Luckham, Chairman of the Company, pointed out at the Annual General Meeting held on April 19, 1960, at Calcutta, that the Directors of the Company have recommended the increase in the authorised capital by Rs. 2.5 crores so that finance for any such expansion programme may be available with the Company. The Company, therefore, seems well prepared for the expansion programme.

Another development of special interest to the Company has also necessitated the expansion in the output of its products. Till recently Dunlop's Sahaganj factory was manufacturing products for Goodyear. Since the latter Company is setting up its own works near Delhi, Dunlop will be able to utilise this capacity to increase the output of their own products. Already the Dunlop Company is consuming 17,291 tons (1959) of rubber against all-India consumption of 43,000 tons. With the coming into effect of Dunlop's expansion programme, its significance in the national setting will increase further. As was pointed out by the Chairman that the Company's products like Gold Seal Car Tyre introduced recently, cycle tyres, Dunlopillo and belting of several types are receiving very good response in the market. In addition to that, the Company is playing an important part in Government's export drive by shipping sizable quantities of cycle tyres to markets in South-East Asia.

General Insurance

BUSINESS DURING 1959

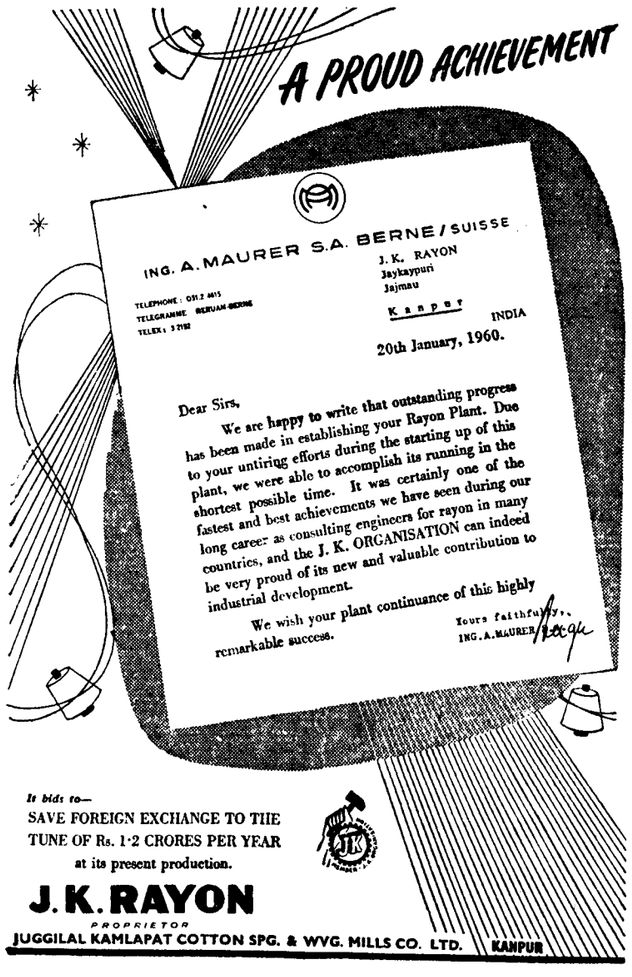
THE INDIAN INSURANCE YEAR BOOK, 1959 recently published by the Controller of Insurance, Government of India, reveals that on December 31, 1959, there were 177 insurers registered for transacting one or more classes of general insurance business. Of these, 90 were Indian and 87 non-Indian. Fifty of the Indian and 38 of the non-Indian insurers were registered for all the three classes of general insurance business; 11 Indian and 18 non-Indian insurers were registered for two of the three classes and the rest — 29 Indian and

31 non-Indian — were registered for only one class. This excludes the Life Insurance Corporation of India which was registered for Life and Miscellaneous insurance business.

The index number of general insurance business in India recorded a rise of 6.1 for 1958 as against a rise of 0.5 in 1957. The net premium income in India in all classes of general insurance business of Indian insurers increased to Rs. 12.96 crores in 1958 from Rs. 10.96 crores in 1957. In 1958, Rs. 4.36 crores were earned from Fire Insurance, Rs. 2.59 crores from Marine insurance and Rs. 6.10 crores from Miscellaneous insurance. In the case of non-Indian insurers, the net premium income in India was also higher in 1958 than in 1957 in Fire and Miscellaneous insurance business but, it was lower in Marine insurance. The net premium income outside India of Indian insurers which was also higher in 1958 than in 1957, except in the case of Fire insurance, amounted to Rs. 12.02 crores in 1958, of which Rs. 6.65 crores were earned from Fire insurance, Rs. 2.36 crores from Marine insurance and Rs. 3.01 crores from Miscellaneous insurance.

The total assets of the Indian insurers by the end of 1958 amounted to Rs. 51.79 crores as compared to Rs. 49.08 crores and Rs. 43.00 crores at the end of the years 1957 and 1956 respectively. Of this 15 per cent of the total assets had been invested in securities of Government and public authorities, 3.9 per cent in foreign government securities, 27.5 per cent in shares and debentures of Indian companies, 1.7 per cent in land and house property, 21.6 per cent in deposits, cash and stamps. 1.8 per cent in loans, and 5.8 per cent in miscellaneous assets. The balance comprised 6.4 per cent accrued and outstanding interest and 22.2 per cent agents' balances, etc.

Reviewing the experience of insurers in the matter of expenses of management, the Controller of Insurance remarks that during the year 1958, a larger number of groups of Indian insurers contravened the provisions of section 40C of the Act than during 1957, while the number of groups of non-Indian insurers contravening was less than during 1957. Nearly three-fourths of the groups of insurers who contravened the said provisions during 1957, were administered a warning. The "Code" evolved by the Executive Committee of the General Insurance Council of the Insurance Association of India for observance by insurers carrying on general insurance business in India continued to be administered by the Administrative Machinery. This is an effort towards the removal of unhealthy practices prevailing in the industry.



Current Topics

COAL AWARD

The Government of India, with the concurrence of the employers and workers, has decided to extend the Coal Award for a further period of three years. The Award was to expire on May 26, 1960. The following facts state the position of the remuneration of coal workers and their conditions of service as obtaining today.

THE conditions of service of the workmen employed in coal mines have been stabilised since May 1956 on the basis of the Award of the All-India Industrial Tribunal (Colliery Disputes) as modified by the decision of the Labour Appellate Tribunal. The maximum period of three years laid down in the Industrial Disputes Act for the operation of the Award of a Tribunal expired on May 26, 1959. The representatives of the employers in the coal mining industry and the Central Trade Union Organisations had, however, agreed, at a tripartite meeting held on May 29, 1959, to the continuance of the Coal Award for a further period of one year upto May 26, 1960. It was decided that neither party would give notice terminating the Award during this period.

As decided at the said meeting, certain points of dispute arising out of the implementation of the Coal Award were also referred to Mr. A. Das Gupta for arbitration. Mr. Das Gupta gave his Award on December 30, 1959. One of his most important recommendations is the fixation of incremental scales of pay for the daily-rated workmen. Grades of scale have also been prescribed for a number of categories of workmen like teachers, senior overmen, etc. The rates of sick khoraki and maternity benefits have also been increased. The result of all these awards is that certain minimum standards have now been prescribed for governing the conditions of service of workmen employed in the coal mines.

As the sale price of coal is statutorily fixed, the Government of India has been allowing increases in its price whenever there has been rise in the wages payable to the workmen employed in the coal mining industry as a result of labour awards. The price of coal was increased, soon after the publication of the Award in 1956, by Rs. 5.50 per ton (including the increase of 50 nP. granted on the recommendations of the Coal Price Revision Committee) in the case of collieries in Bengal and Bihar and by slightly different amounts elsewhere. The Government has also recently sanctioned a further increase in coal price consequent on the enactment of the Mines (Amendment) Act, 1959, implementation of Mr. Das Gupta's Arbitration Award and rise in the cost of living during the second half of 1959, necessitating payment of enhanced dearness allowance to workmen from April 1, 1960.

The decision of the Labour Appellate Tribunal on the Coal Award is not applicable to the collieries in Assam. In respect of these collieries, the Labour Appellate Tribunal had given a separate decision in terms of an agreement entered into between the workmen and the employers. The agreement is also not, at present, applicable to the coal mines in the State of Assam. The Assam Railways and Trading Company Limited, which own four coal mines in Assam, have reached an agreement with their workmen agreeing to extend to them any benefits that may become admissible to them on the basis of the Arbitration Award of Mr. Das Gupta. They have requested for an increase in the price of coal for implementing this agreement and this question is under consideration of the Government. The employers in respect of the other collieries in Assam have recently agreed either to implement the decision of the Labour Appellate Tribunal as applicable to the rest of India (other than Assam) or to implement the decision of the Labour Appellate Tribunal as applicable to the Assam Railways and Trading Company. It has been suggested that these employers shall also fall in line with the rest of the country in implementing Mr. Das Gupta's Arbitration Award.

The Agreement is also not, at present, applicable to the coal mines in the State of Andhra Pradesh The Singareni Collieries Company Limited are, however, agreeable to fall in line with the rest of the country in implementing the terms of this agreement. It has already been suggested to the Government of Andhra Pradesh, who own a large number of shares of this company, that the company and their workmen might enter into an agreement giving effect to any or all the recommendations contained in Mr. Das Gupta's Arbitration Award.

STORING OF FOODGRAINS

The Union Food and Agriculture Ministry has drawn up plans to import 17 million tons of foodgrains from U.S.A. during the next two years. To remove storage difficulties, the Government proposes to augment the storage capacity in various ways.

TOTAL storage capacity in the hands of the Union Ministry of Food at the end of 1959 was about 15.5 lakh tons; 4.2 lakh tons owned capacity and 11.3 lakh tons hired capacity. This capacity has to be augmented speedily with a view to accommodate increased imports of foodgrains now contemplated. The Government has taken or proposes to take the following measures to meet the situation:

(1) More economical use of the existing storage capacity is planned by having higher stacks and reducing alley-ways and working space in the godowns. It is estimated that this will increase the capacity of hired godowns to 13.5 lakh tons. If new godowns which are expected to be completed during the current year and the next are also used in the same way, the capacity of Government godowns would increase by about 3.5 lakh tons by 1960 and by another 6 to 7 lakh tons by the end of 1961.

(2) Additional godowns are envisaged to be hired from private parties. It is expected that during 1960 it may be possible to get on hire an additional 4 to 5 lakh tons capacity and another 5 lakh tons or so during 1961.

(3) Wheat is proposed to be stored in bulk (not in bags as at present) in ordinary flat godowns equipped with necessary gear for putting in and taking out wheat in bulk. It is estimated that if this can be done, a godown of 5,000 tons capacity would be able to store over 9,000 tons. The engineering and other implications of this idea are being examined.

(4) Construction of silos of 1 lakh tons capacity at Borivilli, near Bombay, and 2 to 2.5 lakh tons capacity at Kalyani, near Calcutta, will be taken up soon. It is also proposed to construct more silos at the principal ports if the present efforts to acquire land are successful. These silos may, however, not be available for actual storage before 1962.

(5) A separate joint organisation with the C.P.W.D for both planning and construction of foodgrain storage godowns may be set up in the near future. This should help in expediting the entire construction programme.

A DELHI NOTEBOOK

LARGER THIRD PLAN?

THE inevitability of stepping up the public sector outlay under the Third Five-Year Plan, tentatively fixed at Rs. 7,000 crores, is being increasingly felt here. Ministry after Ministry is coming out with its grievances against the allocations made by the Planning Commission. The first to revolt openly was the Union Ministry of Food and Agriculture which asserted that unless its demands were met in full, it would not be able to solve the country's food problem by 1966. Then came out the Ministry of Transport and the Atomic Energy Department asking for more funds for the implementation of their Third Plan schemes. According to newspaper reports, the latest to join the fray is the Union Ministry of Steel which has pleaded for the inclusion in the Plan the setting up of the fourth steel plant at Bokaro; without this, the Ministry says, it would not be possible to meet the country's growing demand for steel.

Knowledgeable circles believe that the Ministry of Steel will have to back its demand with some sound reasoning. It is pointed out that taking into consideration the time required for planning a steel plant, it may be necessary to start work on the fourth public sector steel plant towards the middle of the next Plan. But before that is done, it would be advisable to expand the capacity of the existing plants to the full. If the three existing public sector plants are expanded to their full capacity, they along with the private sector production, should be able to meet the requirements for steel under the Third Plan. It is being asked while the Rourkela and Bhilai plants are proposed to be expanded to their full capacity, why should the capacity of the Durgapur Plant be expanded only by 0.6 million tons; Durgapur Steel Plant is capable of expansion by 1.5 million tons.

Then, it is being argued, the full picture of the working of the existing public sector steel plants is not yet available. Notwithstanding the assertions made in Parliament, disquieting reports about coal supplies to these plants continue to pour in. It is alleged that the three steel plants are still being fed only hand to mouth so far as the coal of the right kind is concerned. Due to paucity of coal, more blast furnaces have not been lighted up, it is said. Transport planning too has not been done properly. As a result of this, it is understood, the movement of pig iron from the works has been slow.

The Planning Commission, which has its own evaluation team, would do well to assess the working of the three steel plants in the public sector and place the results before the country. This will be the best guide to plan expansion of steel and as a matter of fact of all other industries during the Third Plan. The Planning Commission has not yet produced a progress report on the Second Plan. An evaluation report will be better guide for the public to judge the success of the Second Plan.

Meanwhile, various figures for stepping up the public sector outlay under the Third Plan are being mentioned here. Some think that this expenditure would be stepped up by Rs. 1,000 crores. The Ministry of Finance has already produced its blueprint of resources, placing the upper-most limit at Rs. 7,000 crores. Any increase in the outlay may have to be financed from created money.

FOOD RESERVE

India will try to obtain from the United States under new PL 480 deals 12 million tons of foodgrains for four years by a "straight single contract", instead of three million tons every year on the basis of annual contracts. This was disclosed by Mr. S. K. Patil, Union Minister for Food and Agriculture, on the eve of his departure for the United States. Mr. Patil said over and above the 12 million tons thought necessary to cover up the annual deficits of four years, he would also negotiate for the import under PL 480 of an extra 5 million tons of foodgrains—four million tons of wheat and one million tons of rice—for building up a "buffer stock". The buffer stock, he explained, would be kept at various strategic points in the country to meet possible shortages and prevent consequent price rises. The estimated cost of importing these 17 million tons of foodgrains is Rs. 700 crores. Part of the rupee value of these imports would be used for purposes "collateral" to the production and distribution of food, like construction of silos.

Preliminary talks at official level regarding the proposed foodgrain deals with the US Government were satisfactory, Mr. Patil said. The Union Food and Agriculture Ministry, he added, was also trying to buy half a million tons of rice from Burma next year.

Talking about the Third Plan, Mr. Patil reiterated that his Ministry would get about Rs. 640 crores for its schemes alone, including the package programme. He thought the target of 105 million tons of foodgrains output and "positive self-sufficiency" would be achieved by the end of the next Plan if proper faith were put on the farmer to get the job done without the interference of "doubting minds". Mr. Patil also expressed the opinion that mere co-ordination between the departments connected with agriculture was not enough for the success of agricultural schemes and food policies. Unified and streamlined control of these departments was necessary, he said.

On his return, Mr. Patil said, the setting up of an agricultural commodities committee would engage his attention. It would advise the Government on the "economics" of agricultural policies, the prices to be assured to farmers to give them "incentives" and other relative matters. It was too early to say, he said, what exactly the composition of the commitee and its scope and functions would be.

MARINE DIESEL ENGINE PROJECT

The Government of India, it is understood, is considering the setting up of a plant during the Third Five-Year Plan to manufacture marine diesel engines. The production programme will be drawn up to synchronise with the creation of the additional ship-building capacity during the next Plan period. The details of the project (its cost, capacity and location) have not yet been finalised.

BRIEFS

The Government of India has granted a licence to Sandviken Steel Company, of Sweden, to set up a plant in India for the manufacture of hard metal called TUNGSTEN CARBIDE. The plant will be located near Poona and will cost about 1,600,000 US dollars. Production is expected to start next year.

•

A German-Italian combine, Mannesman and ENI has been given the contract for laying 720 miles of pipeline to connect the Assam oilfields with Gauhati (260 miles) and Barauni refineries (460 miles).

•

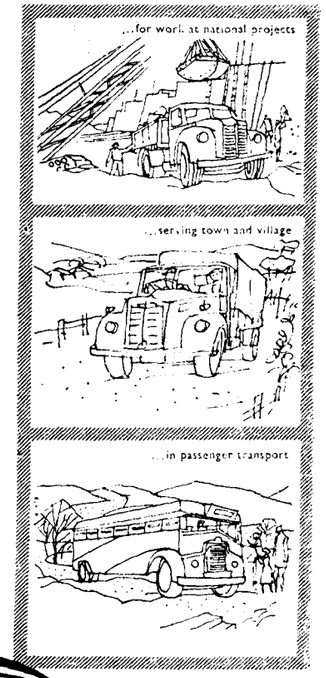
The Union Finance Minister, Mr. Morarji Desai, will leave for Moscow on June 7. He will return to India after visiting Czechoslovakia, West Germany, Yugoslavia and Egypt.

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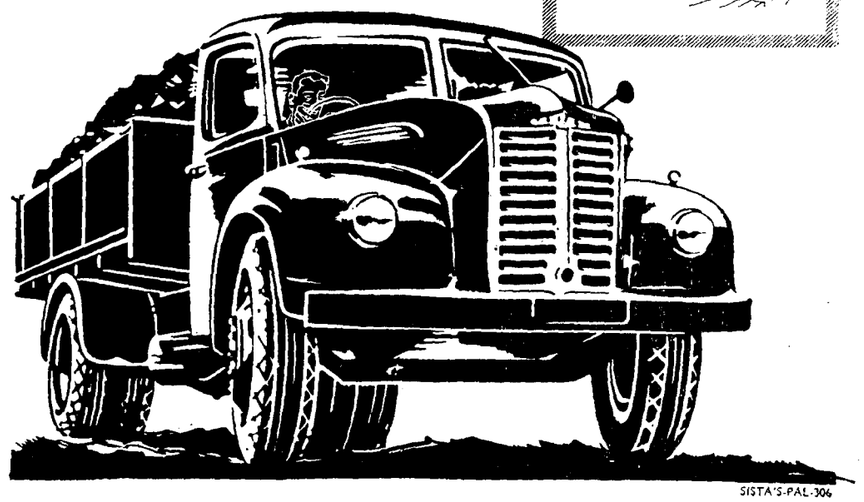
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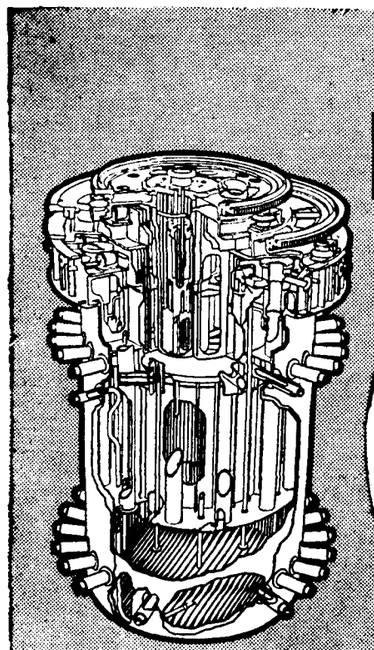
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WORLDGRAM

India

Assent for 156 Bills in 1959: Almost one-third of the 156 State Bills which received the President's assent last year effected land, agricultural or tenancy reforms. Twenty-seven bills either introduced or improved the existing legislation on the abolition of intermediaries, preservation of forests, reclamation of land and prevention of fragmentation of holdings. Thirteen provided security of land tenure, vesting of proprietary rights, compensation for improvements by tenants, etc. Another 11 dealt with the acquisition of land. The largest number of such bills was initiated by Bombay, 11 of them. Punjab introduced 7 and Madhya Pradesh and Rajasthan 6 each. Andhra Pradesh voted 5, Madras 4 and Orissa 3. Bihar, Kerala, Mysore and West Bengal sent 2 each, and Uttar Pradesh one. The subjects of other bills sent for President's assent related to rent control on buildings, panchayats, sales tax, municipalities, and essential articles control. Out of 156 bills, 34 came from Bombay, 18 from Rajasthan, and 14 from Madhya Pradesh. Punjab sent 13 bills and Andhra Pradesh and Bihar 12 each. Figures for other States were: Madras 11; Kerala 10; Mysore and West Bengal 9 each; Uttar Pradesh 7; Orissa 4 and Assam 3.

*

Aid to Nepal: The Government of India have expressed their readiness to assist, during India's Third Plan period, the development programmes of Nepal to the extent of Rs. 18 crores, including the unspent amount from the current offer of Rs. 10 crores and Rs. 3 to 4 crores for the construction of the East Kosi (Chatra) canal. The Government of India had offered aid worth Rs. 10 crores to Nepal during India's Second Five-Year Plan period. Government of India provided aid to Nepal in the shape of cash grants, services of technical and other personnel and supply of equipments and materials for the various development projects and programmes. It is anticipated that a sum of Rs. 3,68,22,872 will have been spent from 1st April, 1956 to 31st March, 1960 on giving technical and economic assistance to Nepal.

*

Tar Distillation Plant. The Tar Distillation Plant at the Durgapur Steel Works, has now been completed and is ready for operation. The plant, in full production, will distil 230 tons per day of crude tar from the coke oven by-products plant to produce Pitch-Creosote, Road Tar, Preservative Creosote, Naphthalene and Benzol. The crude tar from the cove-oven by-products plant will be passed successively through Heat Exchangers and a Distillation Column, which separates the Pitch from the other oils. The process employed is Wilton's Continuous Tar Distillation. In the Blending Plant, Pitch and Creosote oil will be blended into Pitch Creosote for use as fuel in the Steel Making Plant. This plant can also produce Road Tar and Preservative Creosote for preserving wood, which will be available for sale. Facilities are provided for road tar to be loaded to road or rail tankers for the purpose of commercial distribution. This plant is part of the integrated steelworks being built for Hindustan Steel Limited by ISCON—the British Consortium.

*

Production of Refractories: The Minister of Industry, Mr. Manubhai Shah, revealed in the Lok Sabha recently that the question of establishing a few units in the public sector for making special types of refractories for steel plants was under Government's consideration. A number of applications for licences had already been considered by the Government, and in several cases the licences had been issued. It was further stated that the import of refractory products, bricks and other refractory construction material in 1958-59 had amounted to Rs. 3.17 crores. During the period April-December, 1959, the value of imports was Rs. 2.76 crores. Imported refractories were used as lining material for the furnaces and reaction vessels involving high temperature. Mr. Shah further said that refractories of all types were already being produced in the country in various places on a commercial scale. Four processes developed by the National Metallurgical Laboratory, Jamshedpur, had been entrusted to the National Research Development Corporation of India for leasing out to industry for commercial exploitation. Out of these, the process of Mullite Refractories from Kyanite had been released to a Dhanbad company for commercial exploitation. Arrangements for the manufacture of other refractories were under consideration of the National Research Development Corporation. It was estimated that an amount between Rs. 8 lakhs to Rs. 25 lakhs will be required for commercial exploitation of the processes, depending upon the nature and production capacity of the refractory plant. A standard plant of 20,000 tons of annual capacity was estimated to cost about Rs. 40 lakhs.

*

Industrial Production in 1959: The index of industrial production in 1959 rose by 11.3 points over the previous year. This works out to an increase of 8.1 per cent. According to the figures based on production for the whole year, which have recently been released by the Director of Industrial Statistics, the index for 1959 was 151.0 as compared with 139.7 for 1958. Tentative estimates based on production of the first ten months of last year had earlier placed the index at 149.3. The rise of 11.3 points in industrial production index is the highest recorded so far. Excluding the textile group, the rise in the index was nearly 20 points, from 164.7 in 1958 to 184.4 in 1959 or about 12 per cent.

*

Production of Giant Tyres: The Minister of Industry, Mr. Manubhai Shah, made a statement in the Lok Sabha recently that the production of giant tyres for the automobile industry had risen from 6.4 lakhs in 1956 to 8.1 lakhs in 1959. Due to the rapid rise of transport requirements, however, the country was still short of about 75,000 to 1,00,000 giant tyres annually. The Minister further stated that licences had been granted for increasing production in the existing units and for four new schemes. These would raise the manufacturing capacity to 25 lakhs tyres every year. This additional capacity was expected to materialise in the next two or three years when the country would become self-sufficient and even have some balance for export. The Government were also considering the question of allowing some additional imports through established importers and large transport undertakings. Some import as original equipment, along with other components of vehicles, was also being arranged against allocation made for road transport industry by the Development Loan Fund of the USA.

U.S.S.R.

Diesel Locomotive Construction: By the beginning of the current year, the total length of the railway lines serviced by diesel locomotives had increased in the Soviet Union by nearly 150 per cent in comparison with 1955 and reached 14,300 kilometers. By 1965 it is expected to be 70,000 kilometers. Under the Seven-Year Plan (1959-65) the Soviet Union will produce 13,000 diesel locomotives of various types and high-speed diesel trains.

*

World's Biggest Hydro Electric Station: A 2,500,000 kilowatt hydroelectric power station, to out-size any yet built in the world, will begin to be constructed at Nurek on the Vakhsh river in Tajikistan next year. It will have a one-kilometer-long and 300-meter-high dam. The station, scheduled to start operating in five years' time, will enable control of the flow of the Vakhsh and the Amu-Darya, Central Asia's largest waterway. Low cost electricity will drive the pumps of large mechanical irrigation stations, while water from these rivers will be brought to upland tarraces, newly laid-out cotton plantations, orchards and vineyards. The hydro-electric power station will also enable a start to be made in tapping more of the natural resources of South Tajikistan, Uzbekistan and Turkmenia.

U.K.

Aid for Overseas Development: In the last two years, UK aid for overseas development has increased by two-thirds. Per capita, it is the second highest of any country in the world (the USA being the first). Since the end of the Second World War, British grants and loans to other countries have totalled Rs. 2430 crores of which two-thirds have been outright grants. In terms of per capita contribution, the USA has delivered in aid $58 per head of her population, and Britain $22. Because the UK has a special responsibility to help the less developed members of the Commonwealth and colonial territories, by far the greater part of UK Government aid goes to the Commonwealth. UK bilateral assistance to independent Commonwealth countries has increased from Rs. 9.5 crores in 1957-58, to an estimated total in 1959-60 of Rs. 50.7 crores. Contributions to international organisation concerned with economic development have also been substantial. The UK contribution to the International Bank and International Finance Corporation are second in size only to the USA.

Germany

Handicraft Enterprises: In the German Federal Republic, handicrafts represent the strongest economic element after industry. During the latest year for which satistics are available, 750,000 handicraft (small and medium size) enterprises employing 4 million craftsmen, achieved an enormous turnover. This economic vigour, manifested in 125 professional branches of handicrafts is especially remarkable in or is trying to satisfy the mass demand of the consumers with standard products.

France

Fuel Consumption in February: In February, 1960 French consumption of standard and high-test gasoline totalled 478,500 cubic meters compared with 425,300 cubic meters during the same month of last year. Considering that there were 29 days in February this year, there was only a slight increase in the rate of consumption. Considering the same time factor the consumption of fuel-oil, including stocks, even shows a slight decrease; 144,700 cubic meters were used in the 29 days in February, 1960 compared with 144,300 cubic meters in February, 1959. However, a marked increase in the consumption of oil products was noticed. In February, 1960, 427,200 tons of domestic fuel were delivered compared with 364,000 tons during the same month of last year.

Australia

Lease Equipment Plan: A scheme to provide factory plants with new equipment facilities without the need for capital outlay has been evolved by Clyde Industries Ltd., of Sydney (New South Wales) one of the leading countries in the Australian heavy engineering industry. A new subsidiary, Lease Plan (Inc.) Pty. Ltd., will supply on lease, equipment produced by the Clyde group. Lease items, available in overseas countries, include office equipment, fleets of motor vehicles, jet aircraft, materials-handling and many other articles. These and other units will be made available by the new company. It is claimed that lease planning has advantages over hire-purchase. For instance, rentals under leasing may be claimed as income-tax deduction if the equipment is used to produce income, whereas hire-purchase instalments are not allowable in full because of their capital nature.

Sweden

Improvement in Employment Position: Employment in Sweden improved considerably between the middle of January and the Middle of February. At the latter date 40,200 persons were registered as unemployed, i.e., by about 6,000 fewer than at the middle of January this year, and by 19,500 fewer than at mid-February, 1959.

I.F.C.

New Membership: Spain has become the 59th member of the International Finance Corporation. The Spanish subscription is 1,108 shares, with a total par value of $1,108,000. This brings IFC's total subscribed capital to $96,506,000.

United Nations

Manual on Economic Development Projects: A Manual on Economic Development Projects has been published by the United Nations to assist engineers and economists in the preparation, presentation and evaluation of investment projects. The publication was prepared by the United Nations Economic Commission for Latin America and the United Nations Technical Assistance Administration (now the Bureau of Technical Assistance Operations) to meet the need for a practical guide-book in the field. A preface notes that there had been an almost complete lack of such material for use in the training of specialists and later in their everyday work. The Manual discusses problems and techniques of programming economic development, the market for various types of goods and services, project engineering, the size and location of projects, investments in different types of projects, budgeting of income and expenditures, financing and organisation of various enterprises, and evaluation of projects. The general discussions are supplemented by illustrated cases.

NEWS IN BRIEF

INDIAN

The Government of India has granted a licence to the Swedish "Sandviken" Steel Company for the construction of a factory to make hard steel at Poona. The investment will amount to 8,000,000 Swedish crowns and an Indian company is to be formed for the project with the name of Sandvik Asia Ltd.

*

The Deputy Minister for Agriculture, Mr. M. V. Krishnappa, revealed in the Rajya Sabha recently that the Government of India proposed to set up 10 more mechanised farms on the lines of the Suratgarh Farm.

*

India has pledged to contribute the rupee equivalent of $1,975,000 to the Special UN Fund for Economic Development.

*

The latest entrant in the crowded field of small cars aspiring to be selected by the Government for indigenous manufacture is the clutchless, gearless "Daf", a four seater manufactured by Van Dornear, a motor firm of Eindhouen, Holland.

*

Small units employing less than 50 people will no longer require the prior approval of the Iron and Steel Controller for installing plant and equipment for the production of steel items like castings, bolts, nuts and rivets, wire and wire nails, pipes, tubes and pipe fittings, bars and rods etc.

*

The Government of India has agreed to share with the State Governments on a fifty-fifty basis the expenditure on implementation of most of the important recommendations of the Agricultural Administration (Nalagarh) Committee during the years 1960-61 and 1961-62.

*

The Intermediate Ports Development Committee appointed by the Government of India for selection of suitable intermediate ports for intensive development is expected to submit its report by the end of this month.

*

Industrial workers can now draw on their provident fund for acquisition of houses under the subsidized Industrial Housing Scheme or for the purchase or construction of houses. This money need not be refunded.

*

The Minister for Steel, Mines and Fuel revealed in the Lok Sabha recently that so far the Government had permitted eight parties under the Industries (Development and Regulation) Act, to put up small pig iron plants, three in Bombay, three in Madras and one each in Orissa and West Bengal.

*

The total electricity produced by the public utility power stations in India in December, 1959, was 1299.7 million kWh of which 1046.9 million kWh were sold to ultimate consumers.

*

The Minister of Industry, Mr. Manubhai Shah, disclosed in the Lok Sabha that the Heavy Engineering Corporation had entered into a contract with Technoexport, Prague, on March 30 last for the supply of a complete range of machine tools and equipment for establishing a Rolls shop at the Heavy Foundry Forge Plant. The Rolls shop would cost Rs. 87 lakhs.

FOREIGN

The Canadian steel industry continues to report good demand and anticipates that the situation will continue in the second quarter. Meanwhile, steel ingot production in the first quarter of this year was almost 25 per cent higher than a year ago at 1,692,504 tons compared with 1,358,903 tons.

*

Trinidad's east coast marine area is the latest prospect in the territory's oil exploration programme. One or two companies are actively interested in obtaining concessions from the island's Government.

*

What is claimed to be the largest vacuum melting furnace in the world is to be built for Mid-Vale-Heppenstall, of Philadelphia, US. The furnace will be erected by Consolidated Vacuum Corporation of Rochester, New York, while the planning and designs will be in the hands of W. C. Heracus G.M.b.H. of Hanau, West Germany.

*

It is reported two turbo-alternators, regarded as being the largest 3,000 r.p.m. machines ever built, are shortly to be installed in France in power stations of the EDF.

*

The Northern Ireland Ministry of Commerce has announced details of its new scheme for small factories employing 30 to 40 workers and to encourage local initiative by providing suitable premises.

*

The Ceylon Government has decided to raise a Rs. 35 million loan at 3½ per cent for development work. It will be a 16 to 20 year loan issued at par and repayable at par.

*

A £300,000 safety glass plant is to be built soon by Pilkington Brothers, glass manufacturers, in Umtali, Rhodesia, to meet demand from a rapidly expanding motor trade. Expected to go into production in about 12 months' time, the new plant will manufacture both laminated and toughened safety glass.

*

The German Parliament has approved the special tax on fuel oil first suggested by the Government in December, 1959, to help the coal industry.

*

World natural rubber production in January of 170,000 tons, was slightly down on January, 1959, which showed 175,000 tons, according to the International Rubber Study Group.

*

There are now prospects of a record Robusta coffee crop in Uganda, which official estimates put at 100,000 tons.

*

Greece has applied for membership of the International Federation of Cotton and Allied Textile Industries. At present the Federation represents 17 countries and approximately two-thirds of the world's total cotton spindles and loans.

*

An agreement on deliveries of Yugoslav goods to Ethiopia on credit was recently ratified in Addis Ababa. Under this agreement, Yugoslavia is to supply Ethiopia with about 25 million Ethiopian dollars worth of industrial and other products.

COMMODITY NEWS AND NOTES

FUTURE TRADING IN COTTON-SEED AT AMRITSAR

The Government of India, on the recommendation of the Forward Markets Commission, have granted recognition to the Indian Exchange Ltd., Amritsar, for a period of three years in respect of forward trading in cottonseed. The hedge contract to be traded under the auspices of the Exchange will have cottonseed of 32 of average quality as its basis. The other varieties tenderable against the contract, besides the basis variety, are cottonseed 32 of Khichri of average quality and cottonseed desi of average quality. The Board would fix the tendering differences before the start of trading in a contract. In addition to Amritsar, five centres of delivery have been prescribed. There would be four deliveries in a year, viz. January, March, May and July. The unit of trading would be 150 maunds. The Commission has accorded permission to the Exchange to commence trading in January 1961 delivery with effect from April 13, 1960, subject to a system of special margins. Amritsar will be the sixth futures market in cottonseed set up under the Forward Contracts (Regulation) Act, 1952. It is hoped that the commencement of futures trading at Amritsar would provide hedging facilities to the concerned interests in the Punjab and that part of India.

PRODUCTION OF STEEL

The Bhilai Steelworks has registered production of their first one lakh tons of steel. Steel production at Bhilai commenced on October 12, 1959 when the first open hearth furnace for steel making was inaugurated by the Soviet Ambassador in India Mr. I. A. Benediktov. Since then two more open hearth furnaces have been commissioned, second on December 17, 1959 and the third on March 22, 1960. Each furnace is capable of producing 500 tons of steel daily. The Bhilai Steelworks will have six such furnaces for production of one million tons of steel annually. The remaining three furnaces are also under construction and will be completed this year. Upto now about 55,000 tons of steel billets and slabs have been despatched to re rolling mills all over India.

TEA COMPANIES IN INDIA

A statement on profits and dividends (accrued and remitted) on tea companies in India was laid recently on the Table of the Lok Sabha by the Finance Minister, Mr. Morarji Desai. According to the statement, the profits and dividends that accrued to non-residents were Rs. 5.2 crores (provisional) in 1958-59 and Rs. 5.8 crores in 1957-58. Profits of branches of foreign companies accounted for Rs. 4.8 crores in 1958-59 and Rs. 5.3 crores in 1957-58. The balance accounted for dividends of Joint Stock Companies registered in India. Remittances of profits and dividends from India (including remittances of accumulated earnings) amounted to Rs. 6.7 crores (provisional) in 1958-59 and Rs. 7.3 crores in 1957-58. Of these the profits of branches of foreign companies accounted for Rs. 6.3 crores (provisional) in 1958-59 and Rs. 6.8 crores in 1957-58. The balance represented dividend of Joint Stock Companies registered in India. The figures relating to accruals are based on details furnished by the companies in respect of their profits during their respective accounted years while those relating to remittances are on a financial year basis.

JUTE OUTLOOK

The world jute crop for 1959-60 can tentatively be estimated at some 3 to 3.1 million tons, a fraction more than last season. Substantial increases in India, China and some other Far Eastern countries have been partly offset by a sharp contraction in Pakistan. In the latter country, the Government reduced licensed acreage for the second year in succession and banned cultivation in the frontier districts, to prevent smuggling and the production of inferior jute. At the same time, the incentive to plant jute has been reduced by the advance of rice prices in relation to jute. The Government is also assisting farmers in adopting other alternative crops. Forecast at 1.00 to 1.05 million tons, the present crop is considerably smaller than last season but quality is reported to have improved. It is estimated that some 0.30 to 0.35 million tons will be absorbed by Pakistani mills, leaving an export surplus (including last year's carry over) of some 0.85 to 0.90 million tons. It would seem that at present the Government is primarily concerned with the assessment of potential requirements and the improvement of the marketing of the crop. A commission has recently been appointed to look into these problems. It seems unlikely, therefore, that expansion in production is contemplated in the near future.

In India the 1959-60 jute crop is estimated at over a million tons, and if the new mesta crop comes up to expectation, the export surplus may reach 90,000 tons this season, even with activity in Calcutta mills at the present relatively high rate. Under the Third Five-Year Plan, the 1965 target for jute production has been set at 1.2 million tons. It is to be achieved through further expansion in Assam, Orissa and West Bengal. Meantime the Government is also paying much attention to lowering production and marketing costs and to improving the quality of the crop. It may be doubted, therefore, whether there will be a further increase in the mesta crop.

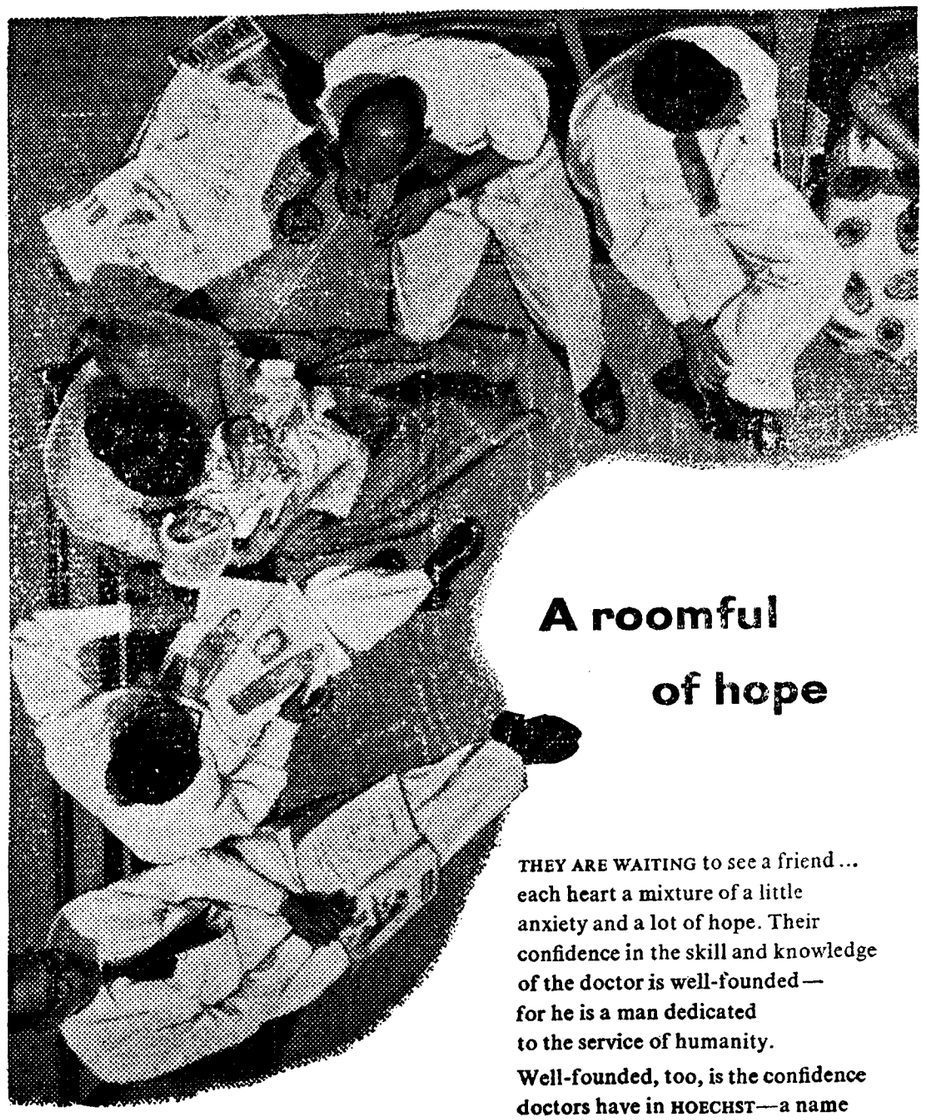
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Reserve Fund	. .	Rs. 1,75,00,000
Working Funds (31.12.58) over	. .	Rs. 114,00,00,000

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HOECHST AG
FRANKFURT (M)-HOECHST, GERMANY

HP. 17-X59

COMPANY AFFAIRS

SWAN, FINLAY AND GOLD MOHUR

The reports of these three companies for the year ended December, 31, 1959 reveal that cloth prices throughout the major portion of the year remained at approximately the same levels as those ruling in the latter half of the previous year. Although there was some improvement in prices towards the end of the year, the mills suffered a certain disadvantage in having to pay a considerable premium on practically all their cotton purchases under the Cotton Textile Export Incentive Scheme. In order to minimise this impost as far as possible, every effort is being made to increase exports of cloth and yarn. The turnover of the retail cloth shops of the three companies was satisfactory throughout the year and the facility of purchasing cloth at concessional rates is being extended to the shareholders. The whole of the property belonging to these companies has been insured against fire and the profits and standing charges too have been insured covering indemnity for 24 months including liability of lay-off and retrenchment compensation. The property is also covered against riot and strike risks.

During the year, the Finlay Mills Limited recorded the sale proceeds at Rs. 2.50 crores, which were about Rs. 25 lakhs more than the previous year. The stocks also decreased to Rs. 42 lakhs against Rs. 47 lakhs last year. The profit during the year was significantly higher at Rs. 21.14 lakhs against Rs. 4.09 lakhs during the previous year. After providing for depreciation, development rebate reserve and taxation, the net profit comes to Rs. 11.32 lakhs which was transferred to General Reserve No. 1. A sum of Rs. 11.50 lakhs has been transferred from General Reserve No. 1 for the payment of dividend at the rate of Rs. 23 per share on 50,000 shares (subject to deduction of tax).

The sales of the Swan Mills Ltd., for the year ended December 31, 1959 amounted to Rs. 2.36 crores, and the profits were recorded at Rs. 17.30 lakhs after providing Rs. 7.51 lakhs for depreciation, Rs. 6.07 lakhs for development rebate reserve and Rs. 15 lakhs for taxation. The profit which was at Rs. 17.30 lakhs has been transferred to General Reserve No. 1 and Rs. 12.96 lakhs have been transferred from that reserve for distribution as dividend at the rate of Rs. 36 per share on 35,000 shares (subject to deduction of tax).

During the year the Gold Mohur Mills Limited recorded a sale of Rs. 2.26 crores and a profit of Rs. 14.37 lakhs after providing for depreciation, development rebate reserve and taxation. The whole amount was transferred to General Reserve No. 1 and a sum of Rs. 10.75 lakhs has been transferred for the payment of dividend at the rate of Rs. 21.50 per share on 50,000 shares (subject to deduction of taxation).

SRI AMBICA MILLS LIMITED

In their report for the year ended December 31, 1959 the Directors of the Company have pointed out that in view of the Finance Bill, 1960 and the question of rights of preference shareholders in respect of dividends, according to the Articles of Association of the Company the holders of Cumulative Preference Shares and Second Cumulative Preference Shares are entitled to fixed percentage of dividend free of income-tax. The Directors, therefore, have recommended that it is reasonable that the preference shares be placed in such a position that the Company should bear the deductions made compulsory by Section 18(3D) of the Income Tax Act and those shareholders receive the fixed percentage of dividend viz. 5 per cent and 4 per cent respectively as before. Actually Cumulative Preference Shares will have a dividend at the rate of Rs. 7.14 per share (Rs. 2.14 per share as tax) and Rs. 5.17 per share on Second Cumulative Preference Shares (tax at the rate of Rs. 1.72 per share) respectively.

The sales of the company during the year were considerably higher at Rs. 5.26 crores as against Rs. 4.73 crores during the previous year. The profit at Rs. 44.9 lakhs was also higher during the year as compared to the previous year's Rs. 30.0 lakhs. A sum of Rs. 10 lakhs has been separated towards investment reserve, Rs. 3.74 lakhs towards general reserve, and Rs. 2 lakhs towards gratuity reserve. Dividend on 63, 759 ordinary shares for the year ended December 31, 1959 at the rate of Rs. 45 per share (subject to deduction of tax) will absorb a sum of Rs. 28.69 lakhs. As the results reveal, the Company had a year of favourable business conditions, although due to continuous rise in the cost of living index and the corresponding rise in dearness allowance payable to workers, the wage bill has increased. The Directors have pointed out that the price of imported cotton was to an extent favourable with fair demand for finished products.

ELGIN MILLS COMPANY LIMITED

The conditions in the cotton textile industry registered an improvement during the year. As the results of the Elgin Mills show, the profits during the year were recorded at Rs. 21.73 lakhs which is a figure considerably higher as compared to Rs. 8.1 lakhs recorded last year. The sale proceeds also increased during the year ended September 30, 1959 to Rs. 3.56 crores about Rs. 58 lakhs more than the previous year. The Company made a valuable contribution towards the export promotion scheme.

After separating Rs. 13 lakhs for Rehabilitation Reserve, there is a sum Rs. 9.38 lakhs at the disposal of Directors. A dividend at the rate of Rs. 1.15 per share on ordinary and vendors shares (subject to tax) will absorb Rs. 7.24 lakhs. The payment of dividend on 5 per cent 'B' Cumulative Preference Shares and a dividend of 8 per cent on Cumulative Preference Shares, has been proposed to be paid by the Directors. In terms of the Memorandum of Association, 'B' Preference Shares are entitled to a dividend of 5 per cent free of tax. This however is not true of 8 per cent, Cumulative Preference Shares, in which case tax will have to be deducted.

A licence from the Central Government for the establishment of this Industrial undertaking has been obtained. Consent of the Central Government has also been received for this issue.

Subscription list will open at the commencement of Banking hours on Thursday the 21st April, 1960 and will close at the close of Banking hours on Saturday the 30th April, 1960 or earlier but not before the close of Banking hours on Thursday the 28th April, 1960, at the discretion of the Board of Directors.

Extracts from Prospectus

MYSORE CEMENTS LIMITED

(Incorporated in Bangalore on the 13th. May, 1958 under the Companies Act, 1956.)

SHARE CAPITAL

	Rs.
AUTHORISED CAPITAL	
75,000 7 per cent tax free Cumulative Preference Shares of Rs. 100 each	75,00,000
22,50,000 Equity Shares of Rs. 10 each	2,25,00,000
	3,00,00,000
ISSUED CAPITAL	
(1) 1,25,500 Equity Shares of Rs. 10 each of which Rs. 5 is credited as paidup payment having been made in cash and allotted to the Directors, Shri P. K. Sarangapany Mudaliar, his relatives, friends and associates	12,55,000
(2) 20,000 Equity Shares of Rs. 10 each on which Rs. 5 is credited as paidup payment having been made in cash, and allotted to the New India Assurance Co. Ltd.	2,00,000
(3) 1,93,000 Equity Shares of Rs. 10 each on which Rs. 5 is credited as paidup, payment having been made in cash and allotted to Willys-Overland Export Corporation—	19,30,000
	33,85,000
PRESENT ISSUE	
(1) Shri P. K. Sarangapany Mudaliar by himself, his relatives, friends and associates have subscribed for 1,24,500 equity shares of Rs. 10 each and Rs. 5 per share has been received by the Company	12,45,000
(2) Kaiser Engineers Overseas Corp. have agreed to subscribe for 97,000 equity shares of Rs. 10 each	9,70,000
(3) The Government of Mysore have agreed to subscribe for 1,50,000 equity shares of Rs. 10 each	15,00,000
	71,00,000
PUBLIC ISSUE	
Under this Prospectus 4,40,000 equity shares of Rs. 10 each are offered to the public for subscription at par	44,00,000
Rs.	1,15,00,000

The issue of 2,90,000 equity shares to Willys-Overland Export Corporation and Kaiser Engineers Overseas Corp., has been approved by the Reserve Bank of India.

The equity shares of Rs. 10 each nominal value in the present issue and offered to the public for subscription at par under this Prospectus are to be paid for as follows:

(1) On application Rs. 5 per share.
(2) The balance of Rs. 5 per share will be payable on call or calls to be made by the Board of Directors not earlier than four months after allotment.

Applications by the public for shares comprised in this offer must be for a minimum of fifty shares and otherwise in multiples of fifty shares.

DIRECTORS

1. Sri A. M. M. Murugappa Chettiar, Chairman. Chamundeswari Baugh, Santhome High Road. Madras-4. Industrialist.
2. Mr. Edgar F. Kaiser, Industrialist. Kaiser Centre, Oakland 12, California (U.S.A.). Director of diverse foreign bodies corporate of the Kaiser Organisation in the U.S.A. and elsewhere. Mr. Charles O. Thompson (alternate for Mr. Edgar F. Kaiser), Resident Representative Kaiser Engineers Overseas Corporation. 193, Golf Links, New Delhi-3.
3. Sri Jeenabhai Davidoss, Merchant, 'Windsor Castle'. 10, Ulsoor Road, Bangalore-1.
4. Sri T. Chandranna, Merchant, Davanagere.
5. Sri P. K. Sarangapany Mudaliar, Merchant and Industrialist, 19, Race Course Road, Bangalore-1.
6. Sri G. Mathias, I.A. & A.S. Government Director, Secretary to the Government of Mysore (Finance Department), Bangalore.
7. Sri A. C. Shive Gowda, Coffee Planter, Chickmagalur (Mysore State).
8. Mr. R. W. Fisher, Jr. Engineer, Vice-President, Kaiser Engineers Overseas Corp., Kaiser Centre, Oakland 12, California, U.S.A.

BROKERS TO THE ISSUE

1. Messrs. Batliwala & Karani, Union Bank Building, Apollo Street, Bombay-1.
2. Messrs. P. R. Subramanyam, 70-A, Stock Exchange, Apollo Street, Bombay-1.
3. Messrs. Navalchand T. Shah & Co., 102, Stock Exchange, Dalal Street, Bombay-1.
4. Messrs. Harbans Singh Mehta & Co., 33, Regal Buildings, Parliament Street, New Delhi-1.
5. Messrs. G. M. Pyne, Allahabad Bank Buildings, 14, India Exchange Place, Calcutta-1.
6. Messrs. Maconochie & Co., Mercantile Bank Buildings, Madras-1.
7. Messrs. Chitra & Co., 322/323, Linghi Chetty Street, Madras-1.
8. Messrs. Lokkur & Co., Kempogowda Road, Bangalore-9.
9. Sri M. Nanjappaiah Jahgirdar, 181, Cavalry Road, Bangalore-1.

OBJECTS OF THE COMPANY

Among the main objects of the Company are:-

1. To produce, manufacture, purchase, refine, prepare, process, import, export, sell and generally to deal in cement, Portland cement, alumina cement, lime and limestone, Kankar and/or by-products thereof and building materials generally and in connection therewith to acquire, erect, construct, establish, operate and maintain cement factories, limestone quarries, workshops and other works.

2. To purchase, take on lease or otherwise acquire the undertaking, business and property, or any part

thereof of any company or companies carrying on business as manufacturers of cements in India or elsewhere or any other business which the Company is entitled to carry on.

3. To produce, manufacture, process, treat, purchase, sell or otherwise deal with either as Principals or Agents either solely or in partnership with other cement, alumina cement, lime, plaster of Paris, and other building materials of all kinds, chemicals of all kinds including acids, alkalies and salts, manures, fertilizers, dyes, caustic soda, soda-ash, sulphur, magnesite, dry ice, catechu, celotex, asbestos, building boards to be used in ceiling, floor or walls, made from any fibrous materials such as bagasse, bamboo, wood, paper, jute, hemp, fireclay and firebricks, flooring tiles, roofing materials etc.

4. To carry on all or any of the business of manufacturers and sellers of and dealers and workers in cement of all kinds, concrete, asbestos, gypsum, coal, jute, hessian cloth, gunny bags, paper bags, lime, plasters, whiting clay, bauxite, soap-stone, ochres, paints, fixing materials, gravel, sand, bricks, tiles, pipes, pottery, earthenware, artificial stone and manufacturers, builders and dyers requisities and conveniences of all kinds.

5. To carry on the business of miners, metallurgists, builders, contractors, engineers, merchants, importers, and exporters and to buy, sell and deal in properties of all kinds.

By Article 149 of the Articles of Association, the Company may not engage itself in any business other than the manufacture and sale of cement except with the prior approval of the Company in general meeting accorded by a special resolution.

Technical Assistance. — The Company has entered into an agreement with Kaiser Engineers Overseas Corp. of the U.S.A. for engineering assistance in the design, construction and start-up of the plant.

Klocknor-Humboldt Doutz A.G., the manufacturers and vendors of the main plant and machinery, have agreed at their expense to train overseas two technicians in a cement plant which they have installed.

Financial Requirements. — The capital required to reach a production of one lakh tons of cement per annum at the rate of 300|330 tons of cement per day is estimated to be as follows:-

	Rs.
1. Land, buildings and cost of engineering, acquisition and construction of the plant and facilities ..	1,60,00,000
2. Preliminary expenses	20,000
3. Pre-operating expenses	7,32,000
4. Expenses of the present issue including underwriting commission and brokerage	2,48,000
..	1,70,00,000

Working capital is estimated at Rs. 35 lakhs to be borrowed from the Company's bankers.

Source of Funds. — The above-mentioned estimated cost of the project is proposed to be met as under:-

Subscription for equity shares by:

	Rs.
1. Subscribers to the Memorandum of Association and Directors and Sri P. K. Sarangapany Mudaliar, his relatives, friends and associates	25,00,000
2. Willys-Overland Export Corp. ..	19,30,000
3. Kaiser Engineers Overseas Corp. ..	9,70,000
4. Government of Mysore State ..	15,00,000
5. New India Assurance Co. Ltd. ..	2,00,000
6. The public under this Prospectus ..	44,00,000
..	1,15,00,000
Loans:	
7. Long-term rupee loan	55,00,000
..	1,70,00,000

The Company intends to borrow up to Rs. 55 lakhs in Indian rupees on a long term basis from the U.S. Export-Import Bank (which administers the U.S., Public Law 480 Rupee Funds in India) or Indian financial institutions including commercial banks.

Minimum Subscription. — The minimum subscription in respect of the public issue on which the Directors will proceed to allotment is Rs. 44.00 lakhs divided into 4,40,000 equity shares of Rs. 10 being the entire lot of equity shares offered to the public for subscription. The subscription of this amount is assured by reason of the under-writing as mentioned hereinafter.

Underwriting. — The entire issue of equity shares offered to the public for subscription under this prospectus of a total nominal value of Rs. 44,00,000 is underwritten by the following underwriters:-

Name	No. of Shares	Nominal Value
1. The Industrial Credit and Investment Corporation of India Limited	2,40,000	24,00,000
2. Life Insurance Corporation of India	1,00,000	10,00,000
3. The Canara Bank Ltd. ..	1,00,000	10,00,000

Underwriting commission at the rate of 2½ per cent of the nominal of the 4,40,000 equity shares underwritten is payable to the said underwriters.

Prospects.—The plant and machinery selected being most modern and efficient, the process adopted highly economical and conditions regarding raw materials, market facilities and manufacturing costs being favourable, it is anticipated that there will be a fair margin of profit.

Application and Allotment. — Applications for Equity Shares must be for fifty shares or multiples of fifty shares. All applications must be made on the form accompanying this Prospectus which can be had from the Registered Office of the Company and from the Company's bankers, Underwriters and Brokers.

The application form duly completed together with cheques or drafts for the full amount payable on application must be delivered before the closing of the subscription list to any of the Company's Bankers named below or their branches:-

1. The Bank of India Ltd., Mahatma Gandhi Road, Bombay-1.
2. The State Bank of Mysore, Head Office, Avenue Road, Bangalore-2.
3. The Bank of Barodo Ltd., Post Box No. 18, Baroda.
4. The Canara Bank Ltd., Avenue Road, Bangalore-2.
5. The Canara Industrial & Banking Syndicate Ltd., Bangalore-2.

"Remittance should be made by cheques or drafts drawn on any bank situated in the same town as the branch of any above mentioned Bank with which the application is lodged. All other cheques or drafts must include Bank charges at 25 nP. per cent subject to a minimum of 65 nP. per cheques or draft. Otherwise the application is liable to be rejected."

Cheques or drafts should be made payable to "Mysore Cement Limited A/c Equity Issue" and should, for the applicant's protection, be crossed "A/c payee only". A separate cheque or draft must accompany each application form.

Allotment will be notified by the despatch of an allotment letter, but the Directors reserve the right of accepting or rejecting any application in whole or in part in either case without assigning any reason. Where an application is rejected or not accepted in full the whole or any balance of the application money received will be refunded to the applicant, in which event bank commission, if any, will be payable by the applicant.

Issue of Share Certificates. — The Share Certificates will be issued within nine months of the date of allotment. Allotment will not be made in the name of Partnership firms or Trusts.

INDUSTRIAL **IBCON** CONSULTANTS

The industrial consultancy services offered by the group fall under the following headings:-

IN THE PLANT—

PLANT CAPACITY AND LAY-OUTS • PRODUCTION PLANNING AND CONTROL
STORES ORGANISATION • CONSUMABLE STORES CONTROL
RAW MATERIALS CONTROL • FUEL AND STEAM UTILISATION
TRANSPORTATION METHODS • MECHANICAL HANDLING
PRODUCT QUALITY CONTROL • OPERATIONAL RESEARCH
WORK STUDY • BUDGETARY CONTROLS
VALUATION OF PLANT & BUILDINGS
DESIGN AND ESTIMATES OF EXTENSIONS

ON LABOUR—

METHOD AND WORK STUDY • PRODUCTIVITY INDICES
TIMEKEEPING SYSTEMS • WAGE PAYMENT SYSTEMS
JOB EVALUATION • WAGE STRUCTURES
PERSONNEL RECORDS • LABOUR POLICIES
HUMAN RELATIONS • COMMUNICATION
REORIENTATION LECTURES • FOR LABOUR AND SUPERVISION

IN OFFICES—

MANAGEMENT ORGANISATION • EXECUTIVE LEVEL WORK
CLERICAL PROCEDURE • MANAGEMENT CONTROLS
WORK MEASUREMENT • BUDGET FORECASTS
LAYOUT, COMMUNICATIONS AND EQUIPMENT

AND

THE SETTING UP AND TRAINING OF THE CLIENT'S OWN INDUSTRIAL ENGINEERING DEPARTMENT

MARKET RESEARCH

PLANNING FOR MODERNISATION AND EXPANSION OF INDUSTRIES

TECHNOLOGICAL STUDIES IN RAW MATERIALS, PROCESS AND PLANT PERFORMANCE

IBCON PRIVATE LIMITED

2, FAIRLIE PLACE, CALCUTTA 1. HEAD OFFICE: ADELPHI, 119, QUEENS RD., BOMBAY 1. BRADY'S BLDG., M. GANDHI RD., KANPUR

GEORGE OAKES BUILDING, SRI NARASIMHARAJA SQUARE, BANGALORE 2. • BANK OF CEYLON BUILDING, YORK ST., COLOMBO 1, CEYLON.

ALSO IN: U.K., PAKISTAN, BURMA, IRAQ, CHILE, ARGENTINA, BRAZIL, MEXICO, AUSTRALIA, HONG KONG.

ibcons

Company Meeting

THE DUNLOP RUBBER CO. (INDIA) LTD.

Mr. John Luckham's Review

The 34th Annual General Meeting of The Dunlop Rubber Co. (India) Ltd., was held in Calcutta on the 19th April, 1960. Mr. John Luckham, Managing Director, said:

Gentlemen,

The Directors' Report and Accounts have been in your hands for some time, and with your permission I will take them as read.

I would like to draw attention to the Special Resolution which will come before you today to appoint Mr. P. B. Sen Gupta to the Board. Mr. Sen Gupta has had long and varied experience with the Company which makes him fully qualified to take up this new appointment, and I am confident that the Board's recommendation will have your full support.

THE YEAR'S TRADING

Our new factory at Ambattur, Madras, was officially opened on the 12th February, 1959. Production has developed satisfactorily and full production will be attained very shortly.

In spite of the additional output from Ambattur it was not possible to meet the demand for all our products. Road transport continued to expand, with a resultant higher demand from the Replacement market and, in addition, we had larger commitments to meet from the vehicle manufacturers, both car as well as commercial vehicles.

The new Gold Seal car tyre which was introduced during the year was very well received by motorists, and in the commercial vehicle range increased supplies of Highway tyres were made available. This pattern is proving very popular.

Bicycle manufacturers also stepped up their production, and a number of new Small Scale units were licensed by Government during the year. We have been able to meet their tyre requirements in full, though our rim production was insufficient to cater for all of their needs. Increased supplies of cycle tyres were also made available for the Replacement market, and I am happy to state that in addition we were able to commence playing our part in Government's export drive, by shipping sizeable quantities of cycle tyres to markets in South-East Asia.

Our production of Industrial Rubber products was fully sold and, during the year, we completed our Vee Belt expansion. The proposed expansion of Conveyor Belting, referred to in my speech last year, was approved by Government and the equipment now on order to take care of this should be installed before the end of 1960. We expect this increased capacity will be fully utilised.

Sales of Dunlopillo were slightly higher than in the previous year, and here also we were unable to meet the demand in full. Apart from its popularity as a household article, Dunlopillo is very largely used in the automobile industry, not only for its natural comfort but also because of its economic advantages. The rapid expansion of the vehicle industry is certain to increase the demand for Dunlopillo, and your Directors have this point in mind.

RAW MATERIALS

The raw material supply position was generally satisfactory except during a period of two months when there was a strike at our main suppliers of textiles in India and we had to organise, at short notice, alternative supplies from abroad. Fortunately, the imported textiles arrived in time and we were able to maintain full production.

Our consumption of rubber in 1959 increased to 17,291 tons as against 15,926 tons in 1958. The all-India consumption of rubber in 1959 touched a new record at 43,000 tons as against 38,000 tons in 1958. The production of raw rubber in India in 1959 showed no improvement being 23,398 tons as against 24,327 tons in 1958.

Prices of imported raw rubber and cotton textiles increased in the second half of 1959. Whilst this had a small effect on our 1959 costs, the impact on 1960 costs is already a major factor. This not only affects your Company but the whole tyre industry which has had to absorb every rising cost which has taken place over the last four years. The matter is receiving our very close attention at the present time.

FORWARD OUTLOOK

I have already said that our existing capacities are fully utilised and it is evident that general industrial expansion will continue throughout the Third Five-Year Plan. As in the past, your Company intends to play its part and preliminary steps have been taken to obtain Government's approval. You will appreciate that any substantial expansion will require considerable foreign exchange for plant and machinery, and negotiations for this are in progress.

You will have seen press reports to the effect that The Goodyear Tyre & Rubber Co. of India Private Ltd. will be setting up their own factory near Delhi. Ever since our Sahaganj factory was started your Company has manufactured for Goodyear under an agreement, and the requisite notice has been received terminating this long-standing arrangement with effect from the end of 1961. This association with Goodyear has always worked very smoothly for the mutual benefit of both parties, and we wish them success with their new venture. In our forward plans we have taken account of the fact that the capacity now utilised for Goodyear will become available for increased Dunlop production, and no difficulty is anticipated in marketing this extra Dunlop output.

PROFIT AND LOSS ACCOUNT

The profit for the year before taxation but after providing for depreciation and interest was Rs. 1,92,80,084, compared with Rs. 1,70,56,227 for 1958. As a percentage of sales the profit amounts to 7.45 per cent, as against 7.66 percent for the previous year.

The provision for taxation of Rs. 74,75,551 is substantially less than the provision for 1958, namely Rs. 88,13,414, reflecting the changed structure of Company taxation consequent upon the Budget proposals for 1960.

Depreciation has substantially increased, mainly because of the establishment of the new factory at Ambattur. There has also been a sharp rise in the quantum of excise duty arising from the enhancement of excise duty rates effected by the 1959 Finance Budget, together with the fact that our sales increased during the year.

A sum of Rs. 17,00,000 has been transferred to Development Rebate Reserve and a sum of Rs. 30,00,000 is appropriated to General Reserve. The total Reserves and Surplus have been increased by approximately Rs. 49,00,000.

The Directors are recommending an ordinary dividend for 1959 at the rate of 21.5 per cent, subject to tax, which is approximately the same as the rate of 16½ per cent free of tax declared for 1958.

BALANCE SHEET

The net increase in Fixed Assets during the year amounted to approximately Rs. 37,00,000, mainly in plant and machinery. Stock Inventories remained practically the same as in the previous year despite higher output and sales, principally because the continuing demand for the Company's products resulted in a further decrease in Sundry Debtors were noticeably lower than the previous year despite the greater volume of sales.

On the liabilities side, I have already mentioned the increase in Reserves and Surplus. One minor adjustment has been made here in that it was thought expedient to merge the Dividend Equalisation Reserve with the General Reserve.

You will have seen that your Directors are recommending that the authorised capital be increased by Rs. 2,50,00,000 and that this be done by creating 25,00,000 shares of Rs. 10 each, which shall for the time being remain unclassified. It is felt that an expansion in the authorised capital is necessary taking a forward view of the Company's future requirements and that the creation of unclassified shares will allow the maximum flexibility in the capital structure.

EMPLOYEE RELATIONS

Last year I told you that our labour relations at Sahaganj had been somewhat strained, and I regret that the improvement which we had hoped for did not in fact take place. The main problem stems from inter-union rivalry making it impossible for management to negotiate terms acceptable to labour as a whole. Production was hampered in varying degress by go-slow tactics throughout 1959, and early in 1960 an illegal partial strike took place. I am glad to say that normal production has been restored and every endeavour is still being made by management to resolve these labour problems.

Throughout all these difficulties a very large section of the employees continued to give staunch service and to them I am sure you would like to join the Directors in extending their sincere thanks and appreciation.

NOTE: THIS DOES NOT PURPORT TO BE A RECORD OF THE PROCEEDINGS OF THE ANNUAL GENERAL MEETING.

MAHINDRA & MAHINDRA LIMITED

NOTICE

The FOURTEENTH ANNUAL GENERAL MEETING of the Members of Mahindra & Mahindra Limited will be held at Green's Hotel, Apollo Bunder, Bombay 1, on Saturday the 7th May, 1960, at 11-30 A.M. to transact the following business:

(1) To receive and adopt the Directors' Report and audited Balance Sheet and Profit and Loss Account for the year ended 31st October, 1959;

(2) To declare dividends on Preference and Ordinary Shares;

(3) To appoint a Director in place of Mr. Stephen A. Girard who retires by rotation under Article 110 of the Articles of Association of the Company and who, being eligible, offers himself for re-election;

(4) To appoint a Director in place of Mr. Keshub Mahindra who retires by rotation under Article 110 of the Articles of Association of the Company and who, being eligible, offers himself for re-election;

(5) To appoint a Director in place of Sardar H. S. Malik who retires under Article 110 of the Articles of Association of the Company and under the provisions of Section 280 of the Companies Act, 1956, and offers himself for re-appointment and to consider and if thought fit to pass, with or without modification, if any, as may be agreed upon at the Meeting, the following resolution of which special notice under Section 281 of the Companies Act, 1956, has been duly received by the Company and is hereby given:

"RESOLVED that the age limit specified in Section 280 of the Companies Act, 1956, shall not apply to Sardar H. S. Malik who is now 65 years of age and that Sardar H. S. Malik be and is hereby appointed a Director of the Company."

(6) To appoint as a Director of the Company Mr. K. C. Neogy, in respect of whom notice under Section 257 of the Companies Act, 1956, and under Article 117 of the Articles of Association of the Company has been duly received and if thought fit to pass, with or without modification, if any, as may be agreed upon at the Meeting, the following resolution, of which special notice under Section 281 of the Companies Act, 1956, has been duly received by the Company and is hereby given:

"RESOLVED that the age limit specified in Section 280 of the Companies Act, 1956, shall not apply to Mr. K. C. Neogy who is now 72 years of age and that Mr. K. C. Neogy be and is hereby appointed a Director of the Company."

(7) To appoint auditors for the current year and to fix their remuneration.

Notes: (a) The relative Explanatory Statement in respect of the special business under items (5) and (6) set out above is annexed hereto.

(b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

(c) The Transfer Books of the Company will be closed from 23rd April, 1960 to 7th May, 1960 both days inclusive;

(d) Dividends, if sanctioned at the Meeting, will be made payable to those shareholders whose names are on the Company's Register on the 7th May, 1960, and the dividend warrants will be despatched to them on or after 27th May, 1960.

(e) Shareholders are requested to notify the change of address, if any.

By Order of the Board,
MAHINDRA SINGH,
Secretary.

BOMBAY, 22nd March, 1960.

ANNEXURE TO THE NOTICE

Explanatory Statements as Required by Section 173 of the Companies Act, 1956.

Items No. (5) :

Sardar H. S. Malik, who has been a Director of the Company since October 1957, attained the age of 65 years on November 23, 1959. The proposed resolution seeks to have Sardar H. S. Malik re-elected as a Director and your necessary declaration that the age limits specified in Section 280 of the Companies Act, 1956, shall not apply to him. Your Directors feel that it is in the interest of the Company that the Board should continue to receive the benefit of Sardar H. S. Malik's varied experience and able guidance.

Item No. (6):

The proposed resolution seeks to have Mr. K. C. Neogy elected as a Director and your necessary declaration that the age limit specified in Section 280 of the Companies Act, 1956, shall not apply to him. Mr. Neogy was a Cabinet Minister in the Union Government, holding the portfolio of Commerce & Industry (1950-51), and later a member of the Planning Commission. He attained the age of 72 years on January 1, 1960. Your Directors feel that Mr. K. C. Neogy's vast experience and knowledge will be of considerable benefit to the Company.

By Order of the Board,
MAHINDRA SINGH,
Secretary.

BOMBAY, 22nd March, 1960.

DIRECTION OF INDIA'S FOREIGN TRADE — 1952-59

(Rs. Lakhs)

Country	1952	1953	1954	1955	1956	1957	1958	1959
EUROPE								
1. U.K.								
Imports ..	152,04	141,42	152,48	161,58	206,19	238,50	168,53	172,72
Exports ..	126,54	149,49	177,24	168,15	184,74	161,02	166,29	172,17
Balance of Trade ..	—25,50	+8,07	+24,76	+6,57	—21,45	—77,48	—2,24	—55
2. Germany, West								
Imports ..	25,15	29,54	38,60	53,96	81,54	122,82	93,95	118,72
Exports ..	12,54	10,46	14,75	15,79	14,64	16,22	14,82	19,61
Balance of Trade ..	—12,61	—19,08	—23,85	—38,17	—66,90	—106,60	—79,13	—99,11
3. Italy		....	..					
Imports ..	11,86	21,56	22,33	16,65	25,74	30,39	25,57	25,86
Exports ..	10,79	5,46	5,99	7,19	9,46	7,31	5,53	5,70
Balance of Trade ..	—1,07	—16,10	—16,34	—9,46	—16,28	—23,08	—20,04	—20,16
4. France		..						
Imports ..	13,90	10,79	12,88	17,33	18,84	28,69	16,96	19,10
Exports ..	6,01	5,33	5,26	6,99	7,35	10,21	7,20	8,27
Balance of Trade ..	—7,89	—5,46	—7,62	—10,34	—11,49	—18,48	—9,76	—10,83
5. U.S.S.R.								
Imports ..	83	45	1,13	3,04	14,91	22,68	21,71	16,65
Exports ..	2,00	36	2,51	2,48	12,50	17,53	23,32	30,36
Balance of Trade ..	+1,17	—9	+1,38	—56	—2,41	—5,15	+1,61	+13,71
6. Belgium								
Imports ..	8,60	7,59	12,17	9,17	23,42	21,94	16,59	13,37
Exports ..	6,56	5,48	4,59	9,93	8,08	6,58	4,64	5,17
Balance of Trade ..	—2,04	—2,11	—7,58	+76	—15,34	—15,36	—11,95	—8,20
7. Switzerland								
Imports ..	7,96	8,06	10,22	10,99	16,25	17,81	9,68	7,83
Exports ..	1,24	70	1,01	97	92	1,24	81	90
Balance of Trade ..	—6,72	—7,36	—9,21	—10,02	—15,33	—16,57	—8,87	—6,93
8. Irish Republic								
Imports ..	2	5	1	—	—	9	Negl.	2
Exports ..	2,95	5,00	6,95	5,99	4,62	5,79	4,73	6,09
Balance of Trade ..	+2,93	+4,95	+6,94	+5,99	+4,62	+5,70	+4,73	+6,07
9. Netherlands								
Imports ..	12,68	11,00	13,42	13,59	14,15	12,98	9,32	13,07
Exports ..	10,42	6,73	10,23	17,80	12,13	8,45	6,80	9,02
Balance of Trade ..	—2,26	—4,27	—3,19	+4,21	—2,02	—4,53	—3,02	—4,05
10. Yugoslavia								
Imports .	8	5	16	28	1,77	2,43	2,25	2,44
Exports ..	62	2	1	17	24	79	99	1,75
Balance of Trade ..	+54	—3	—15	—11	—1,53	—1,64	—1,26	—69
11. Czechoslovakia								
Imports ..	1,60	1,28	1,33	2,02	6,28	6,15	6,49	3,72
Exports ..	2,90	2,75	2,08	1,14	2,91	3,78	3,95	4,24
Balance of Trade ..	+1,30	+1,47	+75	—88	—3,37	—2,37	—2,54	+52
12. Austria								
Imports ..	1,65	2,44	2,36	2,33	4,44	4,78	2,14	1,95
Exports ..	46	55	29	44	25	28	21	24
Balance of Trade ..	—1,19	—1,89	—2,07	—1,89	—4,19	—4,50	—1,93	—1,71
13. Norway								
Imports ..	2,90	2,76	2,57	3,03	3,26	4,90	3,39	2,04
Exports ..	1,28	37	53	1,01	67	69	1,14	1,26
Balance of Trade ..	—1,62	—2,39	—2,04	—2,02	—2,59	—4,21	—2,25	—78
14. Sweden								
Imports ..	6,16	6,41	6,02	6,99	11,09	11,92	8,96	10,70
Exports ..	1,85	1,55	1,62	1,56	1,67	1,68	1,55	1,43
Balance of Trade ..	—4,31	—4,86	—4,40	—5,43	—9,42	—10,24	—7,41	—9,27
15. Hungary								
Imports ..	27	10	9	26	78	77	62	2,39
Exports ..	3	3	20	5	51	30	61	73
Balance of Trade ..	—24	—7	+11	—21	—27	—47	—1	—1,66
16. Poland								
Imports ..	26	17	2,60	2,05	2,17	4,88	2,26	4,02
Exports ..	24	9	27	44	1,09	1,15	92	3,59
Balance of Trade ..	—2	—8	—2,33	—1,61	—1,08	—3,73	—1,34	—43
17. Turkey								
Imports ..	—	1	13	—	8	5	1	1
Expors ..	4,96	2,33	1,80	1,99	3,13	3,18	2,94	4,17
Balance of Trade ..	+4,96	+2,32	+1,67	+1,99	+3,05	+3,13	+2,93	+4,16

(Continued on next page)

DIRECTION OF INDIA'S FOREIGN TRADE — 1952-59

(Rs. Lakhs)

Country	1952	1953	1954	1955	1956	1957	1958	1959
18. Germany, East								
Imports ..	6	11	19	34	28	71	1,09	3,14
Exports ..	2	1	2	4	26	1,35	75	2,50
Balance of Trade ..	—4	—10	—17	—30	—2	+64	—34	—64
19. Denmark								
Imports ..	—	—	—	—	—	4,38	3,33	1,94
Exports ..	—	—	—	—	—	2,02	2,04	2,33
Balance of Trade ..	—	—	—	—	—	—2,36	—1,29	+39
20. Greece								
Imports ..	4	8	10	11	7	8	10	10
Exports ..	52	35	24	30	33	43	73	26
Balance of Trade ..	+48	+27	+14	+19	+26	+35	+63	+10
21. Rumania								
Imports ..	—	—	20	35	23	52	40	1,32
Exports ..	2	2	3	2	8	52	52	2,02
Balance of Trade ..	+2	+2	—17	—33	—15	Nil	+12	+70
22. Bulgaria								
Imports ..	—	—	—	4	23	13	7	25
Exports ..	1	—	—	2	6	2	7	24
Balance of Trade ..	+1	—	—	—2	—17	—11	Nil	—1
23. Finland								
Imports ..	2,15	1,84	2,03	2,37	2,90	2,84	1,94	2,60
Exports ..	67	6	22	31	36	25	34	31
Balance of Trade ..	—1,48	—1,78	—1,81	—2,06	—2,54	—2,59	—1,60	—2,29
ASIA								
24. Iran								
Imports ..	3,93	1,50	3,23	20,18	25,49	55,40	33,07	35,56
Exports ..	2,13	1,51	3,81	7,23	4,55	6,16	5,91	4,42
Balance of Trade ..	—1,80	+1	+58	—12,95	—20,94	—49,24	—27,16	—31,14
25. Japan								
Imports ..	19,99	15,47	16,89	32,18	42,49	54,42	39,66	40,96
Exports ..	25,47	26,97	16,27	26,24	30,56	27,34	25,86	34,45
Balance of Trade ..	+5,48	+11,50	—62	—5,94	—11,93	—27,08	—13,80	—6,51
26. Saudi Arabia								
Imports ..	15,81	13,38	17,49	14,91	24,23	14,02	19,67	20,05
Exports ..	2,92	3,37	2,97	5,28	5,37	5,34	4,03	3,79
Balance of Trade ..	—12,89	—10,01	—14,52	—9,63	—18,86	—8,68	—15,64	—16,26
27. Pakistan								
Imports ..	29,14	19,41	17,82	25,08	20,91	13,40	6,27	5,46
Exports ..	46,34	7,62	10,09	8,71	8,08	6,77	7,16	6,32
Balance of Trade ..	+17,20	—11,79	—7,73	—16,37	—12,83	—6,63	+89	+86
28. Burma								
Imports ..	31,14	18,24	43,96	22,36	5,65	13,19	45,54	13,17
Exports ..	23,68	20.69	16,59	13,58	10,23	13,30	7,54	12,68
Balance of Trade ..	—7,46	+2,45	—27,37	—8,78	+4,58	+11	—38,00	—49
29. Singapore								
Imports ..	13,82	14,68	16,78	13,96	14,54	12,67	9,30	9,09
Exports ..	15,40	8,43	7,23	7,85	7,66	9,08	10,44	7,67
Balance of Trade ..	+1,58	—6,25	—9,55	—6,11	—6,88	—3,59	+1,14	—1,42
30. Bahrein								
Imports ..	17,31	17,63	20.64	11,09	6,56	6,40	2,90	4,23
Exports ..	1,49	2,23	2,20	2,54	227	2,25	2,99	2,37
Balance of Trade ..	—15,82	—15,40	—18,44	—8,55	—4,29	—4,15	+9	—1,86
31. Ceylon								
Imports ..	4,82	4,78	7,31	8,85	8,57	5,76	4,30	6,05
Exports ..	20,23	18,30	18,41	20,07	19,29	17,04	20,10	22,23
Balance of Trade ..	+15,41	+13,52	+11,10	+11,22	+10,72	+11,28	+15,80	+16,18
32. China								
Imports ..	15,45	1,08	1,53	2,59	8,36	4,86	5,28	4,86
Exports ..	3,10	1,21	1,80	6,79	3,83	3,70	3,43	7,82
Balance of Trade ..	—12,35	+13	+27	+4,20	—4,53	—1,16	—1,85	+2,96
33. Aden								
Imports ..	69	37	35	2,80	1,42	84	75	1,15
Exports ..	9,02	8,72	7,35	6,94	5,94	6,53	7,29	5,60
Balance of Trade ..	+8,83	+8,35	+7,00	+4,14	+4,52	+5,69	+6,54	+4,45

(Continued on next page)

DIRECTION OF INDIA'S FOREIGN TRADE: 1952-59

(Rs. Lakhs)

Country	1952	1953	1954	1955	1956	1957	1958	1959
ASIA								
1. Federation of Malaya								
Imports ..	2,66	3,32	6,25	4,24	8,04	14,19	10,70	10,55
Exports ..	3,49	3,13	3,53	4,48	4,05	4,14	4,90	4,73
Balance of Trade ..	+83	—19	—2,72	+24	—3,99	—10,05	—5,80	—5,82
5. Afghanistan								
Exports ..	5,35	4,17	3,72	4,13	4,56	4,94	5,00	5,70
Imports ..	5,07	4,85	5,51	2,05	1,71	1,82	3,30	4,48
Balance of Trade ..	+28	—68	—1,79	—2,08	—2,65	—3,12	—1,70	—1,22
6. Iraq								
Imports ..	1,95	2,54	2,19	2,08	2,27	2,31	2,14	2,01
Exports ..	2,71	2,54	2,52	2,55	1,86	2,86	1,48	2,91
Balance of Trade ..	+76	Nil	+33	+47	—41	+55	—66	+90
7. Indonesia								
Imports ..	1,56	1,04	1,45	1,59	1,89	3,81	3,31	3,83
Exports ..	5,44	6,17	5,37	11,27	7,81	5,71	2,88	3,83
Balance of Trade ..	+3,88	+5,13	+3,92	+9,68	+5,92	+1,90	—43	Nil
8. Thailand								
Imports ..	9,15	51	52	66	48	56	45	59
Exports ..	4,68	2,81	2,50	3,39	2,40	3,62	2,44	2,49
Balance of Trade ..	—4,47	+2,30	+1,98	+2,73	+1,92	+3,06	+1,99	+1,90
9. Kuwait								
Imports ..	8	5	7	4,31	5,37	11,40	8,26	5,15
Exports ..	4,70	4,36	3,37	3,95	3,43	3,63	3,95	3,89
Balance of Trade ..	+4,62	+4,31	+3,30	—36	—1,94	—7,77	—4,31	—1,26
10. Philippines								
Imports ..	—	—	—	—	—	—	20	23
Exports ..	—	—	—	—	—	—	99	1,02
Balance of Trade ..	—	—	—	—	—	—	+79	+79
AFRICA								
11. Mozambique								
Imports ..	—	—	—	—	—	—	5,74	4,87
Exports ..	—	—	—	—	—	—	99	60
Balance of Trade ..	—	—	—	—	—	—	—4,75	—4,27
42. Nigeria								
Imports ..	—	29	1,16	31	17	Negl.	34	27
Exports ..	6,48	8,01	8,63	843	7,35	6,90	6,90	4,15
Balance of Trade ..	+6,48	+7,72	+7,47	+8,12	+7,18	+6,90	+6,56	+3,88
43. Sudan								
Imports ..	—	29	1,16	9,99	12,32	7,80	7,49	10,67
Exports ..	7,55	4,46	7,20	6,06	8,00	9,76	7,16	14,62
Balance of Trade ..	+4,02	—3,84	+5,14	—3,93	—4,32	+1,96	—33	+3,95
44. Egypt								
Imports ..	20,14	21,75	25,03	18,44	15,52	10,68	6,24	8,04
Exports ..	6,56	4,73	6,32	9,71	11,06	11,34	8,68	8,88
Balance of Trade ..	—13,58	—17,02	—18,71	—8,73	—4,46	+66	+2,46	+84
45. Ethiopia								
Imports ..	—	—	—	—	—	—	Negl.	1
Exports ..	—	—	—	—	—	—	2,36	2,37
Balance of Trade ..	—	—	—	—	—	—	+2,36	+2,36

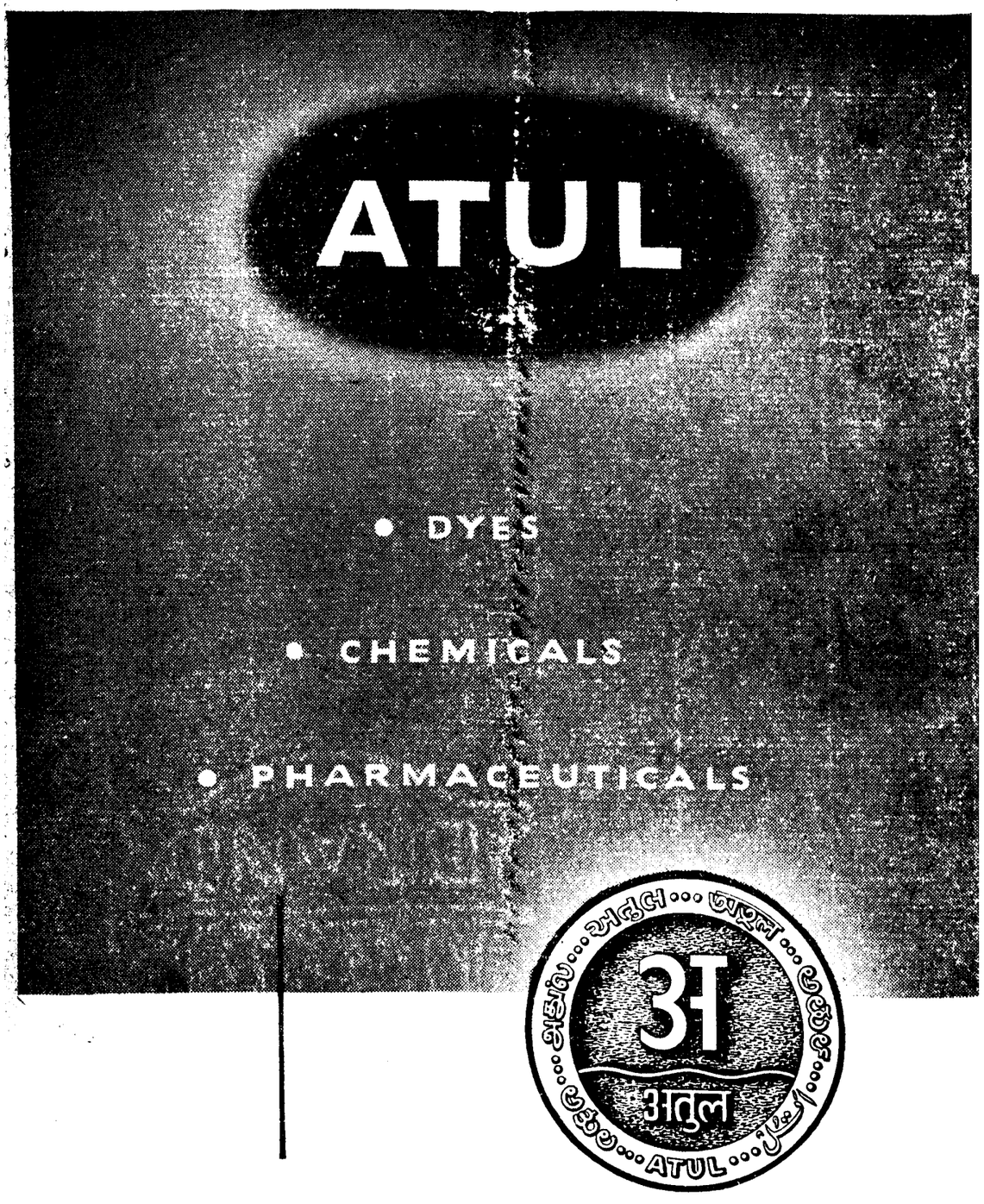
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DIRECTION OF INDIA'S FOREIGN TRADE: 1952-59

(Rs. Lakhs)

Country	1952	1953	1954	1955	1956	1957	1958	1959
AFRICA — Contd.								
46. Ghana								
Imports ..	—	—	—	—	—	—	43	51
Exports ..	—	—	—	—	—	—	1,00	1,15
Balance of Trade ..	—	—	—	—	—	—	+57	+64
47. Kenya								
Imports ..	19,73	16,00	17,26	21,00	19,32	9,35	11,50	11,64
Exports ..	7,06	5,64	6,98	6,25	5,82	7,79	4,75	4,89
Balance of Trade ..	—12,67	—10,36	—10,30	—14,75	—13,50	—1,56	—6,75	—6,75
48. Uganda								
Imports ..	—	—	—	—	—	—	1,77	64
Exports ..	—	—	—	—	—	—	73	60
Balance of Trade ..	—	—	—	—	—	—	—1,04	—4
49. Tanganyika								
Imports ..	—	—	—	—	—	—	2,88	3,31
Exports ..	—	—	—	—	—	—	2,39	2,77
Balance of Trade ..	—	—	—	—	—	—	—49	—54
50. Zanzibar & Pemba								
Imports ..	—	—	—	—	—	—	2,38	2,61
Exports ..	—	—	—	—	—	—	39	40
Balance of Trade ..	—	—	—	—	—	—	—1,99	—2,21
AMERICA								
51. U.S.A.								
Imports ..	276,58	90,55	74,43	89,31	93,18	170,32	161,46	195,43
Exports ..	117,47	96,18	86,36	92,23	89,60	131,87	93,08	95,41
Balance of Trade	—159,11	+5,63	+11,93	+2,42	—3,58	—38,45	—68,38	—100,02
52. Canada								
Imports ..	30,08	18,97	9,78	6,65	7,01	13,53	34,66	22,21
Exports ..	12,76	13,91	15,10	15,65	15,60	13,92	14,53	15,15
Balance of Trade ..	—17,32	—5,06	+5,32	+9,00	+8,59	+34	—20,13	—7,06
53. Argentina								
Imports ..	25	2,16	5	7	5	5	2	7
Exports ..	4,48	20,93	13,63	11,02	5,57	9,82	9,25	7,98
Balance of Trade ..	+4,23	+18,77	+13,63	+10,95	+5,52	+9,77	+9,23	+7,91
54. Cuba								
Imports ..	—	—	6,08	1,33	—	17	Negl.	Negl.
Exports ..	8,88	4,50	4,60	4,58	5,11	6,52	4,65	2,68
Balance of Trade ..	+8,88	+4,50	+1,48	+3,25	+5,11	+6,35	+4,65	+2,68
55. Chile								
Imports ..	1	26	82	2,01	77	49	17	83
Exports ..	3,95	77	92	1,41	81	80	97	87
Balance of Trade ..	+3,94	+51	+10	—60	+4	+31	+80	+4
OCEANIA								
56. Australia								
Imports ..	15,10	26,06	14,42	18,49	11,65	16,41	15,32	11,80
Exports ..	23,59	19,01	22,61	25,98	22,66	24,73	21,43	19,16
Balance of Trad	+8,49	—7,05	+8,19	+7,49	+11,01	+8,32	+6,11	+7,36
57. New Zealand								
Imports ..	1,44	3,06	1,92	2,39	2,22	2,35	1,15	1,06
Exports ..	2,97	2,71	4,12	4,75	4,60	6,24	5,67	4,73
Balance of Trade ..	+1,53	—35	+2,20	+2,36	+2,38	+3,89	+4,52	+3,67

Source: Ministry of Commerce and Industry.



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CONTENTS

	Page
Leading Articles:	
"ACTUALITIES": INDIA'S DILEMMA	949
STC: A BIG STEP FORWARD	950
OIL IN THE THIRD PLAN	951
A DELHI DIARY	952
THE WEEK'S NOTES — South Korea; Ceylon; Railway Finances; Trade.	953
A WINDOW ON THE WORLD: Odysseus on "What is Gerontology?"	957
THE EUROPEAN SCENE: The Ruhr Cartels	961
ECONOMIC REPORT FROM THE U.S.: Inter-American Development Bank	964
The Business World:	
TRENDS IN COMPANY FINANCES: 1951-57	965
MORE SUDAN COTTON FOR INDIA?	966
BUSINESS NOTES — Cotton Textiles; Banking; Industry.	967
CURRENT TOPICS: Jeeps and All That	969
A DELHI NOTEBOOK	971
WORLDGRAM AND NEWS IN BRIEF	973
COMPANY AFFAIRS	976
COMMODITY NEWS AND NOTES	977
CURRENT STATISTICS	984

"Actualities": India's Dilemma

THE failure of the talks between the Prime Ministers of India and China, reported late on Monday night, came as no surprise to those in Delhi who had watched each day's feverish consultations and knew they were leading to a total deadlock. But in the country as a whole there was, until the end, a vague and even passionate hope that some substantial agreement would be reached which would remove at least some of the terrible dilemma which now rests upon the Government of India and particularly on the Prime Minister's overburdened shoulders. These hopes have been rudely shattered. There is nothing in the communique which suggests that the Government of India has gained anything except a feeling that the Chinese will be more restrained in new acts of aggression. On this also conviction cannot be very great. The constant reference to a new word in international diplomacy, 'actualities', only serves to underline the Prime Minister's dilemma. The Government of India has allowed an 'actuality' to occur as the result of which we are expected to acquiesce in aggression. We have for eleven long years talked in season, and not a little out of season, of the vacation of aggression by Pakistan though this was an 'actuality' recognized eleven years ago. How can the Government of India, having insisted that the Pakistan 'actuality' could not be tolerated, acquiesce now in the position represented by the Chinese occupation of so large an area of Indian territory?

The first rude fact to be recognized is that Indian public opinion now knows the Government of India is crudely ambivalent. It will not recognize the necessity of ambivalence. Therein lies danger. The prime makers of policy in respect of Pakistan and China have been the Prime Minister and the Defence Minister. In respect of our attitude on Pakistan recently, the Defence Minister has occupied the stage. How do the Prime Minister and the Defence Minister now emerge, facing the 'actuality' of aggression on Indian soil, without the power to take the matter

to the Security Council, on the one hand, or the power to initiate vacation of aggression through military methods? This is an anxious question for both, but in the meanwhile, there can be no doubt that it has deeply undermined the authority which the Prime Minister and the Defence Minister can exercise in the counsels of this nation. Thus the international current has a severe domestic component. It is irony that this should have arisen out of the foreign policy. For what the Prime Minister has loved best is proving the instrument of his decline. The failure of the talks has certainly further affected his position.

While the country takes time to consider the immediate and longer term issues involved, it is being unwisely distracted by a very large number of complaints against the Defence Minister which have further reduced the morale of the Defence services; this is positively dangerous in the situation of crisis which now exists. Whatever the results of the enquiry demanded by the Public Accounts Committee, in what is now described as the Canadian Deal, or whatever view is taken of the Auditor-General's criticism of Defence stores or the jeep case, or cases, the fact remains that Mr. Krishna Menon is a source of division in the Indian Army, in the Congress Party, in Parliament and a source of continuing embarrassment to the Prime Minister, since the integrity of the administration will always be questioned as long as the Auditor-General holds that adequate precautions have not been taken to protect the interests of the Public Exchequer. Whatever happens on the international front, we have here a live domestic issue which can only grow unless it is treated without delay. The Prime Minister will soon have to make up his mind as to whether at a time of national emergency, the support he extends to the Defence Minister, without reckoning the volume of popular opposition, can be justified.

There are many in the country who believe that a national emergency has arisen and the time is ripe for a gathering of patriotic forces, eliminating issues which divide the country, so as to concentrate on security. An emergency administration whose concern is the national security is now fully justified. The Congress Party would be wise in recognising its extremely delicate position on the border issue to support a move for an all-party Government for the "duration". Obviously, the Communists, who are now seriously discredited, cannot be included in a Government in which the main issue is protection from a foreign Communist country. But every other element might be asked to co-operate.

Because of the emergency, the country, however, should not lack perspective or generosity in regard to the Prime Minister of India. Although he bears the prime responsibility for the unhappy situation in which we find ourselves, he must enjoy confidence so long as he is the Prime Minister. Rightly or wrongly, we have no equally capable leader for the emergency. Rightly or wrongly, the Congress Party, which has the majority in the Lok Sabha, will not desire to change its own leadership at this time. On both the domestic and international fronts, the choice of Jawaharlal Nehru as Prime Minister seems inescapable. This only makes his responsibility all the greater. It is essential that he should take counsel with other leaders of the people and recognize the obligations of supreme unity at a time of national crisis. If he can surrender to popular demand those elements which divide the country at this time, he would grow in stature as a man capable of holding the national interests above his own. In a way, he is the chosen child of history. She has lavished opportunities of greatness before him for nearly thirty years. On the whole, he has used these opportunities greatly; can one hope that in this hour of crisis he will not fail?

STC: A Big Step Forward

THE State Trading Corporation took a decisive forward step in its third year ended June 30, 1959. The scope of its business is expanding in volume as well as variety at such a reassuring pace that, even in the short span of three years it has justified a demand for raising its issued capital to Rs. 2 crores. This leaves a margin of another Rs. 3 crores for further issues of shares to meet the demands of expanding trade within its present limit of the increased paid-up capital of Rs. 5 crores.

When it became plain beyond doubt that the Government was determined to float the State Trading Corporation, the overwhelming trend of advice was that it should concern itself primarily with two objectives, namely, organizing trade on an increasing scale with the Communist countries which use the technique of state trading as the exclusive means of external trade and to promote exports in traditional and non-traditional lines to meet the urgent demand for augmenting the earnings of foreign exchange. Until the second year it appeared as though the STC would turn to be a superfluous duplicate agency in the country's trade organization. The relatively large share of imports in its business and its entry in internal distribution strengthened these doubts. But the big leap which it took in the third year would tend to remove them and encourage the hope that it will concentrate the larger part of its resources on the export trade.

The third year's turnover in commodities directly traded in by the STC was stepped up to Rs. 35.95 crores out of which exports amounted to Rs. 22.36 crores. At this level the turnover showed a spectacular increase of 25 per cent above the previous year. The significant fact alongside this rapid increase is the positive emphasis on exports. In this field, the STC has taken specific responsibility in pushing up bulk sales of iron ore abroad. Firm contracts of exports of iron ore were concluded in the third year involving commitments of 3 million tons out of which 2.4 million tons worth Rs. 12.3 crores were actually shipped. In addition to Japan, the Communist countries of Europe are beginning to rely upon India as a dependable source of iron ore for their requirements. The STC negotiates these deals and discharges its export commitments on its own. In other important lines like manganese ore, the STC organizes its export trade in concert with the established private channels. A quota of 50 per cent was allotted to it in the export of manganese ore, but actual performance was tardy owing to a slack in the demand from America.

Relations between the STC and the private trade channels are improving and a co-operative attitude is being evolved in place of the initial

feelings of suspicion of encroachment. It is significant that exporters lent their support last year to the proposal that exports of salt should be handled by the STC. Accordingly, salt exports are now being canalised through its agency. In a wide range of commodities including agricultural products, cashewnut, pepper, handicrafts, handloom products, and so on, the STC has contributed its mite to the export promotion drive. The success which has attended the endeavours of the STC in the sphere of export is not, however, accompanied by a similar success in other spheres.

Internal monopoly distribution is a case in point. Distribution of cement shows a surplus of Rs. 2.39 crores which ultimately goes to the Government. But this is at a great cost to the consumer of this basic material. The genesis of a high selling price for cement is still fresh in the minds of all. It was the prospect of a somewhat long period of imports at a high cost which necessitated the policy of a higher selling price to equalize the cost of this material to all consumers, irrespective of the fact whether they were supplied the domestic or imported material. The cessation of imports has removed the very basis of charging a high internal selling price. Even so, the price policy has not been revised.

In its eighty-sixth report, the Estimates Committee of the Lok Sabha has argued a well-reasoned and powerful case for price reduction. At 1957-58 production costs, the element of surplus in the price of cement worked out to Rs. 8.65 per ton. Recently two ingredients of costs have arisen. The first is the surcharge of 5 nP. to the rupee in the railway freight rates. Next, in accepting the recommendations of the Cement Wage Board for higher emoluments, the Government decided to reimburse the industry for the higher wage-bill by transferring its incidence to the surplus in the cement price and raised the retention price for the producers. In spite of these two ingredients of additional costs, a substantial net surplus accrues which is transferred to the exchequer. It is ironical that state trading should lay itself bare to the charge of exploiting its position of monopoly to extract a high profit—an evil which is supposed to be the peculiar attribute of private trade. If the argument is that the profit is applied to development requirements, it is a tacit admission of resorting to taxation by the back door, bypassing Parliament.

Future direction of the STC's policy should be to harness its expanding resources to the promotion of the export trade and bilateral deals involving rupee payments. Imports and internal distribution should not in reality form a major part of its activity. But if the reasoning is that they are necessary to obviate maldistribution and excessive prices, a thoroughly convincing case must be made out in this behalf. In any case the STC must not be made an instrument of practising the very techniques which it proposes to eliminate.

Oil in the Third Plan

THERE can be few areas of greater uncertainty in India's Third Plan than that which it is now fashionable to describe as "the energy mix." And yet it is a fundamental condition of industrialization and of the range of activities associated therewith that the volume of energy available should always be ahead of demand. Attention has already been drawn to the fact that the electricity power requirements have been severely under-estimated, perhaps between 1.5 million to 2 million KW's. It is undoubtedly true that with this underestimation, the reduced coal target of 95 million tons provides insufficient balance in thermal energy generated from coal. With a shortage of diesel (notwithstanding the claim that the refineries can now provide a near-sufficiency of high speed diesel), "the energy mix" is weak at every point. But there is no greater weakness than that contained in uncertainties on oil exploration and refining capacity.

So far as exploration is concerned, applications from foreign companies for participation have been received and, it is believed, negotiations are in progress which may, before the end of the calendar year, provide that the efforts of the Oil and Natural Gas Commission in the exploration field will receive at least an equal counterpart from private sources. This is good so far as it goes, but it should be unnecessary to highlight the fact that there is always a vast time-lag between the initiation of exploration and the proving of a commercial oilfield. How much beyond Cambay will be added to our crude oil resources in the Third Plan it would be dangerous to say; but, in any case, it could be wise to assume nothing substantial before 1965-66. This makes the oil import picture fundamental.

The recent negotiations with the USSR for oil imports on rupee account have, therefore, been inescapable. The oil companies have been slow to appreciate the force of this new decisive turn in their opportunities in India. If the USSR's export possibilities in all are 20 million tons per year, India may by 1965-66 be importing per year between 3 to 5 million tons. Where and how is this crude oil (being offered at attractive discounts of possibly 25 per cent below world prices) to be refined?

This is the problem posed by the absence of "independent" refining capacity. If the oil companies were prepared to relax the rigid condition that they used only their own crude in their refineries, a happy compromise could be found by using their existing resources and granting additional capacity for which they have applied. At the moment, Burmah-Shell's excellent proposal has been coldly received because of the absence of an understanding on the refining of "rupee" oil. Surely, this deadlock needs to be immediately resolved.

The most obvious solution in refining as well as exploration might be described as "fifty: fifty". Is it not possible for the Government of India and the oil companies to agree that on all private expansions, about half would be available for "rupee" oil, leaving the companies to protect their rights under the original agreements to import oil from non-rupee areas for the balance? There is no sign that an agreement on these lines is being sought. In view of the shortage of energy in the Third Plan, this is a tragedy. In view of the national security considerations, this failure may imply mortal danger.

A DELHI DIARY

A DIFFERENT CHOU?

WE were summoned for a Press Conference at 10-30 p.m. on Monday night at Rashtrapati Bhavan to hear Mr. Chou En-lai. I went reverently remembering, first, that I might conceivably be stepping on the magic threshold of history. Who knew, perhaps a particular room in Rashtrapati Bhavan was marked out for a momentous agreement such as that great room in Vienna, still venerable in European memory, where the Treaty of Vienna was signed in 1815? Unhappily, we were all disappointed; history has not yet consecrated a room in Rashtrapati Bhavan. Of many Press Conferences at which journalistic fervour has been exuberant, I remember few where the anti-climax to great expectations was so great. The Prime Minister of China has acquired in Indian journalistic circles a tremendous reputation for vivacity, versatility and even veracity. His direct manner and his charming ways disarmed the Bandung Conference, although many suspicions were then expressed on Chinese intentions, some of which, alas, have proved all-too-true. But the personal triumph that Mr. Chou En-lai scored at Bandung—where he was the central figure in a quite distinguished galaxy which included our own Prime Minister—was not repeated on Monday night. As against the vivacious Chou En-lai of Bandung, there was a worried and distressed Mr. Chou En-lai who never lost, for one moment, the feeling that his audience was unreceptive and even hostile. He spoke from behind microphones, which possibly further cramped his style. The atmosphere, first tense, grew heavily crowded, not with suspicion but with disappointment.

People sometimes say that one senses defeat long before it comes. The question now is why had we expected anything different? The answer is Mr. Chou En-lai's euphemistic utterances in Peking. Mr. Chou En-lai had raised great expectations; it was believed he might conceivably have a trump card of his own. Alas! there was no sign of a trump card; there was no sign that Mr. Chou En-lai himself was the ace that he once was.

What has Mr. Chou En-lai left behind? The cartoon below provides the answer. No comments are necessary.



"Goodbye all! I must be off to sign a friendship treaty with Nepal now!"

Courtesy: The Hindustan Times

A BANDUNG ROOM?

Before I leave this melancholic subject, may I say that I have not lost hope that Rashtrapati Bhavan one day will contain a famous Treaty Room, such as one in which the Congress of Vienna concluded its historic deliberations. When I saw this splendid apartment last year in Vienna, it was pointed out to me that it had five doors to admit of the highest protocol being observed by the five High Contracting Parties on that magnificent occasion. All High Contracting Parties are apparently equal, notwithstanding the fact that not all of them make vital decisions, and it was essential that the Emperors, in particular, should come in with their authority undiminished by any suggestion that any one Emperor had preceded any other. In the somewhat "Republic" age in which we live, I fear we have not enough Emperors to man the doors and we may not even have enough simple kings, elected or otherwise. But I still suggest that we can build a Bandung Room in which there are as many doors as there are Bandung partners—how many doors do we need?—so that all the great nations of the Bandung area can march in with their authority undiminished and the power of protocol to maintain equality and status gloriously upheld. Is there by any chance a room in Rashtrapati Bhavan which answers these specifications at the moment? I suggest that before very long there should be a Bandung Conference in this room where the Chinese aggressive intentions against other Bandung Powers receive a mild, but concerted, rebuke.

THE DISPERSION OF AUTHORITY

I must now pass on to more homely matters. The most important of these, which is the prestige of the Government of India after the talks, I leave for editorial comment; but I cannot refrain from referring to the whispers on the meetings and comings-in and goings-out on the six historic days when Mr. Chou En-lai was here. The Chinese delegation was large enough and important enough to hold "high-level" talks in many places at the same time; on one day, at one and the same time, there were no fewer than five series of exchanges going on, all on what has been described to me as a "pretty high level". I shall make no comment on this dispersion of conferences, and I dare not suggest that anything in this conference (including many volumes of maps and documents) was not of the highest importance. But Delhi public opinion still fastens on two minor matters to the exclusion of all others. The question is being asked: Why did the Prime Minister exclude Mr. V. K. Krishna Menon from the Indian delegation? Why was his place in negotiations taken by Sardar Swaran Singh? Secondly, why did Mr. Chou En-lai on this occasion hold discussions not with the Prime Minister only, but with four other Central Ministers separately? Has the dispersal of authority away from the Prime Minister begun to take place? I ask the question; perhaps one of my well-informed readers will reply.

If some changes in the Central Cabinet are contained in the womb of Time, surely the exclusion of Mr. Krishna Menon from the Indian delegation and the inclusion of Sardar Swaran Singh are (saving my mixed metaphors) straws in no uncertain wind. Unless the Prime Minister was very conscious of public opinion against Mr. Krishna Menon, why could he not stand steadfast on his inclusion? If he makes one concession, may he not make another? But, perhaps, one swallow does not make a summer; but, as I was reminded by an old (irrelevant) teacher of mine, every grasshopper makes a spring!

ARGUS.

THE WEEK'S NOTES

South Korea

RHEE STEPS DOWN

SINCE LARGE-SCALE student demonstrations and riots spread in South Korea on April 19, the toll of casualties rose in less than a week to 127 out of which Seoul's share was as high as 108. Deaths resulting from firing by police took place in the southern town of Masan on the day of the presidential election itself. President Synghman Rhee sought to explain away the riots and demonstrations as the products of communist machinations. This explanation is not in the least likely to convince anybody. The plea put forward casts a reflection on President Rhee's regime that communist agitators should succeed in whipping up popular resentment and violence on such a country-wide scale. The riots were the manifestations of long suppressed opposition to dictatorial methods on which the Liberal Party's Government was run and more proximately and specifically they were provoked by the unfair practices and discrimination against opposition parties which were unscrupulously used by the party in power to win the latest election.

The situation, delicate and embarrassing though it was to the American Government, whose attempts to foster the plant of democracy in South Korea were being thwarted by the Rhee regime, called for firm action. Howsoever reluctant the American Government may be to pronounce opinions publicly on the domestic policies of a sovereign State, Secretary of State Mr. Herter, felt constrained to express America's "profound and growing concern" over the Korean occurrences. On the day next after the riots on April 19 and proclamation of martial law, Mr. Walter McConaughy, the American ambassador in South Korea, pressed President Rhee to "take into account the basic causes and grievances" of the people. These are none other than undemocratic practices resorted to by the administration and rigging up the presidential election.

This week events moved swiftly. The climax to the tumultuous situation came on April 26, when President Rhee's residence was swamped by surging crowds, which completely out-numbered the troops available in the capital city. He bowed before the public demand, renounced his election and consented to agree to a new form of Government where effective authority would be vested in the Prime Minister. The National Assembly, without a division, voted the election of March 15 null and void. The will of the public ultimately triumphed. There is reason to believe that the sanctity of the secret ballot will be upheld and the fresh elections will be free.

Ceylon

TO THE POLLS AGAIN

THE FALL of Mr. Dudley Senanayake's 35-day-old Government has caused little surprise; with a party strength of only 50 members in a House of 157 and without co-operation from any of the Opposition parties —responsive or otherwise—he could scarcely be expected to survive any major trial of strength with the Opposition. Indeed, he was voted out of power at the very first opportunity provided to the Opposition to express its no-confidence in his Government.

Following the defeat of Mr. Senanayake's Ministry, the Governor-General, on the advice of the outgoing Prime Minister, has dissolved the Parliament and ordered a fresh poll to be held on July 20. Sir Oliver Goonetilleke's decision, though it has been criticised by the Opposition, can hardly be termed arbitrary. The Opposition's point of view that it ought to have been provided an opportunity to form an alternative Government was plausible; the Opposition mustered 86 votes to defeat Mr. Senanayake's Government. But later developments knocked the bottom out of this makeshift. With the Tamil Federal Party and the Mahajana Eksath Peramuna Samathi refusing to support the Sri Lanka Freedom Party in the formation of a Government, without the grant of concessions which apparently the SLFP would have given at its own peril, the prospects of a stable Government emerging from the present set-up of Ceylon's Parliament were remote, if not totally ruled out.

But will fresh elections restore political stability to this troubled island? The Opposition parties are forging a common front against the United National Party in the hope that they would be able to repeat the history of the 1956 poll when the UNP, was routed by them under the stewardship of late Mr. S. W. R. D. Bandaranaike. The March elections revealed that the total Opposition vote exceeded that for the UNP but the UNP's chances of adding to its vote should have been brightened by the reduction in the price of rationed rice from 45 cents a measure to 25 cents, effected by Mr. Senanayake during his short regime. He may be expected to resort to this vote-catching device further during his tenure of office up to the July elections as head of the caretaker Government. Moreover, the Opposition suffers from one great handicap; the principal Opposition party, the Sri Lanka Freedom Party, is under a shadow due to grave allegations of bribery against five of its prominent leaders who were Ministers in Mr. Bandaranaike's Government. In the circumstances, the outcome of the July poll is anybody's guess.

An inherent weakness in Ceylon's political life, like that of France before the present regime of General de Gaulle, is the multiplicity of parties which jump into the election fray. Unless adequate polarisation takes place, it will be futile to expect a clear majority for any political party there. Is Ceylon in for rule by unstable ministries formed out of nebulous alliances between parties which may not have much in common in their ideologies and programmes of policies while in power. Perhaps, yes.

Railway Finances

REVISION OF CONVENTION

ON APRIL 22 last the Lok Sabha had a very brief debate on the motion for the appointment of a committee to consider the question of revision of the Railway Financial Separation Convention. It will be recalled that the present convention was given an extended lease with the definite object of making its

quinquennial tenure coincide with the Third Five-Year Plan and the subsequent tenures with the subsequent plan periods. Clearly the object behind this shift was to make adjustments in the obligations of the railways under the conventions to accord with the prospective demands in the plan periods. The Committee, which was appointed on Friday last, will suggest modifications in the present convention in good time to obtain Parliament's seal of approval on it and to make it effective from April 1, 1961.

The following principal indicators of the railway funds etc. need to be borne in mind in any consideration of the present state of railway finances:

(Year: 1960-61)	(Rs. Crores)
Capital-at-Charge	1,563.29
Depreciation Reserve Fund (Closing Balance)	17.75
Revenue Reserve Fund (Closing Balance) ..	53.44
Development Fund (Closing Balance)	Nil

The outstanding fact about the Development Fund is that there is not only nil balance in it but on the contrary there is minus balance representing a total of Rs. 33.46 crores of loans taken by the Fund from the General Revenues during the three years 1958-59—1960-61.

During the Second Plan a good deal of internal finance from these funds, excluding the Revenue Reserve Fund, was provided to meet part of the cost of development. But so onerous were the demands of accelerated expansion that the capital-at-charge of the railways had to be inflated at a high rate. At the present time the railways pay a dividend to the General Revenues at the rate of 4 per cent per annum on the capital-at-charge. This is by no means the net earnings of the General Revenues from the railways. A special feature of the Railway Convention in respect of the dividend is that the liability to pay interest on the capital-at-charge is transferred to the General Revenues. Therefore, the net contribution of railways to the General Revenues is the balance left out of the dividend after the interest charges are paid.

THE PROBLEM POSED

In any scheme of a revised convention the minimum that must be fixed as the dividend (in the present composite sense) is an amount which will cover interest charges on the borrowed capital plus a small surplus. In the years to come the capital-at-charge of the railways will perforce be raised and the interest liability will also go up. During the discussion in the Lok Sabha Mr. Vajpayee contended that the contribution of the railways was high. It may appear to be so, looking to the state of the railways reserve funds. But the scope for reduction is quite marginal.

An important point raised during the discussion was whether the railways should be operated as a commercial enterprise or as a public utility undertaking. Considering the scale of expansion and the magnitude of development outlay that will be required, this controversy becomes purely academic. The Convention Committee's object would be, first, to provide safeguards whereby a sizeable depreciation fund is built up. The present state showing a depreciation fund of Rs. 18 crores for an enterprise with a capital of Rs. 1,563 crores is nothing short of a travesty. It does not in any way indicate financial imprudence on the part of the Railway Ministry. On the contrary it is the price of abnormally rapid expansion. There would also be need to secure replenishment of the development fund in a phase of development to enable it to perform its function from its internal resources.

The correct answer to the controversy raised in the debate is the one given by Mr. Jagjivan Ram. He was right in explaining that the railways would be operated in regard to certain departments and categories of traffic on commercial principles and in regard to others as public utility undertakings. The financial management will be a harmonious blend of both.

Trade

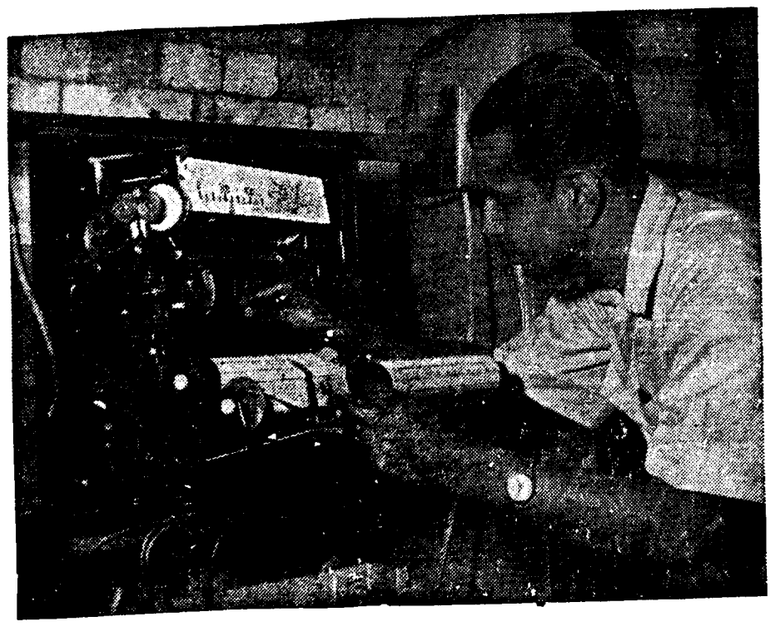
A PLATITUDINOUS REPORT

FIGURES OF India's trade with the countries of Western Europe (excluding the UK) for 1957 and 1958 highlight the critical fact that our trade deficit with them is about 48 per cent of our total deficit. If in a phase of stringent import control, which has reduced non-developmental imports to the bare minimum, we continue to incur nearly half of our overall deficit with this region, the very obvious reason is that the developmental imports which generate this deficit are vital for our plan projects. The choice to reduce this deficit on any mentionable scale by changing the direction of our imports seems marginal. Or else we would have exercised it. This is the hard reality of our trade with Western Europe.

The value of the Lall Trade Delegation to Western Europe will be judged by the contribution which it makes in suggesting ways and means that could secure an increase in our exports and some reduction in the trade deficit. It would be absurd to argue that any novel or original formulae can be devised to narrow down the gap of deficit substantially. This is the European Common Market region. Its present policies are, as the report underlines inward-looking, which means that the import requirements of the six member countries will be satisfied more by stimulating intra-regional flow of goods than by encouraging purchases from developing countries like India. The report expresses the hope that the liberal influence of industrialists and traders in this region will eventually modify its present rigid and inward-looking policies. But this will happen in the remote long run. It is poor consolation for a country like ours, harassed as it is by the abnormal strain of payments deficits.

Granting this difficult prospect and the limitations on its capacity to explore present possibilities to end the stalemate, any businesslike delegation would have devoted the major part of its report to concrete proposals about specific lines of export calculated to mitigate the trade gap in some small measure. The report of the Lall Delegation is depressing from this angle. It abounds in platitudes. Nothing would have been lost if a leaner document had been produced—shorn of them, It is not clear why the report was released belatedly six months after the delegation's return home, unless it be that the time factor was considered as of little consequence.

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SISTA'S-SB-19

A Window on the World

WHAT IS GERONTOLOGY?

By

ODYSSEUS

"CRABBED AGE and youth cannot live together:
Youth is full of pleasance. Age is full of care."

So wrote Shakespeare, and there are only too many executives in business and government who agree with him. The clash between youth and age arises constantly in office and factory. How often do we overhear the mutter: "He's past it — a brake on the business, ought to be retired," or alternatively "Ignorant young puppy! Thinks he knows better than I, who was on the job before he was born." At other times an older man may openly say: "The job is getting too much for me. I can't catch up with it."

But, whether you are old or young, take comfort: gerontology, the new science of old age is throwing light on the problems of growing old and on relations between keen youth and sere age. The British Institute of Directors (10, Belgrave Sq., London. SW.1), of which Lord Chandos is president, has just added one more to the valuable services that it renders industry and business by publishing a booklet, "The Older Director — His Limitations and Advantages" (30 pp. Price 2sh.), which has given a lift to my ageing morale.

The Institute suggests that remarks such as those quoted above are often unfair and misleading. On the one hand, the comfortable disillusionment of middle age forgets the problems of youth. On the other, older people appear to their juniors to be rigid and inflexible when, in fact, they are often more open minded than their young critics. Each generation is the slave of its own traditions and fashions, but the rigidity of the young is less noticeable because it happens to be based on current fashions. Young people tend to be restricted in their outlook because they have not yet had time to learn the tolerance and flexibility that comes from wider experience.

A detached observer, looking at the clash of generations, often sees (a) young men in a hurry with ideas based only on a few of the considerations necessary for a sound executive decision, (b) many older men quietly fostering revolutionary developments, and (c) that when so called "die hards" are replaced by younger men, some human quality in the direction is often lost.

COMPENSATIONS OF AGE

Age, of course, imposes both physical and mental limitations on performance but it also reveals compensatory qualities of mind and experience which younger people have not yet attained.

Why do some older people remain alert when others live in the past? What can be done to maximise the assets of age, to minimise its disadvantages? These questions lead us to consider the fundamentals of learning, memory, and experience.

Three sets of processes determine our reactions to what goes on around us. Incoming information, received through the five senses — sight, hearing, touch, taste, smell — is interpreted and a decision taken in the brain. Nerves and muscles convert the decision into action. Age can affect each of these senses, and at different rates, but the process of interpretation and decision is complicated by the factor of experience. As experience builds up with increasing age, decisions become more complicated because of the widening range of considerations. This factor of experience can (a) be helpful in making up for loss of physical vigour and increased time taken to react, or (b) inhibit action in a person who lives in the "past", which tends to blot out present and future.

We can best grasp the effects of ageing by considering first each system separately before attempting a synthesis.

The Eye. With age, the eye loses range of focus and power to see fine details. These changes leading to the need for, or alteration of, spectacles, are normal. It is better to help the eye with spectacles than to postpone their use. Eye strain, headaches, or slight blurring of vision mean that you should visit an occulist at once.

The Ear. Hearing begins to fall off early in life. People over 40 seldom have the hearing of the 20 year old. This loss, as it increases, creates subtle difficulties in understanding conversation. Key words, nuances of tone and expression may be lost and lead to difficulties even though there is no real deafness. Minor difficulties are often the starting piont of friction between young and old. But they should direct attention to the acoustics of offices and committee rooms. Far too many conferences are held in competition with background noises from badly adjusted air conditioners, traffic, typewriters, or crockery. These and other noises increase fatigue through the unconscious effort made to cut them out in order to concentrate on the discussion. Even the young would be less fatigued, more efficient, in quieter surroundings. Similarly, the quality of reproduction of most communication systems, especially at the higher frequencies which are increasingly lost with advancing age, is often faulty. The normal deafness of the elderly is an extension of this high frequency loss, but illness may also increase deafness. Because a man cannot hear clearly, he fails to understand what you say to him. He fears that if he admits that he has not understood, you will think him stupid. So he bluffs. This is to ask for trouble. The older man should not hesitate to be tested to see if one of the excellent modern hearing aids will help him. He will get more sympathy by admitting his disability than by trying to hide it, which merely confuses and irritates.

SPEED AND CO-ORDINATION

Muscular work. The strength of a man's grip falls by about 25 per cent, and his speed of writing by about 50 per cent, between his twentieth and his sixtieth years. The reasons for this difference in the way in which two seemingly similar faculties deteriorates are important to an understanding of the process of getting old. Writing involves rapid, complicated, and co-ordinated movement, whereas gripping is a simple and sustained action. The greater decline in more complicated actions is due to the factors of speed and co-ordination. From about 60 onwards, there occurs increasing inability to overlap the design of one action with the execution of the previous one. Activity thus becomes jerky rather than smooth. This explains why there is likely to be a marked loss of speed in certain types of work. Most people engaged in light assembly piecework will get slower. (For executives, however, loss of this type of skill seldom matters). Most people do not realise how relatively slight is the decline of muscle power with age. Ofter, too, the loss is attributed to age when it is due to illness. Thus heart conditions or bronchitis cause breathlessness, and arthritis limits movement, but diminished performance from such causes are not true age changes.

Stamina, the ability to undertake sustained activity, declines with age. The fit man can, however, still do a full day's manual work by taking frequent pauses. For that matter, even young miners can only work in short bursts. To be in training is all important. If older people are to do physical work, they must keep in regular training. This is just as important for elderly executives. An older person gets less resilient and is increasingly unable to pull out the little bit extra needed to cope with either a crisis or a peak demand. Thus, old people tend to be slow and meticulous because life has taught them that errors are easier to avoid than to correct. The younger man is by nature less cautious and more adventurous.

Older executives should plan their work so that they keep well within their limitations. This means that they must become personally less active, co-ordinators rather than doers. It does not mean that they should yield to lethargy and idleness. There is nothing derogatory in delegating work. Enough regular exercise should be taken to keep fit and to maintain stamina and resistance. The elderly should also never lose an opportunity to go and see for themselves.

Perception. You recognise an object by sight, sound, smell, taste, or touch, by a two stage process. The first is the stimulation of the sense concerned. The second, which occurs in the brain, is a much more complicated process in which the sense signal is identified and matched against experience. It is this matching which leads to recognition or perception. Changes in the perception process occur independently of those in the sense organs and their actual effect is often more important than the simpler sense organ changes. With increasing age a longer time is taken for the process of identification. The longer time taken by an old man seldom becomes critical because the actual times are from a fraction of a second in the young to a full second or so in the 60 to 70 year old. Investigation has established that the time taken to identify an object varies with the range of choice involved: sorting into a few broad categories is quicker than more detailed separation. This is also true of decision taking. More complicated decisions with a wider range of possible solutions, obviously require greater time and effort. In addition, problem solving can clearly be expected to take an older person longer because on any single issue he has a wide range of experience from which to select the right answer.

"Solution time" for a given problem can be shortened by narrowing the range of the problem. If this is not practicable, work can certainly be re-organised so that it is done in sizable blocks of the same type of problem, a process, be it noted, which is equally helpful for younger people. By doing this, major reorientations of thought, and the number of possibilities at risk at any one time are minimised. The time taken to solve the problem will be reduced and effective concentration improved.

Having cleared the ground by these elementary definitions, I propose next week to attempt a balance sheet of the assets and liabilities of both youth and age in hopes that better understanding will enable each to exploit its own assets to the success of the joint enterprise and enable each to compensate for the liabilities of the other.

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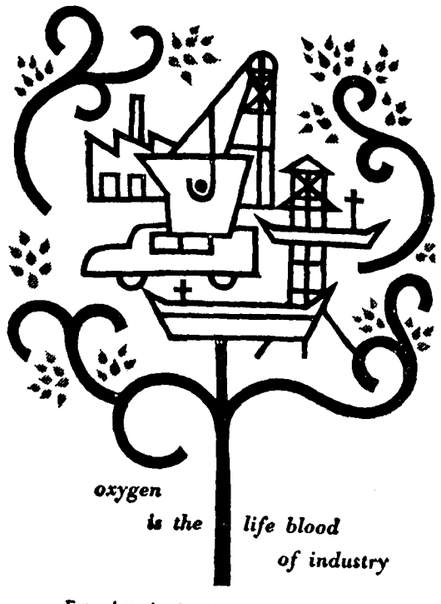
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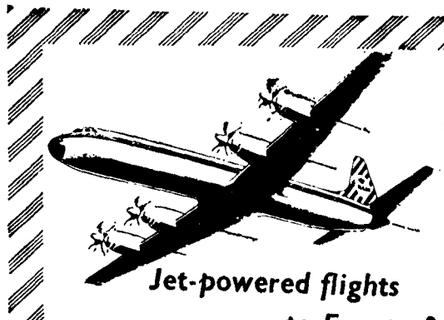
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The European Scene

THE RUHR CARTELS

From Our Special West European Correspondent

PARIS, April 23.

THE last phase of the long battle about German cartels will be decided this summer. As everyone knows, the "decartellisation" policy framed by the Allies at the end of the war was economic nonsense, and largely failed. Not only was the misguided attempt to break up the Ruhr cartels abandoned, but re-concentration was undertaken with the encouragement of the Allies in order to increase West Germany's contribution to European production and prosperity. But the European Coal and Steel Pool (CECA) inherited some of the decartellisation ideology in the actual terms of its constitution, and it is that body that has to take a decision this year on the three major issues left over from the trust-busting era. It should have given a decision this month on the Thyssen affair: an amalgamation of Thyssen with several other companies which would give that group direct or indirect control over half of West German steel output—10 million tons out of the nation's 20 million tons and out of the Common Market's 60 million tons. Instead, it postponed a ruling, and negotiations continue. It has also delayed by three months a ruling in the GEORG affair: the reconstitution of a unique selling agency for all Ruhr coal; this is demanded by the West German Government and by the coal producers, but opposed by CECA. Finally, Mr. Krupp has been given a new delay of one year to find a buyer for the industrial holdings he is ordered to sell.

I do not think it would exaggerate to say that discussion of these matters has been complicated by the recent revival of anti-German feeling in some places. The publicity given to the outbursts of anti-semitism in West Germany, to the affair of projected German bases in Spain and to Mr. Khrushchev's campaign in France about the supposed renascence of German militarism have all provided an opening for those people whose German policy consists, as Sebastien Haffner has said, of the incantation "Beastly Germans! Beastly Germans!" There are plenty of such people, on both sides of the Iron Curtain, and they have an influence over the decartellisation debate because emotional and irrational factors play a large part in the Ruhr trust-busting campaign. The story is that the steel cartels have a share of responsibility in German aggressiveness, and so their reappearance is a danger signal for Germany's neighbours.

The emotions and the simplified history on which this dogma is based enable its advocates to brush aside all reasonable argument. It does not matter that concentration reappears in a new and mitigated form; that it is justified by technical considerations; that the re-united enterprises are henceforth integrated in the international Common Market; that the amount of concentration in West Germany is actually no greater than in neighbouring countries; that what seemed gigantic in 1937 is not so big in 1960; or that Ruhr amalgamations produce units that are still small by US or Russian standards. None of that matters, it is said, because the names of Krupp, Thyssen and Flick are still there, and those names stink. In this matter, as in others such as that of West Germany's bases, some people in the West really have to make up their minds about the Germans of 1960. Do they believe what Mr. Khrushchev says, that the Federal Republic is a neo-Nazi conspiracy thirsting for revenge and capable of making war again, without atomic weapons, on Russia, America, Britain and France, all armed with nuclear weapons? If so, all their Beastly German line is warranted and they have no business supporting such things as NATO and the Common Market, of which West Germany is juridically an equal member. They should continue to insult, humiliate and cripple the German nation—provided, of course, they are clear on the fact that the one certain result of this would be to push the Germans into the arms of the Russians who would suddenly re-discover, as they did in 1939, that the Germans are not beastly after all.

If, on the other hand, they do not believe this fable, then they should decide to deal with the West Germans, if not fraternally, then at least rationally, remembering that 1960 is not 1937. It would then appear that Germany's present division and nuclear disarmament, even if they cannot be assumed to be permanent, provide her neighbours with a unique opportunity to integrate the German economy (at least that large part of it that falls in the Federal Republic) into the West European system once and for all. Such questions as mergers and amalgamations of Ruhr firms would then be judged, not in terms of a German menace that no longer exists, but in terms of the process of economic integration such as is going on in the Common Market. Now, once you do that, the first fact that strikes you is that economic integration of the Common Market variety consists precisely in the formation of mergers, amalgamations, trusts, cartels, etc. This is going on in all the member countries, not only West Germany, and in all industries, not only coal and steel. Some innocent liberals imagine that what happens in a common market is free competition followed by an international division of labour. Since however the facts obstinately refuse to follow the textbooks, what really happens is that established industries concentrate, form cartels and in general seek to attain a scale of operation that can match that known in the USA and Russia. In brief, they behave much as the wicked Ruhr has always done.

So to single out the Ruhr concentrations, or re-concentrations, as particularly sinister is to reveal that one has mistaken ideas about Germany's place as a world power, and about the process of economic unification going on in West Europe under the stimulus of the Common Market. In fact, they are neither politically sinister nor economically dangerous. That does not mean that they should be allowed to go on unbridled or that governments and trade unions should take no interest in them. It means that they are not a special case, but should be dealt with along with the general problem of cartels in the Common Market. How that problem (which is the main problem of the Common Market) should be handled is too wide a question to go into here. There is just space to indicate that it is impossible to prevent the emergence of monopolies and oligopolies in modern economies; that the economic theory that insists that they should be stamped out is an erroneous one; and that it is more useful to organise

"countervailing powers", of which the main ones are the nationalised sector and trade unions.

While the Europeans have been arguing about the size of Ruhr steel combines, the Americans and Russians have built up units that far exceed them. The Magnitogorsk combine in Russia and the Gary works of the US Steel Corporation both have an annual production approaching 7 million tons. In fact, of the world's ten biggest metallurgical works, eight are American and two Russian; the West German works come well behind that bunch. To oppose the concentration of Ruhr plant is to call in question the future of the European steel industry. The only important criticism one can offer of the Ruhr re-concentrations is that they are so far largely restricted to German firms, whereas the mergers and cartels being formed in other industries bring together West German and other Continental capital, frequently with an American contribution. If the present phase of re-concentration, which is mainly repairing the damage done by Allied trust-busting, is followed by some mergers between Ruhr firms and their "competitors" in France and Belgium, then many people at present blinded by suspicion of Germans will be able to see the process of cartellisation in a truer light, as a necessary economic process.

West German apologists for the re-concentrations put up the following strong case. The decartellisation experiment was an absurdity and a failure, so it is better to admit this frankly and remove the last obstacles to re-concentration in the Ruhr, obstacles which persist as an ideological hangover. They could well go further and add that never, in any country, has decartellisation worked: the Americans went about it even more vigorously in Japan after the war, splitting up the Mitsui group into 300 firms, but from 1952 onwards they had to reverse their policy and permit the re-emergence of the old group. Secondly, the present pressure toward re-concentration is based on purely technical factors: faster technological progress, the size of present capital investments and the conditions of international competition all make bigger production units inevitable. Thirdly, what is now happening in the Ruhr is only a belated imitation of the mergers that have gone on elsewhere in the Common Market and in most other industries.

This last point is especially well taken, as we have said in referring to the general move towards concentration in the Common Market. In petrol, chemicals (and particularly petro-chemicals), machinery, electrical and aeronautical construction and in paper, mergers are in full swing, between producers in the one country, between various member-countries of the Common Market or between these and the major US corporations. It is obviously irrational to veto this trend in the one case of coal and steel (and then in the one country, West Germany) because of a theory about the Ruhr's complicity with Hitler. These arguments will probably prevail, and it is likely that CECA will agree to the Thyssen amalgamation under conditions designed to prevent it exploiting its dominant position to the disadvantage of consumers, and that it will revise its opposition to the unified selling agency for Ruhr coal.

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Economic Report from the U.S.

INTER-AMERICAN DEVELOPMENT BANK

By GUY SIMS FITCH

WASHINGTON, April 19.

ECONOMIC relationships may tend to be overlooked when political *milestones* of international significance are commemorated. This is not the case, however, with this year's observance in the United States of Pan American Day or Pan American Week. For this year, it appears evident that the Western Hemisphere is entering a new stage of fruitful economic co-operation. First and foremost, of course, there is the new Inter-American Development Bank (IADB). Established by the countries of the Americas, it seeks to foster economic development through loans and technical assistance. This regional body, which was created last year, became effective at the end of December, is now setting up its headquarters in Washington and expects to be in actual operation before the year is out.

It is significant that the agreement setting up IADB was negotiated in Washington under the auspices of the organization of American States (OAS). This fact links IADB closely to Pan American Day, the anniversary of the first inter-American conference held in Washington in 1890. At that conference, the International Union of American Republics was created to become later the present OAS — an organization which by no means has been active only in the political field. OAS has in fact become an important "claring house" for technical and economic co-operation in the Western Hemisphere. Thus, it is evident that close economic co-operation between the United States and its neighbours to the South has been part of Western Hemisphere relations for a good many years. The United States has long been the leading market for Latin American products, and it has found in the other American Republics sizable outlets for its goods. Last year, for instance, U.S. exports to and imports from Latin America each were valued at the substantial sum of $3,600 million.

The United States, in addition, has been the leading distributor of economic assistance to Latin America, both through its own agencies (such as the Export-Import Bank) and through its contributions to the United Nations' World Bank and International Monetary Fund. The new Inter-American Development Bank represents another, albeit a highly important, instrument of a policy which has long been leaving its imprint on the improvement of Latin American economies and living standards. And as Chile's Felipe Herrarra, who heads the IADB, has made clear this new $1,000 million institution, (with the largest contribution coming from the United States) is not intended to replace but rather to, complement the activities of other leading institutions. Senor Herrerra regards it as most fortunate that such agencies as the Export-Import Bank and the World Bank — to which the United States also is the largest contributor — have been operating successfully for some years. He feels that they offer a valuable storehouse of experience for IADB's future operations.

The new regional institution will seek to help Latin American countries to build up and diversify their economies, and also to protect their national currencies. The Bank will not actually intervene in the internal financial policies of any country. But it will stand by to offer a valuable storehouse of experience for IADB's future operations. The new regional institution will seek to help Latin American countries to build up and diversify their economies, and also to protect their national currencies. The Bank will not actually intervene in the internal financial policies of any country. But it will stand by to offer technical financial advice and to make loans from a special $150 million fund two-thirds of it subscribed by the United States — which will be repayable in national currencies. It is in this type of loans which are payable in non-dollar currencies that the Inter-American Bank, like its U.N. counterpart, the projected International Development Association, will go beyond the established policies of the World Bank and the Export-Import Bank. And in due time, Senor Herrerra notes, IADB will be floating securities in private financial markets to increase its loanable funds.

But the apparent emphasis on international public capitalization and financing which such funds represent should not obscure the large amounts of private development capital that traditionally have gone from the United States to its Latin American neighbours. The total of U.S. private investments in Latin America is variously estimated at from $6,000 million to $9,000 million. This year, moreover, something new was launched even in this traditional form of capital investment. Almost unnoticed, a major private U.S. financial institution — the Prudential Insurance Company of America — entered into a pact with Mexico last month which may well presage a significant new approach by U.S. companies to Latin-American development. It is not merely that Prudential extended to national financiers, an agency of the Mexican Government, the largest private long-term loan in more than half a century; more importantly, this loan — $100 million repayable in 15 years — is not "earmarked" for any special purpose. The Mexican Agency has, however, indicated it will use the money to develop basic industries and public improvement projects. Economic endeavours such as these, be they governmental or private, represent the practical side of the U.S.-Latin American relationships. Says Donald I. Rogers, Financial Editor of the 'New York Herald Tribune': "we may proclaim friendship quite effectively, but we definitely cement it when we share economic responsibilities with our neighbours."

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THE BUSINESS WORLD

Trends in Company Finances: 1951-57

THE credit for analysing the balance sheets of joint stock companies in India for seven consecutive years, 1951 to 1957, goes to the Research Department of the Reserve Bank of India. The Research Division of the Company Law Administration has now set out a continuous piece, with consolidated interpretation and elaboration of the information already collected by the Reserve Bank, in an interesting small booklet, entitled "Trends in Company Finances with Particular Reference to First and Second Plan Periods." Interest centres round the manner in which the companies, both big and small, tend to raise funds for their growth and also the manner in which they utilise these funds for the same objective. The Reserve Bank of India analysis related to 750 companies for the First Plan period and 1,001 companies for the first two years of the Second Plan.

The Department of Company Law Administration has blown up these results so as to cover all the public limited companies in the country and indicate the manner in which sources as well as uses of funds have altered in the last seven years. These results are set out in Table II. This table clearly shows the increasing importance of external finance since the advent of the Second Plan. Whereas in the First Plan, the internal sources contributed Rs. 398 crores for expansion purposes (as compared to only Rs 267 crores from external sources), the picture altered materially in the first two years of the Second Plan when the funds from external sources rose to more than double the contribution of internal sources. The external sources at Rs. 443 crores were 208 per cent of Rs. 213 crores of internal sources. On the uses of funds, the major alteration has taken place in raising the share of inventories which during the two years of the Second Plan more than doubled as compared to the First Plan.

The Department has selected in its study big companies with paid-up capital of more than Rs 50 lakhs for a comparison with the aggregate of big and small companies combined. The analysis of these 128 companies shows the percentage distribution of sources as well as uses of funds as compared to all the units taken together. Table I reveals that among the sources of funds the bigger companies tend to depend less on borrowings than all companies taken together. Similarly, the uses of funds indicate that the percentage distribution in investments (shares and securities) in the case of bigger companies is far larger than in the case of all companies taken together. This comparison shows that big companies have, as distinguished from the overall picture, a different pattern of raising and utilising funds.

The real intention of the analysis made by the Department was to draw a comparision between the groups of big companies on the one hand and the rest of the companies on the other. But it has been missed by the method actually adopted, namely, to compare the big companies with big companies plus the small ones. In the result, the sharp contrast in the sources and utilization of funds that would have been thrown in into bold relief has been missed.

An attempt is also made to determine the contribution of companies in the total national income. It is estimated the share of the corporate sector worked out to roughly one-tenth of the national income in 1956-57 The corresponding figure for 1948-49 is estimated at one-fifteenth. This shows that the share of the corporate sector in the national product is steadily going up.

TABLE I

SOURCES AND USES OF FUNDS OF BIG COMPANIES VIS-A-VIS ALL COMPANIES (1956)

(In Percentages)

	Deptt. of Co. Law Admn. study of 128 big companies	Reserve Bank study of 1,001 companies
Sources of Funds		
1. Paid-up Capital	14.45	13.09
2. Reserves		
(a) Capital)		
(b) General & Free Reserves)	18.88	17.47
(c) Credit Balance of Profit) & Loss Account)		
3. Borrowings:		
(a) Debentures)		
(b) Long term Loans & Bor-) rowings)	36.26	93.41
(c) Bank Loans (other than) the above) and short) term Loans)		
4. Creditors and other Liabilities & provisions ..	30.41	26.03
	100.0	100.00
Use of Funds		
1. Fixed assets (net of depreciation)	44.31	43.78
2. Investments in shares and securities etc.	5.27	0.42
3. Inventories etc. (stocks in trade and work in progress) ..	35.03	41.11
4. Debtors)		
5. Loans and Advances)	15.39	14.69
6. Cash and Bank Balances)		
	100.00	100.00

Notwithstanding the statistical hazards involved in this estimation, it is to be conceded that this is new information thrown up by this study.

In addition to the discussion of "Sources and Uses" of funds of companies, the study discusses in detail capital formation; trends in profits and dividends, index of profitability, profit ratios and remuneration to managing agents. Industry-wise study of all these details is also made.

TABLE II

OVERALL POSITION OF SOURCES AND USES OF FUNDS

(Rs. in crores)

	Actual for 750 public companies	Blown-up totals for all public companies	Actuals for 1001 public companies	Blown-up total for all public companies
	(2)	(3)	(4)	(5)
A. Sources of Fund	**Rs.**	**Rs.**	**Rs.**	**Rs.**
(1) Total External Sources comprising	178	267	332	443
(a) Paid-up Capital	31	47	49	65
(b) Borrowings	74	111	197	263
(c) Trade Dues Misc. Liabilities etc.	73	109	86	115
(2) Internal Sources	265	398	160	213
B. Uses of Funds	271	407	307	409
(1) Gross Fixed Assets	62	93	141	188
(2) Inventories	23	35	2	3
(3) Investments	87	130	42	56
(4) Other Assets	443	665	492	656

More Sudan Cotton for India?

By CROESUS

INDIA is badly in need of cotton, especially extra long-staple cotton (1-3/16" and above). Sudan has a surfeit of it and is also prepared to send any quantity. Quality-wise, as well as price-wise, Sudan cotton is admittedly competitive. Imports of Sudan cotton, thanks to the multilateral trade basis accepted by both the countries, have to be paid for in sterling. And, yet, we have the intriguing situation in which, while Indian consumers are eager to import Sudan cotton and Sudan too is willing to export it, the requisite facilities simply don't exist. It is this state of affairs over which serious concern was expressed by His Excellency Sayed Rahmatalla Abdulla, Ambassador for the Republic of Sudan in India, at a press conference in Bombay last week.

Sudan's case, briefly, is that she has been importing from India on a much larger scale than she is able to export to India, with the result that she has been accumulating a steadily mounting adverse trade balance with our country; over the last three years, this has aggregated over £6.62 million (Sudan currency) and Sudan is understandably concerned about this disturbing trend. According to her Ambassador the situation has, reached a stage when some prompt and effective measures to boost India's imports of Sudan cotton are imperative. Sudan feels that India should appreciate her difficulties and help her by importing as large a quantity of Sudan cotton as possible, and it is Sudan's argument that this would pay India, as Sudan is fast developing economically and bids for to become a potentially much bigger market for Indian goods than now. Sudan, however, does not expect any special favours, such as a bilateral agreement or a special quota. She is prepared to offer her cotton on competitive terms vis-a-vis any other extra long-staple cotton exporting country. Where then is the hitch?

Now, according to the Sudanese Ambassador, the reason for the poor offtake of Sudan cotton by India in 1959-60 is the unusually large-scale import quotas issued by the Government of India for imports of extra long staple cotton right at the beginning of the current season. When it was pointed out that Sudan cotton was not available at the time and that, as the urgent requirements of Indian mills accustomed to use extra long staple cotton had to be satisfied, there was no other go, his reply was that the crop prospects at the time were really not so bleak as they are today and, further, that, although Sudan's new crop cotton was not available, Sudan could still have supplied cotton from her previous season's carry-over stocks. In other words, his point was that, had the Government of India stuck to its past policy of allowing imports of this variety of cotton on a staggered quota basis, the import of Sudan cotton by India would no have suffered to the extent it has done now. There has indeed been a sharp drop in the imports of Sudan cotton during the current season. Thus, the actual arrivals into India of Sudan cotton from 1-9-1959 to 2-4-1960 were no more than 58,153 bales out of the total arrivals of 3,26,403 bales, including dollar area cotton. As against this, in the previous season, the arrivals of Sudan cotton were as much as 1,10,011 bales.

Can the position be remedied? The Sudanese Ambassador was frankly gloomy about the prospects. For he doubted whether the Government of India would at all grant an additional import quota for any more extra long staple cotton. Even if a further quota, say, for 100,000 bales of extra long staple cotton, were issued and granting that the whole of this were earmarked for Sudan, he said, the resulting position would still be not such as to offset the adverse balance of trade that Sudan will be having with India. In this connection, the following table relating Sudan's balance of trade with India over the past three years will be found interesting:—

SUDAN'S BALANCE OF TRADE WITH INDIA

1957 to 1959 (Inclusive)

Calender year	Exports	Imports	Balance of Trade
	...	...	
1957	5,463,417	8,177,291	—2,713,874
1958	5,046,941	7,264,649	—2,217,708
1959	7,173,000	8,843,000	—1,670,000
	17,683,358	24,284,940	—6,601,582

The foregoing table shows, in fact, that there has been a steady decline in Sudan's adverse trade balance with India and that there has also been an increase in the total volume of trade between the two countries. But this trend has not continued, and the latest position would appear to be quite disquieting. Thus, whereas Sudan imported up to the end of November

early 150 million yards of grey, white, and coloured oth, valued at nearly Rs. 67 million, India's import of otton had, instead of showing a rise, actually registered sharp decline. In December, 1959, again, Sudan acounted for as much as 32.84 million yards out of 40 illion yards supplied by India to the whole of Africa. udan has, in fact, been the second largest buyer of ndian textiles, next only to the U.K.

In the context of this irresistible statistical evidnce in support of Sudan's case, it is upto the cotton ade, the textile industry and the authorities in this ountry to do some fast and furious thinking. In rging India to export more textiles and import more udan cotton, the Sudanese Ambassador made perhaps ne only obvious and feasible suggestion. If this was ot done, he, however, seemed to imply, Sudan would ok to other countries like Japan and China which were ot only anxious to import Sudan cotton in large quantes but also able to supply textiles of comparable uality to Sudan at competitive prices. When driven to ne point of despair, it is quite conceivable that Sudan ay do this. Indeed, in 1958, after vainly pleading with apan, Sudan clamped down curbs on textile imports om that country, which made Japan promptly realize ne position, as witnessed from her eagerness to take udan cotton in large quantities this season. Of course, udan's Ambassador did not want to convey the impreson that Sudan might apply the same remedy to orrect the trade imbalance between this country and udan, but he made certain significant observations hich the authorities, as well as the textile interests in ur country, will do well to ponder over.

In the first place, the major item of Sudan's imports from India is textiles, the main supplier, incidentally, being Bombay. Secondly, the importers of Indian commodities into Sudan are mainly Indian businessmen. The Sudanese Ambassador underlined the point that Indian businessmen who earn handsome profits are being allowed to remit their profits to India without let or hindrance. The obvious implication seems to be that if India, does not absorb more Sudan cotton, Sudan may perhaps be compelled for balance of payments considerations. to restrict imports from India which, in turn, will adversely affect textile exports from this country. As a result of the reduced imports of Indian goods by Sudan, the Indian businessmen there will not be able to remit the same amount of money as heretofore. Hence it is as much to India's own advantage as to Sudan's to break this vicious circle and take more Sudan cotton than so far, I am told.

It is possible to interpret what the Sudanese Ambassador said in Bombay as a veiled threat, but the facts of the case are so much in favour of Sudan that it would be uncharitable to view it that way. Moreover, Sudan is known to have made some excellent gestures in the past, e.g. by deliberately choosing imports of Indian origin like tea and textiles. She is also known to be extremely keen on maintaining friendly relations between the two countries. In all fairness then, she is entitled to ask this country to appreciate her economic difficulties and bear in mind the potentialities of her expanding economy in whatever decision we may take in order to remedy the present imbalance in the trade between the two countries.

Business Notes

otton Textiles

ONEROUS WAGE COSTS

HE RECOMMENDATIONS of the Central Wage Board for the Cotton Textile Industry have naturally figured prominently in the speeches of chairmen of one cotton mill after another. Without exception, the reaction has been that, the resulting additional financial burden on the industry would retard the progress of rehabilitation and modernisation of the industry. It must be admitted by all that the industry cannot afford to delay this work any further. Indeed, in order to improve quality and reduce costs—an essential prerequisite to increasing our export trade in textiles—the foremost need of the industry today is rehabilitation and modernisation of its machinery. As Mr. Naval H. Tata, Chairman of Tata Mills Ltd. and Svadeshi Mills Co. Ltd., pointed out in his statement to the shareholders, "the machinery used by a large number of our cotton mills is obsolete and inefficient by modern standards of production. The industry would require several hundred crores of rupees to modernise its existing plant and equipment, for which its financial resources are grossly inadequate."

In this connection, Mr Tata did well to debunk the belief held in certain quarters that the cotton mill industry has been enjoying abounding prosperity by quoting the figures of gross profits of the industry as percetages of gross sales and of total capital employed from the latest study of industrial profits made by the Reserve Bank of India. This study, as he pointed out, shows that the respective percentages in 1957 were 3.1 per cent and 3.4 per cent., as against very much higher corresponding percentage figures in the case of almost every other industry in the country. The position of the cotton mill industry in this respect has not changed very much for the better since the year 1957, so that the industry cannot yet attract finance from outside because of the poor yield it has to offer; nor can it improve its profitability and find the necessary funds without modernisation and rehabilitation. This is verily a vicious circle.

It is primarily because of these considerations that Mr. Tata was particularly unhappy about the recommendations of the Wage Board. His criticisms of the Wage Board recommendations were two-fold: one that there was no need for a wage board in respect of the textile industry, because it has already been paying the highest wages while there are other industries which have been paying much lower wages than the textile industry. In view of this, the implementation of the Wage Board recommendations, he said, would create further disparities between various industries. Secondly, while not opposed to fair wages, Mr Tata insisted that any further progress towards a fair wage should be correlated to workloads which, he regretted, the Wage Board had not cared to suggest. "It is a great pity," declared Mr. Tata, "that, whilst the Wage Board has taken the trouble of expressing the additional payments to be made in the clearest possible terms, the reference to the rationalisation expected in return from the workers by way of quid-pro-quo for generous increments in basic wage has been very vaguely mentioned. No attempt at all has been made to indicate even approximate targets to be reached in rationalisation of the industry over a period of years. If the industry has to accept the Report, it can only be implemented if the question of rationalisation is tackled simultaneously as a condition precedent to any increase in the basic wage. A rationalised wage structure can alone help in alleviating the distress of many of the marginal and uneconomic units and thus prevent mill closures and consequent unemployment."

Mr. Tata also criticized the Wage Board for refraining from expressing an opinion on the issue of bonus. It was his contention that, "with the additional payment of Rs. 6 to Rs. 8 per month recommended by the Wage Board, the alleged sub-standard level of wage has been rectified. It is, therefore, a legitimate question to ask why, in the face of this recommendation, the Report did not suggest the abolition of the vicious practice of granting a bonus, at least in the case of loss-making mills."

Banking

INDIAN BANK CHIEF'S PLEA

THE FIRST studied reaction of the Indian banking industry to the credit squeeze announced by the Reserve Bank of India on March 11 last has come from the

Chairman of the Indian Bank Ltd. While expressing appreciation of the anxiety of the Reserve Bank to curb speculative and inflationary activities, Dr. Rajah Sir M. A. Muthiah Chettiar of Chettinad, in his address to the annual general meeting of the bank (published elsewhere in this issue), has pointed out that the measures taken by the Reserve Bank would "curb genuine investment activity and militate against the successful floatation of industrial concerns and the expansion of the existing units." He has called upon the Reserve Bank to exempt from the operation of its directive advances made by scheduled banks against shares registered in the name of the borrowers themselves or the banks making the advances. The reason put forth for this plea by the Indian Bank Chairman is quite convincing and the Reserve Bank would do well to look into the matter; Sir Muthiah has opined that "it is only the genuine investor who gets the shares transferred to his name or that of his bank."

The Indian Bank Chief's misgivings about the success of selective controls to curb the speculative activity on the stock exchange are shared by many. An indication of their failure is already available; share prices in not more than a month's time have recovered the ground they lost after the announcement of the credit squeeze. Sir Muthiah has rightly stressed that stock exchange boom is not likely to be curbed by selective controls the influence of which, to a large extent, may be counteracted by forces that are at play outside the stock market. This boom is an off-spring of the general inflationary psychology prevailing in the country today. Unless steps are taken to curb inflationary tendencies in general, it is futile to expect any break in the upward march of share prices.

As the Governor of the Reserve Bank pointed out recently, selective monetary controls have only a limited utility in controlling price trends in an expanding economy; they need to be supplemented by modifications in the fiscal policy. The half-hearted attempts and evasive attitude of the Government towards holding the general price level only give the impression that deficit financing will continue to be resorted to on quite an appreciable scale, notwithstanding the recognition in Government quarters that there is need to check undue rise in prices through avoidance of unnecessary recourse to create money to finance the Plans. It is a simple truth that speculative activity fosters when the price spiral has a tendency to expand. Will the 12-man Committee, appointed last week to prepare a scheme to hold the price line, face the facts squarely and put forth before the country a plan to combat the monster of high prices? To inhibit investment while attempting to check the nefarious activities of the speculators will only make the matters worse.

EARNINGS VERSUS EXPENSES

DR. N. N. LAW, Chairman United Bank of India observed at the annual general meeting held recently that the operating expenses of the Indian Scheduled Banks have been rising during the last few years. Between 1950 end 1958 the ratio of operating expenses to deposits had risen from 2.97 per cent to 4.24 per cent showing an increase of about 43 per cent. Although operating earnings too have increased, their rise was considerably modest from 3.84 per cent to 4.96 per cent or by 29 per cent. The Chairman stressed that the banking system does not have any fully effective control on both the components of operating expenses — costs of deposits and establishment charges. Although the upward trend in the rate of interest on deposits was checked by an inter-bank agreement in 1958, it could not be reduced because of the preponderance of time deposits which in 1959 were to the extent of 60 per cent of the total against 33 per cent in 1950.

As far as establishment charges are concerned, the overall remuneration of bank workers has considerably increased. Against this, no corresponding improvement in productivity was recorded. Dr. Law rightly stressed that unless the increase in remuneration was linked to a corresponding increase in output, the cycle of wage increase and cost inflation would continue unbroken. There is, therefore, evidently a need for a determined effort to raise the efficiency of the bank employees which can only be achieved by the co-operation at all official levels to improve the methods of working.

The Chairman has pointed out that to compensate the increasing operating expenses, some banks have been reluctantly forced to seek increased earnings by a quick rise in their advances. This is done at the sacrifice of strict prudential measures. It may be pointed out that it is not healthy to raise the advances just to increase earnings. This may cause certain basic weakness of the banks which may ultimately lead to adverse results in periods of strain. In this connection, it may be fruitful to enquire, as the Chairman has suggested, the extent to which the rising operating expenses have been absorbed by the banking system at the cost of the profit margin.

Industry

FINANCE FOR EXPANSION

THE KILLICK Group of Industries are poised for further expansion and plans are now under investigation mainly intended to add new lines of business involving investment in the company's industrial estate at Ghandivali. During the later years of the First Five-Year Plan and the early years of the Second, the company executed important expansion schemes. Certain new factors have come up which are bound to involve some additional expansions. For instance, the electricity undertakings which are highly capital intensive, would continue to impose greater obligation on the company. This would all the more be necessary in view of the fact that the State of Gujerat, with its abundance of entrepreneurial talent and capital resources would call for more and more electric power. The Ahmedabad and Surat Electricity Companies belonging to the Killick Group will have, therefore, to bear the strain of expansion. As was stressed by Mr. A. N. Haksar, Chairman of the Killick Industries, at the annual general meeting, that the House of Killicks, which has pioneered power development in Gujerat, would always be prepared to be of still greater service to the new State. In addition to this, the tempo of power demand in the Bombay suburban area naturally would call the greater investment by the Bombay Suburban Electricity Supply Ltd. It may be interesting to observe that at present this company serves about 80,000 consumers and there are many more who are awaiting connections.

There are other branches of the group too where expansion is considered very necessary. The trading side of Killick Nixon & Co. Ptv. Ltd. has to be developed and several new agencies are being negotiated. The business of the company includes the export of piecegoods, where the performance has been quite good during the last half year.

In an expanding institution the need for capital to sustain development is naturally there. The Chairman has pointed out that in the past the compay has been depending on bank accommodation on the security of equity shares. The high quotations of the shares in question facilitated substantial bank advances. But the new margin limit of 50 per cent has created a novel problem for the company and development finance will pose greater difficulty. Under these conditions the Chairman has rightly urged that deserving cases may be exempted from these measures. There is a significant amount of weight in this argument. It would be a pity if development finance via the banking system is withheld from enterprises richly meriting it, just because of misuse of bank credit for speculation by some borrowers.

Current Topics

JEEPS AND ALL THAT

From A Special Correspondent

LONDON, April 28.

REPORTS must have reached India that the jeeps dispute has at last been settled here out of court after prolonged negotiations. It may interest the readers to know something of the background of this matter which was first raised in the Indian Parliament in 1951. The original contract was in 1948, with a firm of the name of "Antimistantes", represented by one Mr E. H. Potter who entered into other contracts at the same time with Mr Krishna Menon (at that time our High Commissioner in London) of the total estimated value of £4 million. The aggregate paid-up capital of all the firms on whose behalf Mr Potter conducted the negotiations was reported to be about £1000!

So far as the jeeps are concerned, an order for 2000 re-conditioned ones was placed through Antimistantes, the condition being that the supplies would commerce within six weeks from the date of the order and completed within five months' time. It may be noted that the order was placed in July 1948.

There were, from the beginning, some odd features about the contract. The usual stipulations regarding penalty, security, deposit etc., were for some inexplicable reasons dispensed with, it would appear, under Mr. Krishna Menon's instructions. His Legal Adviser was out of London at the time and presumably did not have a prior opportunity of scrutinizing the terms of contract.

Secondly, advance payments exceeding £172,000 were made to the supplier even without a certificate from the usual India House Inspectors or from "Hunts", the agency for inspection explicitly mentioned in the contract. At a later stage, on a representation from the supplier, "Lloyds" were substituted for "Hunts" for the purpose of inspection. There was a further, and even more remarkable, alteration in the terms of the original contract; instead of a cent per cent inspection (accepted at the start by the supplier), "Lloyds" were authorized to limit inspection to 10 per cent of the vehicles selected at random.

These major changes in the contract were made after the first payment of £81,598 to the supplier in August 1948, on the clear assurance that "Hunts" would submit their own inspection reports in respect of each one of the 500 odd jeeps alleged to be ready for shipment at the time.

Actually, it is doubtful if there was even a 10 per cent inspection because when 155 jeeps were landed at Madras in March 1949, the Defence Ministry's Inspector reported that all of them were unserviceable. He declared, "None of the jeeps belong to class I or even class II. A majority are of class IV (that is, fit for the scrap heap), while a small proportion are of class III or class V".

It must be borne in mind that this assessment of the imported jeeps was made in the presence of a representative of the supplying firm.

Another strange feature of the contract deserves mention. The contract was finalised in London by Mr. Krishna Menon on behalf of the Defence Ministry in July 1948. But the Defence Ministry could not obtain from him a copy of the contract until the end of February 1949, and it was completely unaware of the High Commissioner's commitments — even of the fact that between August and December 1948, he had advanced to the supplier over £172,000 (inclusive of the first payment mentioned earlier) in anticipation of supply.

In the absence of a copy of the contract with the Defence Ministry, there was, I believe, a misunderstanding about the interpretation of the term "spares." The impression in New Delhi was that spares meant the usual standard list maintained by the Ministry. The Ministry had accepted the offer primarily because, in its original commitment, stress had been laid on the supply of three years' spares, and the reply from London had conveyed such an assurance. No spares arrived, however, with the first shipment of 155 jeeps in March 1949; but the supplier refused to be bound by the Defence Ministry's list of standard spares, on the ground that their cost would be £200,000 and not £20,000 as stated in the contract.

On the same day that the jeep contract was signed in London in July 1948, another contract was entered into with Messrs. J. C. J. Knott and Co. (also represented by Mr. Potter) for the supply of arms and ammunition of the total value of £1,944,000 (nearly £2 million). The issued capital of this firm was no more than £100.

Under this contract, supply was to commence within ten days of its conclusion, half the delivery was to be completed within 90 days and the balance within 120 days. The Defence Ministry was told that it could refuse acceptance of the goods in the event of violation of the above condition. Since supplies had not commenced even until January 1949, the Defence Ministry informed Mr. Krishna Menon that there was no real need for the goods (after the cease-fire agreement in Kashmir) and suggested cancellation of the contract.

The High Commissioner pointed out that cancellation of the rifle contract would involve a claim by the supplier of compensation of £60,000 which he was willing to waive against an order for steel plates. He drew the Defence Ministry's attention to the fact (for the first time) that the contract had included ammunition. The supplier's original offer was £11-10-0 per thousand rounds, raised subsequently to £14 (the UK vocabulary price mentioned being £3-17-0 for the same quantity).

Undeterred by the unsatisfactory performances of these contracts, Mr. Krishna Menon placed a third one in September 1948 for 25 Mitchell bombers at £32,000 each, with the Hughson Aeronautical Corporation, its representative being again this mysterious individual Mr. E. H. Potter. There was, apparently, yet another contract for armoured cars, again through Mr. Potter, which, like the rest, remained unfulfilled.

The Steel plates contract present exceptionally interesting features, interlinked as it was with a fanciful claim of compensation for £60,000. On March 22, 1949 a day before the cancellation of the order for rifles and ammunition, an order was placed for 24,000 tons of steel plates of varying sizes at £33-5-0 per ton f.o.b

Antwerp. The price was accepted by the Indian Ministry of Industry and Supply, provided the deliveries commenced within 30 days after receipt of full particulars of the Ministry's requirements and the transaction was completed within 12 months thereafter.

Actually, however, the first shipment was effected on December 23, 1949, and supplies were spread over almost the whole of 1950. Early in September, the Ministry asked Mr. Krishna Menon to cancel the order. The reply was that he had just converted it into an irrevocable one and in fact, a letter of credit for £70,000 had been opened only a day previous to the Ministry's cabled instructions.

Steel prices were, meanwhile, steadily falling in Europe and the Indian Embassy in one of the Continental countries informed New Delhi that a firm in Vienna was prepared (in January 1950) to supply the same steel plates at £28-10-0 per ton. It is perhaps needless to observe that the supplier (the inevitable Mr. Potter) had obtained his steel plates from the Vienna firm at this favourable price, making a clear profit of over £100,000 on this single transaction.

Regarding the jeep contract, the Indian Parliament was informed at the time that after deducting the cost of 155 jeeps which had been supplied and an additional £9,000 for their repairs, the amount outstanding with the supplier was £143,000. An assurance was given that provision would be made for the adjustment of this amount towards the purchase price of 1000 new jeeps to be supplied by another London firm, S.C.K. Agencies Limited. It will be for India's Parliament to ascertain the precise terms of the settlement out of court now reached in London, with all their implications — including not only the £143,000, but also the cost of litigation of the present case.

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A DELHI NOTEBOOK

THIRD PLAN COAL TARGET

THE Third Plan coal target, tentatively fixed at 95 million tons, i tis learnt, contains a provision for the production of 23 million tons of coking and semi-coking coal for the steel plants, besides 2 million tons to meet the requirements of Sindri and others. According to the Ministry of Steel, Mines and Fuel, "the production of coal for the steel plants can be increased, in case of need, from 23 million tons to 25 million tons without much difficulty."

The additional effort required to realize a production of this order, of the Selected Grades and Grade 1 coal, is approximately 13 million tons, as compared to the level attained by the end of 1959. Out of this, between 6 and 7 million tons would have to be in the shape of coking coal and the remaining 6 million tons or so as semi-coking or blendable coal. For the purpose of planning, this quantity of coking coal has been allotted, almost in its entirety, to the Jharia field, and the semi-coking or blendable coal principally to the Bokaro, Raniganj and Jharia fields.

The overall target of the order of 95 million tons of coal by the end of the next Plan is exclusive of the requirements of the fourth public sector steel plant to be set up at Bokaro, but takes into account fully the expansion of capacity contemplated in the respective programmes for thermal power and rail transport and in the various sectors of industry based on coal. Apart from the steel plants, the railways and the thermal power stations are the largest consumers of coal, with their requirements for the next Plan estimated at 22 million tons and 10 million tons respectively.

The target of 95 million tons represents an increase of 35 million tons over the Second Plan target of 60 million tons of coal. The actual difference, however, would be 41 million tons on the basis of 1960-61 production of 54 million tons.

The allocation of the additional production between the private sector and the public sector, it is understood, is now under examination. "At the same time, the policy laid down by Parliament in regard to the establishment of new and large mines of coal has to be followed. While, therefore, the private sector would be allowed the maximum scope for expansion within the limits of Government's Industrial Policy, the gap that would still remain will necessarily have to be filled by the public sector. In the assessment of this gap, the capacity of the private sector independently to raise resources for new capital investment would be a relevant consideration.

"During the next Plan, there will be at least two new washeries for the beneficiation of coal for the steel plants. These will be in addition to the washeries at Dugda, Pathardih and Bhojudih. The question of setting up a few washeries for the beneficiation of non-coking coal is simultaneously under examination."

EXPANSION OF STEEL PLANTS

The Government of India has entrusted the task of co-ordinating the work of the various organizations engaged in the detailed planning of the expansion of the three public sector steel plants to a Committee consisting of the following:

1. Resident Director, Rourkela Steel Works.
2. General Manager, Bhilai Steel Works.
3. General Manager, Durgapur Steel Works.
4. General Manager, Construction Division, Hindustan Steel Ltd.
5. A representative of the Ministry of Steel, Mines and Fuel in the Department of Mines and Fuel.
6. The Iron and Steel Controller.
7. A representative of the Ministry of Steel, Mines and Fuel in the Department of Iron and Steel. He will also be the convenor of the Committee.
8. A representative of the Planning Commission.

The Committee in discharge of its functions will take into account, among other things, the requirements of coal, iron ore and limestone as also electric power and water and of the need to develop the sources of supply of these along with the expansion of the steelworks proper. The Committee is now engaged in preparing reports on the working of the three steelworks, the supply of raw materials, technical personnel etc. It is also proposed to secure the services of some foreign experts on management who, among other things, will define the duties of the various technical personnel now engaged in steel-making in the public sector.

PIPELINE FOR GAUHATI, BARAUNI REFINERIES

An agreement has been signed between the Hindustan Steel Ltd., and the Burmah Oil Company (Pipelines) Ltd., for the supply of about 51,000 tons of high tension pipeline of 14" outer diameter (O.D.), valued at Rs. 6 crores. The pipeline is to be used to connect Gauhati with Barauni (a distance of 470 miles) where the second oil refinery to process Nahorkatiya crude oil is to be set up. It will be manufactured at the modern electric resistance weld pipe plant now being erected at Rourkela at a cost of about Rs. 4 crores. This plant is being supplied by Mannesmann, of Germany, leading manufacturers of pipe-making plants as well as pipes.

The pipe plant will be commissioned into operation in September. When in full production, it will turn out about 150,000 tons of pipes ranging from 8" to 20" O.D. per year, which will not only meet the full requirements of the country for this type of oil pipes, but would also leave a substantial surplus for export to the neighbouring countries. To supply the urgent requirements till the time the Rourkela plant goes into production, the Hindustan Steel Limited is arranging for the procurement of these pipes from Mannesmann, of Germany, and Stewarts and Lloyds, of the United Kingdom, in exchange for pig iron, steel ingots and steel slabs produced by it.

The British engineering firm of W. H. Allen, Sons and Company Ltd., of Bedford, has received a contract to supply the accessories for the pipeline, namely, diesel engines, dual-fuel engines, and diesel-engine-driven generating sets with their associated switchgear. A total of 51 Allen engines are to be supplied; 30 for pumping duties in nine stations and 21 for electricity generation in seven power stations. The contract is valued at £600,000 and was placed by the Burmah Oil Company (Pipelines) Ltd., on behalf of the Oil India (Private) Ltd. The pipeline is expected to be fully in operation during 1962. Delivery of the Allen engines will start in about three months.

BRIEFS

The Government of India has decided to increase the capacity of the proposed alloy steel plant from 40,000 tons to 80,000 tons annually and has directed the Engineering Consultants, Dastoor and Company, to prepare the Project Report accordingly.

*

The Johnson group of companies, of Sweden, has agreed to form an Indian company with Tatas for the production and sale of machinery for the pulp and paper industries. The new company will be called Tata-Johnson (Private) Ltd. On licence basis, it will manufacture in India the same machinery for the paper industry that is now being produced by Karlstads Mekaniska Werkstad (KMW), a member of the Johnson group.

*

The scheme of the Ford Motor Company, of Canada, for the manufacture of Ford tractors in India is being considered by the Union Government along with several other proposals for producing tractors in this country.

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WORLDGRAM

India

Bio-gas and Bio-fertiliser Producing Plants: An agreement was signed recently between the Government of India and Chemolimpex, the foreign trade company for chemical products of Hungary, for the setting-up of bio-gas and bio-fertiliser producing plants. Under the terms of the agreement, the Chemolimpex will furnish the Government of India with technical data and designs and also provide technical staff for the installation of these plants. To begin with, two pilot plants will be established. One will be located at the National Sugar Institute, Kanpur where bagasse will be utilised. Another bio-gas plant will be established at the Agricultural Research Institute, Delhi, and this will utilise cowdung and other agricultural wastes.

*

Manufacture of Typewriters: Production of typewriters in India rose from 13,420 in 1956 to 21,437 in the last year, stated Mr. Manubhai Shah, Minister of Industry, in the Rajya Sabha recently. Mr. Shah stated that three units, all of which were in production had been licensed for the manufacture of standard typewriters. For portable typewriters, one unit had been licensed and this was expected to go into production shortly. The licensed capacity of the units producing standard typewriters was 33,000. For portable typewriters, the licensed capacity was 12,000. It was further revealed that typewriters in seven languages — English, Hindi, Bengali, Marathi, Gujrati, Assamese and Tamil — were being manufactured. As regards the import policy, Mr. Shah said that since October, 1958, no import of complete typewriters was allowed.

*

Paper Production: The Minister of Industry, Mr. Manubhai Shah revealed in the Rajya Sabha recently that the country was expected to become self-sufficient in paper during the Third Plan period, though in some special varieties small quantities might have to be imported. Mr. Shah, who was replying to a question by Mr. Dayabhai V. Patel, said that a large number of new units for paper production had been licensed during the current year, as a result of which the installed capacity would rise to 8.46 lakh tons per annum. During 1959, licenses under the Industries (Development and Regulation) Act were issued to three new paper mills. One unit had started trial production recently. The Minister added that, besides these units, a scheme for establishing another large-scale unit with a capacity of 20,000 tons per year, to be located in the Madras State, had been approved last year. Schemes for establishing 31 small units with a total annual capacity of 74,824 tons had also been approved in 1959.

*

Ambar Charkha: On December 31, 1959, there were 3,238 production centres, 61 'vidyalayas' for training instructors, 17 'vidyalayas' for training carpenters and 108 large and 485 small 'sarajam karyalayas' for manufacturing ambar charkhas. In addition, there were a number of centres for training of spinners, which was imparted on a completely decentralised basis. Out of 2,82,499 ambar charkhas distributed to spinners from April 1956 to December 31, 1959, it was estimated that about 1,17,000 ambar charkhas were being plied. No ambar charkha had so far been manufactured for spinning wool. Research was, however, being conducted to evolve an improved charkha for this purpose.

China

Agricultural Development Programme: The Chairman of the Peoples' Republic of China has promulgated a comprehensive 12-year national agricultural development programme for increased production of foodgrains and other crops and also stipulating improvements to be carried out within that period in a number of other spheres covering virtually all aspects of rural life. The most significant aspect of the programme is the accent placed on increasing the yields of foodgrains. In areas with hitherto low yields, grain production is to be more than doubled within 12 years, while in areas which have enjoyed higher yields it is to be doubled. For example, in areas north of Yellow River, Tinling Mountains and the Pailung River, the average annual grain yield per mou (fifteen mou make one hectare)is to be raised from 150 catties (2 catties make one kilogramme) to 400 catties, in areas between Yellow River and Huai River, from 200 catties to 500 catties and in areas south of Huai River, Tinling mountains and Pailung River from 400 catties to 800 catties.

U.S.S.R.

Thermal Power Station to be Built in Lithuania: A large thermal power station will be built in Lithuania. The station will generate 12 times as much electricity as the Kaunas hydropower plant on the Niemen River which has attained its full capacity. The Lithuanian thermal power station will be fired with Ukranian natural gas which will come over a branch of the Dashava-Minsk-Kaunas-Riga gas pipeline. It will feed electricity into the north-western arc of the integrated power grid of the USSR. The station will be built to the extent of 90 per cent out of prefabricated reinforced concrete elements. Owing to high-speed construction methods the first unit will start generating current between 1963 and 1965.

France

Three New Sugar Mills for Russia: Societe Five-Lille-Cail has signed a contract in Moscow for delivery of three complete sugar mills to Russia, with a capacity (each) for processing 5,000 tons of sugar beets per day into refined sugar and by-products. Operations of the plants should start in early 1963. Societe Five-Lille-Cail signed the contract as pilot-contractor for a group of French manufacturers who are constructing the necessary equipment with a total weight of 26,000 metric tons. The order represents a total amount of nearly 35 million dollars.

U.K.

New Marshalling Yard: A new £2,500,000 marshalling yard at Margam, Wales, with extensive automatic equipment, has been opened by British Railways. Covering 170 acres and comprising 33 miles of running lines and sidings, it has taken more than two years to build. It is claimed by Sir Brian Robertson, chairman of the British Transport Commission, to be the most modern railway marshalling yard in Europe. It is a two-way yard, capable of dealing with 4,500 wagons daily and with 220 trains in and out each day. Latest electronic techniques, including radar and computers are used. Operations are directed from a control tower manned by two panel operators.

*

Commonwealth Students in the United Kingdom: The following analysis of students from other Commonwealth nations and the Federation of Rhodesia and

Nyasaland, enroled for full study or full time research in UK Universities at the beginning of the academic year 1959-60 has been prepared in the office of the association of universities of the British Coomonwealth from information supplied by the university registrars and will form part of an Appendix to the 1961 Commonwealth Universities Yearbook published by the association.

	Total	Male	Female	Post-Graduate	Under-Graduate	Agriculture & Forestry	Arts	Dentistry	Medicine	Pure Science	Technology	Veterinary Science
Australia	338	301	37	253	85	8	119	11	94	67	36	3
Canada	458	400	58	330	128	1	238	2	55	85	77	—
Ceylon	224	198	26	129	95	7	69	11	71	35	27	4
Ghana	354	336	18	50	304	23	138	20	121	16	28	8
India	1,476	1,323	153	763	713	28	409	8	161	205	659	6
Malaya	262	230	32	40	222	16	65	8	76	20	74	3
New Zealand	119	108	11	89	30	4	41	4	25	36	7	2
Pakistan	435	396	39	248	187	9	165	—	60	90	109	2
South Africa	343	314	29	170	173	5	119	27	70	61	56	5
TOTAL	4,009	3,606	403	2,072	1,937	101	1,363	91	733	615	1,073	33
Federaton of Rhodesia and Nyasaland	133	116	17	28	105	8	47	1	33	19	14	11

U.A.R.

New Five-Year Oil Policy: A new oil policy covering the next five years has already been worked out in co-operation with the companies now operating in both regions of the Republic. The policy will not only ensure self-sufficiency in all petroleum products except gas-oil but would also provide a surplus of such products for export purposes. Under the same policy, as much as 120,000 tons of benzine would be converted into chemicals. No exploration or prospection equipment will be imported over the next five years; adequate supplies of such equipment having already been imported as part of the first oil development plan. The only exception will be the import of two rigs for drilling. It is further envisaged to set up a new plant for the production of fuel oil. The Agrud-Cairo pipeline will also be replaced by 10" pipes, thus enhancing its transportation capacity to about two million tons per annum. It has also been decided to set up a new plant at the Alexandria Refinery of a total productive capacity of one million tons per annum. The project will cost £E. 831,486 of which £E. 53,934 will be provided in foreign currency. It is scheduled to be completed in December.

Iraq

Assistance for Shipyard Project in Basra: The 'Tekhnoexport' foreign trade organisation and the Ministry of Public Works and Communications of the Republic of Iraq have signed a contract for surveying and designing work for the shipyard project in Basra, South Iraq. Under the contract, the shipyard will annually turn out ten 400 h.p. self-propelled craft and as many tows. Soviet specialists are to be sent to the Iraqi Republic to share in the job.

Switzerland

Switzerland Third Among Foreign Investors in Brazil: According to figures published by Brazilian authorities, foreign investments in Brazil in the form of machinery and other capital goods, without advance deposit, totalled $310 million for the period 1955-1958. With $23 millions to her credit, Switzerland is in marked advance on countries like France ($13 million), Great Britain ($ 11 millions) Canada ($9 millions), Japan ($9 millions) and Italy ($6 millions). During these four years, the United States naturally kept their dominant position with investments aggregating $161 millions. Germany, taking second place before Switzerland with $56 millions, has increased hers remarkably (from $5 millions in 1955 to $30 millions in 1958).

Poland

Precision Instrument Factory for India: Work on the preparation of technical details for the production of meters in a fctory now under erection with Polish assistance in India is well advanced. The Polish precision Instrument Works at Swidnica (Lower Silesia) has undertaken the job. The new factory, which is being constructed in a suburb of Bombay, will produce about 60,000 metres a year.

Austria

Power Stations: Austria today can point with pride to 62 large power stations, 50 of which are hydro-electric, in the Alps and in the Danube valley. Among the hydro-electric stations are giant affairs such as the two-stage Glockner-Kaprun plant in the Alps, or Ybbs-Persenbeug on the Danube, with a capacity of 332,000 and 162,000 kilowatts respectively. In 1959 the total output of Austria's power stations was 14.75 billion kilowatt-hours, of which hydro-electric plants accounted for 10.94 billion, and thermo-dynamic plants for 3.81 billion. Austria exported one-sixth of this total, some 2.48 billion kilowatt-hours, to neighbouring countries, so keeping her leading position in Europe as an exporter of power.

Czechoslovakia

Trade Agreement with Hungary: A trade agreement signed between Hungary and Czechoslovakia provides for a 60 per cent increase in exchange by 1965. The long-term agreement for 1961-65 is valued at 4.7 million roubles. The country will increase its deliveries of tractors, agricultural machinery, passenger cars and lorries, equipment for the chemical and rubber industries. Hungary will supply types of agricultural machinery which this country does not make, gas turbines, diesel trains, consumer goods and other products.

United Nations

Basic Agreements with the U.N. Special Fund: Twenty-three countries have now signed basic agreements with the UN Special Fund, setting out the rights and obligations of both parties regarding aid which might be provided through the Fund. The latest two nations to sign were Italy and Morocco, on 1st and 6th April, respectively. The first signature came from Ghana, last August and the other twenty signatories are: Afghanistan, Argentina, Bolivia, Chile, Colombia, Ecuador, France, Greece, Guinea, India, Iran, Israel, Jordan, Pakistan, Peru, Poland, Turkey, the United Arab Republic, the United Kingdom, and Yugoslavia.

NEWS IN BRIEF

INDIAN

The National Chemical Laboratory, Poona, has developed a simple process for the preparation of water dispersible DDT for insect control purposes.

*

The Minister of Industry, Mr. Manubhai Shah revealed in the Rajya Sabha recently that the country was already self-sufficient in regard to radio sets and that there had been a total ban on imports since October, 1957. Some parts and components to the extent of 35 to 40 per cent of the ex-factory value of a radio, however, were allowed to be imported.

*

It is reported the intensive agricultural district programme known as "Package Programme" originally planned for one district each in seven States will now be extended to other States also.

*

Thirty-four industrial estates were functioning in the country as on January 1, 1960. The number of factories working in these estates totalled 432.

*

During the half-yearly licensing period October, 1959-March 1960, the Import Trade Control Organization received a record number of 2,12,296 applications for import licenses.

*

The State Trading Corporation of India is organising, in collaboration with established manufacturers, a drive for promoting the export of Indian-made food products, biscuits and confectionery in markets of West Asia and Europe.

*

The total electricity produced by public utility power stations in India in December, 1959 was 1299.7 million kwh of which 1046.9 million kwh were sold to ultimate consumers.

*

According to an Import Trade Control Public Notice, the last date for submitting applications from newspaper establishments and quality printers for import of printing machinery is May 10, 1960. Originally, the last date for receipt of applications was August 15, 1960.

*

The Road Transport Productivity Team sent abroad by the National Productivity Council has recommended the reorientation of policies to eliminate all practices and regulations inhibiting expansion of road transport.

*

The Minister of Industry, Mr. Manubhai Shah, announced in the Rajya Sabha recently that a Committee to examine the manufacture of agricultural equipment in the country was being appointed shortly.

*

It is reported freight charges on imports paid to foreign shipping companies during 1956 amounted to Rs. 77,50 lakhs. The freight payments in the four previous years were Rs. 99,94 lakhs (1957), Rs. 66,57 lakhs (1956), Rs. 43,06 lakhs (1955) and Rs. 33,47 lakhs (1954).

*

The Government of India have revised the rules relating to the procedure for the issue of share certificates by companies. Under the revised rules, the issue of share certificates in exchange for those which are sub-divided or consolidated has been exempted from the requirement of prior approval of the Board.

FOREIGN

A new move to help British engineering firms to sell their products overseas on extended terms and which could also be of help to oversea buyers in markets where there may be payments difficulties has been announced by the Export Credits Guarantee Department in London.

*

In 1959 the Austrian industry produced some 72,000 television sets and 372,000 radios as compared with 54,000 television sets and 276,000 radio receivers manufactured in 1958.

*

West Germany's biggest chemical companies, the three I.G. Successors, expect to invest about DM 1,000 million this year. The sum is divided almost equally between the three, B.A.S.F., Bayer and Hoechst.

*

Chilean copper production in March totalled 44,515 tons, compared with 39,313 tons in February and 40,361 tons in March last year.

*

It is reported Russia is designing vertical-take-off aircraft for short-range commuter and urban transportation.

*

The Mauritius Government has announced basic changes in the tax structure under which import duties will go up on luxury goods such as cars, champagne, wine, whisky and tobacco. In addition, income-tax law is being modified to prevent tax evasion.

*

According to the Association of Purchasing Agents, a further improvement in Canadian manufacturing and processing activity took place in March.

*

The Senate Foreign Relations Committee has approved President Eisenhower's request for $172 million for direct technical aid to underdeveloped countries. The request for $33 million for the UN technical assistance programme was also approved.

*

Spanish customs duties on liberalised imports of nitrogen fertilizers have been substantially increased. The new duty is 15 per cent ad valorem, plus 240 current pesetas per metric ton, and is designed to protect the local industry against dumping.

*

An entirely new man-made textile fibre has come on to the Italian market. It is called Meraklon and has been developed by the Montelatini Chemical Group.

*

They Ceylon Government has decided to raise a Rs. 35 million loan at 3½ per cent for development work. It will be 16 to 20 years loan issued at par and repayable at par.

COMPANY AFFAIRS

SVADESHI AND TATA MILLS

Mr. Naval H. Tata, Chairman of the two companies, while making a reference to the memorandum submitted by the Indian Cotton Mills' Federation to the Union Government, pointed out that the per capita consumption of cloth in the country would rise from 17.5 yards in 1961 to 20.3 yards in 1966. It was, of course, assumed that the offtake of cloth would increase 'pari passu' with the rise in the consumption which was estimated to go up by 16 per cent during this period. In 1966, India, with an estimated population of 434 millions, would need 8,810 million yards of cloth for domestic consumption. After allowing for a provision of 800 million yards for exports, the aggregate production target would be of the order of 9,600 million yards. The Federation, therefore, suggested to Government that the production targets for the three sectors — Mills, Handlooms and Powerlooms — be determined on the basis of their performance in 1961. If this recommendation is accepted, the estimated production from the organised sector of the textile industry would be about 6,300 million yards per annum at the end of the Third Plan. It would be interesting for the authorities to study how far this large additional production could be met by intensive operation of the industry through three shifts working after due balancing of the existing plants.

During 1959 the cotton textile industry almost recovered from the depression it had to face in 1956. This is amply proved by the results of the Svadeshi Mills Co. Ltd., and the Tata Mills Ltd. Both the companies experienced increased offtake of cloth, the higher prices realized on the sales and the export incentive schemes under which the two companies were able to import their requirements of raw materials particularly foreign cotton at lower prices. The profits of both the companies show a sizable improvements over the previous year.

The gross profit for the year ended December 31, 1959, of the Svadeshi Mills Co. Ltd., was recorded at Rs. 44.46 lakhs against Rs. 27.69 lakhs during the previous year. After providing for depreciation, taxation and development reserve, the net profit comes to Rs. 13.04 lakhs. The Directors have recommended the payment of a dividend at the rate of Rs. 14 per ordinary share which is subject to deduction of tax at source. On preference shares the dividend is proposed to be paid at the rate of Rs. 5 per share.

In the case of the Tata Mills Ltd., the gross profit for the year comes to Rs. 24.98 lakhs which is significantly higher than the previous year's Rs. 2.2 lakhs. A sum of Rs. 12.61 lakhs has been separated towards depreciation and Rs. 6.5 lakhs towards development rebate. The Directors have recommended a dividend on ordinary shares at the rate of Rs. 2.50 per share which will absorb Rs. 6.56 lakhs, the sum which is proposed to be transferred from General Reserve No. 1.

Both the companies have decided to modernise their mills as early as possible by replacing obsolete and inefficient equipment by latest machinery. In view of the fact that the cotton textile industry has to face competition, it is very necessary that modernisation of the mills is carried out without any further delay.

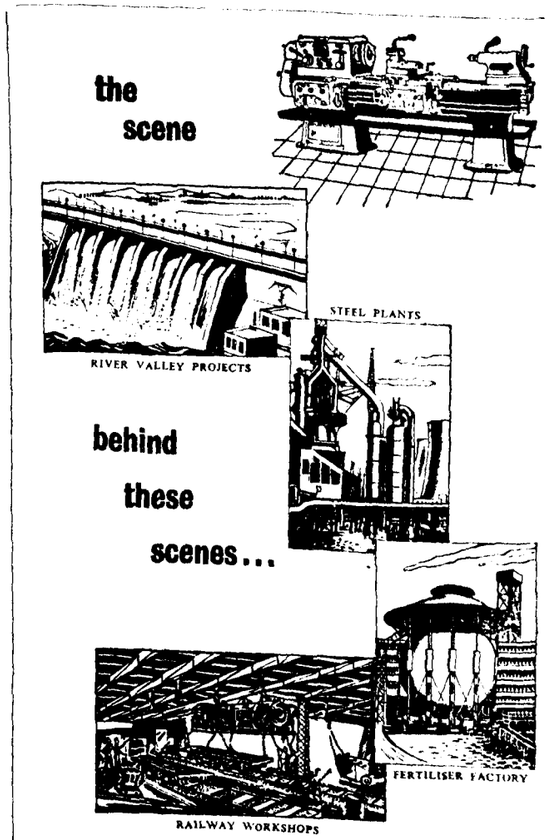
TRANS WORLD AIRLINES INC.

Trans World Airlines, Inc. earned a consolidated net profit of $9,402,000 in 1959 compared to a net loss of $1,764,000 the year before. Gross revenues of $348,458,000 were the highest in TWA's history and show an increase of 22 per cent over the year before. The increase resulted from carrying 25 per cent greater volume of traffic while increases in operating expenses were held to 17 per cent. The economies were accomplished despite higher labour rates and costs of materials and services which boosted operational figures. The overall profit made by TWA during the year was $17,263,000 before taxes.

The improved results were accomplished though an increased loss was suffered in the international division and in fulfilment of a Military Air Transport charter contract. The president of the company announced that TWA will introduce the first fleet of Convair 880s on domestic jet routes during the coming summer, releasing the Boeing intercontinental long range Superjet liners for international travel. He added that TWA had major plans for expansion on its participation in the cargo market by adding several 1649A Constellations. TWA was studying plans to introduce jet cargo flights at a later date.

	1959	1958
Total Revenues	$348.458.000	$284.841.000
Net Income after taxes ..	9.402.000	1.764.000†
Net Income per share. ..	1.41	26 cents†

† Loss.



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COMMODITY NEWS AND NOTES

ALL-INDIA FINAL ESTIMATE OF BLACK PEPPER, 1959-60

The All-India Final Estimate of black pepper, 1959-60 puts the current year's area and production at 232,000 acres and 25,400 tons as against the Partially Revised Estimates of 230,100 acres and 15,500 tons respectively for 1958-59, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. The increase in acreage during the current year is due to the increase in area in Kerala State attributed to favourable weather conditions at the time of sowing. There has, however, been a slight decrease in acreage in Mysore State. The nominal decrease in production of black pepper during the current year is accounted for by Kerala State, which may be attributed to unfavourable weather condition at the time of flowering and growing period of the crop.

ALL-INDIA FINAL ESTIMATE OF DRY GINGER, 1959-60

The All-India Final Estimate of dry ginger, 1959-60 puts the current year's area and production at 37,000 acres and 13,400 tons respectively, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. As compared with the Partially Revised Estimates of 35,700 acres and 12,300 tons for 1958-59, the Estimates for 1959-60 show an increase of 1,300 acres or 3.6 per cent in area and 1,100 tons or 8.9 per cent in production. The increase in area under ginger during the current year as compared to the previous year is accounted for mainly by Kerala, the main ginger producing State and Bombay and is attributed to favourable weather conditions at the sowing time. The increase in production is shared mainly by Kerala and Madhya Pradesh and is attributed partly to the increase in acreage and partly to favourable weather conditions during the growing period.

INDIA BURLAP PRICES INCREASED SHARPLY IN NEW YORK

Continued lack of rain in Indian producing areas, late planting and an increase in purchases by other countries have resulted in sharp price increase in New York by importers of Indian burlap. According to a report in 'Journal of Commerce', supplies of burlap are running short at present which may cause prices to increase further.

The commercial daily reported that supplies of burlap at New York "are tightening up at an active pace as buyer interest has picked up." Traders have increased their buying in order to cover their needs before additional price advances are made. The heavy weight burlap was boosted to 11.75 cents per yard in New York while the afloat price was increased ten points to 11.50 cents per yard. Shipment prices were lifted sharply with April at 11.30 cents and May and June at 11.35 cents. This is an advance of 35 points on all positions, the journal said

PRODUCTION OF COPPER ORE IN INDIA

The production of copper ore during January-February 1960 was 66,778 metric tons as compared to 65,091 metric tons in the corresponding period of the preceding year, according to the Indian Bureau of Mines. The entire production was reported from Singhbhum district of Bihar State. The production of copper metal during the same period was 1,407 metric tons as compared to 1,086 metric tons in the corresponding period of 1958. This represents an increase of about 29 per cent.

WOOL RESEARCH INSTITUTE FOR RAJASTHAN

Inaugurating the second All-India Sheep and Wool Development Officers' Conference on April 18, Mr. Nathuram Mirdha, Rajasthan's Minister for Agriculture and Animal Husbandry, said that a Central Sheep and Wool Research Institute would be established in Rajasthan during the Third Plan. Officers from 12 States attended the Conference. Mr. Mirdha, reviewing the progress in Rajasthan, said that a sheep research farm, a wool testing laboratory at three different centres, more than 100 extension centres and many community shearing sheds had been set up recently. A research fellowship had been instituted for conducting investigation into the problems of the sheep and wool development. Rajasthan has nearly 20 per cent of total sheep population producing 45 per cent of the total wool output of India. Sheep farming provides supplementary income to the population of the central parts of the State while it is the mainstay of the rural population of the western parts of Rajasthan.

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Company Meetings

UNITED BANK OF INDIA LIMITED

Extracts from Speech Delivered by Dr. N. N. Law, Chairman, United Bank of India Ltd.

Addressing the Shareholders, at the Tenth Annual General Meeting of the Bank, held on the 25th April, 1960, Dr. N. N. Law said:

"The economy of the country is entering an important and crucial phase. In this the last year of the Second Plan, preparations are afoot for launching the Third Plan which, it is hoped, will mark the achievement of the self-generating stage in India's economic development. In this context, I take your leave to make a few observations bearing upon the banking system generally, before I proceed to present your Bank's balance sheet for your consideration.

THE TREND IN BANKING

Despite the strains and stresses that banking in India has had to contend with during the 1950s, its contribution to the developmental effort of the Nation has not been insignificant. There has been a marked growth in deposits as well as in advances; more areas have been provided with banking facilities; banking habit has been further stimulated; finance for foreign trade, in addition to the growing demand for inland trade and industry, has been provided; and Government borrowings have been supported.

OPERATING EXPENSES

The growth of the banking system has, however, been inhibited by the rising operating expenses, a factor which has cut into the already thin margin of bank profits. Between 1950 and 1958, the ratio of operating expenses to deposits has, in the case of Indian scheduled banks, gone up from 2.97 per cent to 4.24 per cent. This means a rise of about 43 per cent as against a rise of 29 per cent in the ratio of operating earnings from 3.84 per cent to 4.96 per cent.

Operating expenses comprise mainly (a) cost of deposits and (b) establishment charges, over neither of which has the banking system been left with any appreciable measure of effective control. Firstly, in regard to the cost of deposits, while it is true that the upward trend in the rate of interest on deposits was checked by an inter-bank agreement in 1958, it cannot be said that the average cost of deposits has since been appreciably brought down in-as-much-as in recent years the pattern of deposits, with a preponderance of time deposits has remained unchanged; in 1959 time deposits constituted 60 per cent of the total deposits of Scheduled Banks as against 33 per cent in 1950.

Secondly, in regard to Establishment charges, these are mounting from year to year and have for some time been quite outside the control of the banks. While there has been, in recent years, appreciable increase in the overall remuneration of bank workers, it can by no means be said that there has been a corresponding improvement in their productivity. I appreciate the difficulties experienced by all workers and fixed-income groups, during a period of rising prices. But in a fast developing economy, it is the lot of all citizens to bear such hardships. Unless there is a determined effort to increase productivity and unless an increase in remuneration is linked to a corresponding increase in output, the circle of wage rise and cost inflation would continue unbroken. I would, therefore, appeal to all workers and particularly to the bank employees, to appreciate the situation and extend their wholehearted co-operation in an endeavour to improve the standard and norm of production.

While on the subject of operating expenses, I want to sound a note of warning against the dangers of a situation, in which, to meet the growing expenses, banks are reluctantly forced to seek increased earnings by a quick rise in their Advances. Expansion of bank credit, when occasioned by development efforts, may be a necessary feature in the process of economic growth, but it becomes a different matter when a rise in advances is sought for the purpose of meeting the disproportionate increase in the banks' operating costs. An enquiry into the manner in which, and the extent to which, the rising operating expenses have so far been absorbed, and whether the process has not adversely affected the banking system and the sound growth of the national economy, would prove to be a very useful study.

OPERATING EARNINGS

The imbalance between rising operating costs and comparatively less elastic operating earnings, has acquired the dimensions of an international problem. It is instructive to note that despite significantly high service charges of the American banks, the Vice-President of the American Bankers' Association has, in a recent address, thought it fit to emphasise the necessity of educating the banks' customers with a view to further passing on the incidence to them. The banks in India are now faced with a similar problem of improving their earnings without much altering their pattern of assets.

Besides meeting the rising costs, the banking system must have a better pattern of earnings to be able to provide better and newer services. Owing to the interplay of various forces, domestic and international, it has become necessary for the banks to organise and increasingly develop departments which earn no profit for them, such as Economic research, methods and systems research, cost analysis study of specific industries etc. Faster expansion of branches would also require ability to bear losses on the new branches. Again, adoption of new techniques of advances, to meet the requirements of the economic development efforts, needs to be backed by a better built-in cushion.

MONETARY POLICY

Having discussed some of the aspects of the trend in Indian banking, I now turn to an important monetary measure recently introduced in this country.

Any step, which is expected to restrain inflation, the most crippling force in an economy, would be welcome even when it is taken in anticipation. While introducing such a measure, however, it is necessary to ensure a proper spread of its incidence over the different segments of the economically active people. Complexity arises when, for reasons of inability or expedience, the attack cannot be directed at the source or the sense of equity cannot be allowed to prevail.

It is in this context that the directive, issued in early March this year, by the Central Banking authority, has to be judged. Banks are now required to maintain with the Reserve Bank, as cash deposit, 25 per cent of any increase in deposits accruing after March 11, 1960, in addition to the requirement of the usual statutory deposits at 2 per cent of the Time and 5 per cent of the Demand liabilities. Although such measures were adopted before in other countries of the world, when occasion arose, the present directive is the first of its kind in imposing quantitative restriction on the use of bank resources in this country.

The purpose for which this step has been taken, is, according to the statement in the press, to meet the situation arising out of substantial liquidity in the banking system, expansion of money supply and bank credit and their impact on the price level. With regard to liquidity of banks, early in March this year, the Advances-Deposits ratio of all scheduled banks including the State Bank of India was 56.66 per cent. If the figure for the State Bank (31.01 per cent) is isolated, the ratio of other scheduled banks would stand at over 69 per cent about the date when the directive came into effect. If the amount of about Rs. 300 crores of the P.L. 480 counter-part funds lying with the State Bank in deposit, (and which is stated to have been entirely invested in Government Securities) is isolated from its total deposits of about Rs. 614 crores, the advances ratio of that bank to the net figure, will be of the order of 60 per cent. If this figure is taken with the figure of other scheduled banks, the overall ratio of all scheduled banks would be around 67.4 per cent.

As for bank credit, expansion may be allowed as far as the productive requirements of the economy would warrant. In a fast developing economy there is need and scope for flexibility of approach in this regard. The impact of bank credit on the price level, at the present time, is at best insignificant. A major contributor to a cost inflationary trend is the impact of a disproportionate rise in wages. It is our view that wage rise, as it is taking place today, is completely dissociated from the realities obtaining in the life of the masses as a whole. In such a situation, I wonder how far the effect of such non-monetary causes can be neutralised by monetary measures, particularly when the latter cover only a small portion of the total economic activity of the country, — the bulk remaining outside the channels comprising the organised money market. On the other hand, a substantial expansion of the banking system can be an important corrective, and this, we think, needs real encouragement.

Future will answer whether or not the step taken has been much ahead of its time and whether the context in this country was or was not the same as those in which such steps were taken in some other countries. It must, however, be admitted that, if any monetary measure is at all indicated, it is more welcome in its present form than in the form of other conventional restraints. If this measure will succeed in keeping the prices under control, and holding the value of the Rupee, and not aggravate the situation by hampering production, the step will have been justified and the banking system will have no complaints.

BANK'S PROGRESS

I now draw your kind attention to the Bank's Accounts for the past year, which have been in your hands for some time. The results depict yet another year of progress. Deposits have gone up from Rs. 43.54 crores in 1955 to Rs. 47.68 crores. There has been a slight decrease in advances by Rs. 12.2 lakhs to Rs. 27.51 crores. More foreign exchange business was transacted during the year as compared to the previous year. Against the background of general economic growth, the eastern part of the country suffered considerably, during the year under review, from flood and excessive rain. Having a large number of offices in this affected area, your bank could not but feel the repurcussion. Judged in this context, therefore, the progress achieved has been both satisfactory and encouraging.

I feel happy to be able to report better operating results than in the previous year. The profit for the year under review has been arrived at after payment of bonus to the staff, an item which figured in the previous year as an allocation from the profit. Although your Directors are now able to recommend dividend at a gross rate of 4.30 per cent, on account of the Finance Act, 1959, the net rate at 3.01 per cent remains almost the same as before. At the recommended rate, payment of dividend will absorb Rs. 11,39 lakhs as against Rs. 7.83 lakhs in the previous year. It may be relevant to mention here that, the new pattern of Income-tax has further dug into the effective profits after taxes in the hands of the banks and the shareholders. As a result, there has been a noticeable decline in the value of bank shares with a few exceptions.

NEW BRANCHES

During the year under review, we opened four new branches at Barrackpore, Naihati, Kharagpur and Dum Dum. The new branches, along with the others, are making satisfactory progress. More branches will be opened during the current year and preparations for this purpose are in hand.

FINANCE TO SMALL-SCALE INDUSTRY

Welcoming the move taken by the Reserve Bank to introduce a scheme of guarantee to cover a portion of the losses that may be suffered by commercial banks in financing the small-scale industrial units, Dr. N. N. Law observed:

"However, in-as-much-as inadequacy of risk capital continues to be a major problem in financing the small business, the idea of establishing an Issue House to assist new floatations and offer facilities for sale and purchase of non-marketable equities, may also be considered at the same time."

He declared that the Bank, which has already been financing small and medium industrial and business units in large numbers, has now decided to organise a separate section at its Head Office to handle the small business loans with special attention." "This", he observed, "will enable us to better understand the problems of small-scale industries and to see how far the Bank may further augment its financial assistance to them."

PAKISTAN

Referring to the activities of the Bank's branches in Eastern Pakistan, he said, "In recent years the efforts at economic development in Pakistan have been receiving further momentum. The Government have rightly emphasised the priority of development of agriculture, and of small and medium industries based on agricultural produce. It is to be hoped that, efforts in this direction will draw wholehearted support from the people and enthuse them to inspired activity. Your Bank, through its branches in that country, will not fail

to make its utmost contribution, in its humble way, toward such developmental efforts."

With regard to developments in the field of banking, in Pakistan, Dr. Law referred to the report of the Credit Enquiry Commission, appointed by the Government of Pakistan in February, 1959, with Mr. Abdul Qadir, Governor, State Bank of Pakistan, as Chairman, and observed: "It will be out of place to discuss the Report here, but it is worth noting that the Commission has made a detailed study of the problems and has advanced suggestions which merit careful consideration. One of its recommendations is that the subsidy arrangements with the National Bank of Pakistan, for opening new branches, be extended by the State Bank of Pakistan to other Pakistani commercial banks. This is a very useful suggestion and we think that such a measure, if adopted here, would be welcome also in this country."

In this connection, reiterating the need for appointment of a Banking Expansion Commission in this country, Dr. Law said that such a Commission would serve the useful purpose of making a close examinaiton of the entire banking system and suggesting ways and means for further improvement and expansion on proper lines.

[Note:—This does not purport to be a record of the proceedings of the Annual General Meeting.]

KILLICK INDUSTRIES LIMITED

Chairman, Mr. A. N. Haksar's Speech

WE are meeting on the eve of an historic event, namely, the bifurcation of the present bi-lingual State of Bombay, and the emergence of the new Maharashtra and Gujarat States. We offer our felicitations and dedicated service to the two new States coming into being from 1st May, 1960.

The results of the Company for the year under review, although not fully satisfactory, are considerably better than we had reason to hope, having regard to the operating conditions faced by the different units coming under the banner of the House of Killick. The Managed Companies and other enterprises with which your Company is closely associated have had, in turn, their own specific problems, and these problems have been highlighted, in brief, in the Report. You may, however, wish me to elaborate some of these problems Industry-wise.

The progress of the group of Mills comprising the Kohinoor Mills Co. Ltd, has always been the primary concern of the Board of your Company and special attention was given during the year under review to grapple with the many problems faced by the Mills in an endeavour to bring them back to their old glory. I sincerely hope that the Mill Company has now turned the corner. The Mills' modernisation programme is well under way, and before the end of the current year, I trust the situation will have been stabilised so as to enable us to look forward with hope to operating results fully comparable with similar units in the Indian Cotton Textile Industry.

The Electricity Companies of Ahmedabad, Surat and Bombay Suburban under your Company's Agency continue to grow. With power planning in the country having set a target of doubling up of capacity in five years, these Electric Supply undertakings are, in common with other units in the industry, faced with even higher expansion programme during the coming years. The basic problem facing the Electric Supply industry today is the need for more and more development capital, the raising of which has been made more difficult by falling share values. The difficulties faced by this Industry are under review by the Authorities and there are hopes that a measure of relief will be forthcoming before the end of the current year.

The Shivrajpur Syndicate Ltd. under your Company's Agency is in good form in relation to its capacity to mine and deliver to the export market the targetted Manganese Ore. This Company's operating results in recent years have been circumscribed by the entry of the State Trading Corporation in the Manganese Ore trade. The problems inherent in the participation of the S.T.C. in the export of Manganese Ore will continue to cause a certain amount of uncertainty with which the Manganese Export trade will, it seems, have to reconcile itself. The Manganese Export trade must also have to contend with the vagaries of export demands which underline the need for freedom of action on the part of exporters to enter into forward commitments. The year under review was a very bad one for Manganese. Prices ruled much lower than the previous year and offtake was much smaller because of the American Steel strike.

It can be hoped that the Hingir-Rampur Coal Co. Ltd., which has had more than its share of troubles in the recent years, is on the onward march again. Production is steadily increasing and the Company is now showing regular profits.

The Steel Files Factory at Chandivli, while showing an improvement in its working as compared with the previous year, has not unfortunately shaken off the teething troubles referred to in the Chairman's speech on this occasion last year. Vigorous steps are being taken to reach the maximum productive capacity and to this end we have recently secured from the U.K. the services of a Works Manager with many years' experience in the Steel Files Industry. Efforts are also being made to obtain trained personnel for the various processes which comprise the making of the steel files, while orders have been placed for additional plant to alleviate bottlenecks which have arisen in our production. I am hopeful that with a few months we shall have this Factory geared to full production.

As indicated in the Report, the affairs of the two Subsidiary Companies, Killick Nixon & Co. Private Ltd., and Stamco Industries Private Ltd., are not yet satisfactory and, echoing the remarks in the Report, I can only repeat that earnest endeavours are now being made to rehabilitate these branches of your business. I hope next year will show a marked improvement.

Following the enactment of the Companies Act 1956, the Managing Agency Agreements with the three Electricity Companies, namely, Ahmedabad, Surat and Bombay Suburban, came up for renewal during the year and approval has been accorded for the renewal of these Agreements by the Government of India. The new Agreements, effective from April 1, 1960, have, in conformity with the proclaimed policy of Government, been renewed for a period of five years.

The Managing Agency Agreement with the Hingir-Rampur Coal Co. Ltd., has also been renewed for a period of five years from July 1, 1960. The remuneration applicable in the case of this Agreement is in line with the graded scale of commission recently announced by the Government of India.

With the Managing Agency Agreements with the Kohinoor Mills Co., Ltd., and the Shivrajpur Syndicate Ltd., having been renewed from January 15, 1957, and December 1, 1957, respectively, i.e., after the enactment of the Companies Act, 1956, they operate for a period of 10 years from that date and consequently these Agreements will come up for renewal only in 1967.

The Managing Agency Agreement with the Central Provinces Railways Co., Ltd., has also been renewed for a period of 10 years from January 15, 1957.

During the closing stages of the First Five-Year Plan and the early stages of the Second Five-Year Plan, your Company's operations were marked vigorous expansion programmes, the activities being either on its own account or related to the development of the managed Companies. There has also been a measure of joint enterprise in the expansion of the Associated Cement Companies including the participation in the A.V.B. project, and the planning and execution of the Snowcem project.

In what direction is your Company poised for expansion? Plans now under investigation are mainly intended to add new lines of business mostly involving investment in the Company's industrial estate at Chandivali. A large measure of responsibility also vests in your Company in relation to expansion in the Managed Companies. For instance, the Electricity Companies, which are highly capital intensive, would continue to impose greater obligations on your Company. The new Gujerat with its abundance of entrepreneurial talents and capital resources will call for more and more electric power and this call offers a challenge to the Ahmedabad and Surat Electricity Companies under your Agency for greater efforts. The past record of the House of Killick, which has pioneered power development in Gujerat, is an assurance of your Company's readiness to be of greater service to the new State. The tempo of power demand in the Bombay Suburban area would call for greater investment by Bombay Suburban Electricity Supply Ltd., which in turn would add to your Company's responsibility to raise further finance. Perhaps most of you are not aware of the fact that the Suburban Company now has 80,000 consumers connected and several thousands more awaiting connection.

And finally, but by no means of lesser importance, is the development of the Trading side of your Subsidiary, Killick Nixon & Co. Private Ltd. We have obtained several new Agencies which are already doing well and others are being negotiated. We have received Industrial Licences for the manufacture of Vibrators and certain other light engineering equipments and are now in the process of putting up a workshop for the manufacture of these items. Killick Nixon & Co. Private Ltd., has also entered the field of export of Piecegoods, and the performance in the last six months has been very good, and I hope will continue to be so.

In any expanding institution the need for capital to sustain development is an evergrowing one. For a large part of development finance in the recent years the Company has relied on Bank accommodation and this source is now being threatened to be limited by the recent credit control measures instituted by the Reserve Bank. While there can be no doubt that under an inflationary situation such as at present there should be guarded expansion of credit and stricter control over speculation, there can be no two opinions that Industrial Houses such as yours should have free access to credit so that genuine industrial development is not jeopardised. It is an accepted truism that a certain amount of inflation is inevitable in any economy poised for expansion, and in this context the fiscal planners should not lose their nerve over a reasonable rise in price levels in the crucial stage of the country's economic development. Your Company's difficulties have been forcefully placed before the authorities concerned, and we can only hope that the credit squeeze now in being will exempt appropriate cases.

The Accounts call for no specific comments but I shall only be too pleased to answer any queries which may be raised by shareholders.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting which will be sent separately to Shareholders.

THE INDIAN BANK LIMITED

Speech delivered by Dr. Rajah Sir M. A. Muthiah Chettiar of Chettinad, Kt., B.A., D.Litt., M.L.A., Chairman of the Fifty-third Annual General Meeting of the Bank held at Madras, on Wednesday the 20th of April, 1960.

Gentlemen,

I am grateful to you for the honour you have done me by once again electing me as Chairman of an Annual General Meeting.

The Directors' Report and the Balance Sheet of the Bank as on 31st December, 1959 and the Profit and Loss Account of the Bank for the year 1959 have been circulated to all the shareholders and have been in your hands for some time and I trust that I have your permission to take them as read.

GENERAL ECONOMIC CONDITION

Before commenting on the figures in the statements before you, I should like to make a few observations on the general economic conditions in the country. A marked increase in India's agricultural and industrial production, an improvement in the foreign exchange position, a reduction in budgetary deficits and a continued upward movement in price levels were the chief charactertistics of the year 1959. The index of agricultural production rose by about 17 points, while that of industrial production recorded an increase of 11 points. Favourable seasonal conditions were mainly responsible for the improvement in agricultural production but looking to the alarmingly rapid growth of our population, it is obvious that unless production increases vastly, economic progress in the country is bound to be retarded. An intensive drive to accelerate agricultural production to make the country self-sufficient is essential for sustained progress. In the sphere of industrial production, the output of capital and intermediate goods has greatly increased, while the iron and steel and other heavy industries recorded considerable improvement; greater progress in the consumer goods industries is still necessary.

Despite improvement in production, the general price level continued its upward movement. In a backward economy like ours, the maintenance of price stability is of utmost importance. Fiscal and monetary policies should therefore be co-ordinated with a view to ensure that further inflation does not set in.

We are now nearing the end of the Second Five-Year Plan. At one time there were apprehensions that the Second Plan could not be carried out according to schedule, but, happily, with the increased assistance from friendly countries, satisfactory progress has been made. The Third Five-Year Plan is to be an even more ambitious programme and will need foreign exchange of great magnitude for its completion. It is hoped that assistance of this magnitude will be forthcoming, especially as there is an increasing awareness in more developed countries of the need to help under-developed economies. Various visiting teams of experts in different fields of activity who have investigated the progress of the country have reported very favourably and the International Economic Mission headed by Sir Oliver Franks have also in their report favourably commented on the progress made by the country during the two Plan periods and have recommended further foreign aid. The visits to India of the Chief Executives of two great countries of the world and their satisfaction with what they have seen for themselves reinforce the hope that assistance to India will come in generous measure

EXPORT PROMOTION

The Government of India have in recent times been showing increasing awareness on the need to export more to earn much needed foreign exchange. They have adopted various measures with this laudable object in view but the one thing that will have a visible effect in this direction is by giving encouragement to the manufacturers and exporters to visit foreign countries to study at first-hand the needs of those people and adopt such measures as will promote more exports. We have to sell what other countries require and not what we have in surplus. I would, therefore, appeal to the Government to give due encouragement to manufacturers and exporters and also to other Trade Delegations to visit foreign countries to study at first hand the taste of those people, their customs and manners and to know the extent and nature of competition experienced by Indian commodities in those markets.

I must congratulate the Hon'ble Finance Minister, Government of India, for his masterly review of the economic situation prevailing in the country and for introducing a realistic budget for the year. His proposal to broad-base the taxation structure instead of imposing additional burdens on the same section of society has come as a welcome relief. With ambitious development plans on hand with a view to raise the standard of living, no Finance Minister can be free from the temptation of introducing new taxation measures. The Hon'ble Shri Morarji Desai, having made a critical study of the economic situation prevailing in the country, has introduced indirect taxes so that the effect of them will not be felt by any one section of the community alone. I am not at all unmindful of the hardships caused to the middle income and lower income groups of people and the strain that these new imposts will cause to them but the merit of these proposals lies in the fact that the industrial and other economic activities will be maintained and accelerated in the years to come and the results of such economic activity will percolate to the other sections of the society in due course.

You are all aware that some time back there was an expectation that the Bank Rate would be increased to offset inflationary tendencies. I am glad that such a step has not been taken. I have no doubt that if the Bank Rate had been increased, the price of Government securities would have reacted sharply. Apart from the reduction in value of the large holdings all Banks have of such securities, it would have seriously prejudiced the chances of success of the borrowing programmes of the Central and State Governments. As I stated earlier, we are embarking on a very ambitious Third Five-Year Plan and its success depends as much on our being able to raise sufficient resources internally as on our being able to secure foreign exchange. We know how satisfactorily the borrowing programmes of the Governments were fulfilled in 1959. We are also aware that recently large capital floatations have been oversubscribed. All this would not have been possible with a higher Bank Rate.

CREDIT CONTROLS

I would now like to make a reference to the question of credit controls by the Central Banking Institution of the country. The Reserve Bank of India imposed the first of their selective credit controls a few years back in respect of advances by banks against foodgrains as it was felt that the increasing price levels of foodgrains were due to speculative hoarding helped by bank financing. A similar control was imposed in 1959 in respect of groundnuts. It is said that but for these controls, prices would have gone to very high levels. It must be admitted, however, that the control of advances by commercial banks alone, leaving private financiers and co-operative Banking outside the scope of the directive, could only have a very limited beneficial effect.

Very recently, the Reserve Bank of India issued a directive to banks prescribing a minimum margin of 50 per cent on all advances against equity shares. It is no doubt necessary that speculative and inflationary activities should be curbed. At the same time, I feel that such control may also curb genuine investment activities and militate against the successful floatation of industrial concerns and the expansion of existing units. I would therefore suggest that the Reserve Bank of India may be pleased to exempt from the operation of their directive, advance made by Banks against shares registered in the names of the borrowers themselves or the banks making the advances. It is only the genuine investor who gets the shares transferred to his name or that of his bank. I am however, personally of opinion that such selective control to curb the price level in the Stock Exchange alone will not by itself serve the purpose as the forces that are at play outside the Stock Exchanges are likely to negative this effect to a large extent.

Simultaneously with the above directive, the Reserve Bank of India have issued another directive freezing 25 per cent of the increase in deposits after 11th March, 1960.It is too early to assess the effect of this measure. No doubt the Reserve Bank of India has agreed to pay interest equivalent to the average interest paid by each bank on total deposits. This, however, is not satisfactory enough as the present trend is for an increase in time deposits. This selective control therefore will increase the cost to banks on deposits.

WANTED: AN EXPERTS COMMITTEE

There is also a need for the appointment of a committee of experts for making a survey of the monetary system prevailing in the country and to report how far our programmes of development are related to the maintenance of a reasonable price level. I am glad that the National Development Council is seized of this problem and has appointed a Committee to enquire into the impact of development activities on the price levels prevailing in the country.

Turning now to the Balance Sheet of the Bank as on 31st December 1959, I would first draw your attention to the fact that the paid up capital of the Bank is now Rs. 83 lakhs including a small amount of Rs. 1,010 being unpaid calls. This figure has been reached by the issue during 1959 of fully paid bonus shares of the value of Rs. 16.60 lakhs.

The total of the Balance Sheet figures has registered an increase of Rs. 6.71 crores over the 1958 figures. Our deposits have increased by about Rs. 3 crores, of which the increase in fixed deposits is over Rs. 2.17 crores.

During the year 1959, we were able to utilise our funds more effectively than in the previous year and as on 31st December, 1959, the total of our advances reached the figure of Rs. 28.85 crores, which is an improvement of Rs. 5.70 crores over last year.

With the increase in our deposits, we have also increased our investment in authorised securities of the Central and State Governments by nearly Rs. 1.39 crores to Rs. 13.84 crores. In this connection, I would draw your attention to the fact that the difference between the market value and the cost price of our holdings is only Rs. 3.10 lakhs and even this small difference will disappear in 1961. All the securities held by the bank are terminable securities repayable at par mostly short dated, and are held in maturities on different dates, in accordance with the usual banking practice.

BANK'S PROGRESS

The Profit and Loss account of the Bank for the year shows that the gross income of the Bank has increased by Rs. 36.93 lakhs to Rs. 2.67 crores. The increase has been almost wholly accounted for by interest and discount. The net profit of the bank has, however increased only by Rs. 15.53 lakhs. Interest paid on deposits and borrowings has been higher by Rs. 8.72 lakhs and establishment charges have increased by Rs. 9.12 lakhs. The increased interest paid has been necessitated by larger deposits, the bulk of them being fixed deposits. The increase in establishment charges is accounted for by the annual increments payable to the members of the staff and the higher dearness allowances that had to be paid to them on account of the increased average cost of living index.

I hope that you will agree that the results of the working of the Bank for the year 1959 have been satisfactory.

I would now like to say a few words about the appropriations recommended by the Directors. The interim dividend and bonus already paid and a similar dividend and bonus now recommended together add up to 15 per cent. Under the present law, the Bank is bound to pay such dividend after deduction of income-tax payable thereon. The Directors are aware that the net dividend that will be received by the shareholders will be less than that has been paid to them in the last few years.

Shri D. P. Parthasarathy Ayyangar who had been in the service of the Bank for 32 years and was our Secretary for the last three years, availed himself of leave at the end of 1959 and retired from the service of the Bank on the 5th February this year. I would like to place on record the valuable services rendered by him to the Bank during his long tenure of office.

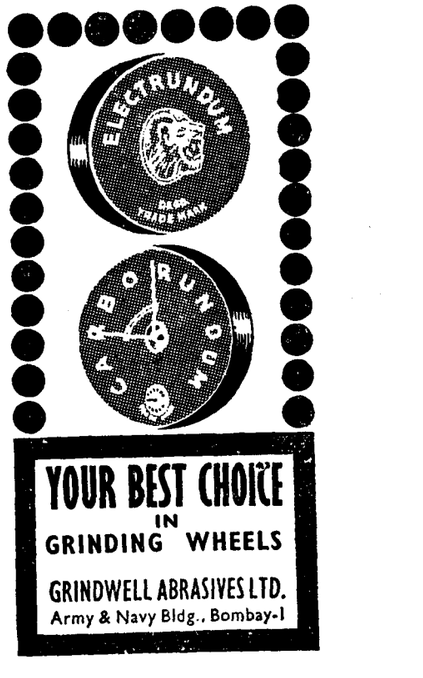
The Directors have appointed Shri G. S. Sundaram, a retired Officer of the State Bank of India as the Secretary of the Bank and he has entered upon his duties very recently. On behalf of all of you, I welcome him and hope that the Bank will show increased progress in all directions during his term of office.

Before I close, I must express our appreciation of the sincere and hard work put in by all members of the staff of the Bank during the year.

I have also great pleasure in expressing our gratitude to the members of the Local Advisory Board for their valuable advice and guidance.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

BANK
with confidence
Over 380 Offices spread across India and well established Overseas Agencies throughout the world.
Working Funds exceed Rs. 179 Crores
Deposits exceed Rs. 141 Crores
THE PUNJAB NATIONAL BANK LTD.
ESTABLISHED 1895
HEAD OFFICE: NEW DELHI



CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays	Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures: Intermediate Products	Manufactures: Finished Products	Manufactures: Total	All Commodities
1953-54 ..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55 .	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57 ..	102.3	84 3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58 ..	106.4	94.0	113.5	116.5	107.3	108 2	108.1	108.4
1958-59 ..	115 2	95.4	115.4	115.6	110.3	108.4	108 4	112.9
1959-60 ..	119 0	99.5	116.5	123 7	113.8	111.3	111.6	117.1
January 1959 ..	114.3	103.6	115 1	114.1	110.5	108.4	108.4	112.4
February ,, ..	115.7	104.4	115.9	115.5	110.6	108.1	108 5	113.3
March ,, ..	113.8	100.3	116.0	116.2	109.4	108.5	108 6	112 4
January 1960 ..	117.5	100.9	117 6	130 9	121.6	115.1	116.0	118.8
February ,, ..	118.8	96 0	117 4	131.6	120.5	115 6	116.2	119 5
March ,, ..	117.0	96.4	117.3	131.9	121.3	115.9	116.6	118.8
12-3-1960 ..	116.7	96.1	117.8	131.8	121.2	115.9	116 6	118 6
19-3-1960 ..	117.1	96.1	117.2	132.9	121.1	115.8	116 6	118.0*
26-3-1960 ..	116.5	97.1	117.3	132.0	121.3	116.0	116.7	118.6
2-4-1960 ..	116.3	96.5	118.9	132.3	122.6	116.4	117.3	118.7

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay: Bombay	Bombay: Bombay June 1934 =100	Bombay: Ahmedabad July 1927=100	Delhi: Delhi†	Bengal: Calcutta	U. P.: Kanpur	Central Provinces: Nagpur	Central Provinces: Jubbulpur†	Madras: Madras June 1936=100	E. P.: Ludhiana†	Bihar: Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—			105	104		106	—	—	—
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	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165	433	164	178	173
September	403	422	319	156	399	465	510	162	434	162	179	173
October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385*	460	509	168	441	164*	173*	168*
February	399	418	294	161	—	468	511	165	448	167*	167*	168*
March	—	—	—	—	—	—	—	—	446	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED: 8-4-1960 High	8-4-1960 Low	8-4-1960 Average	1-4-1960 High	1-4-1960 Low	1-4-1960 Average	25-3-1960 High	25-3-1960 Low	25-3-1960 Average	18-3-1960 High	18-3-1960 Low	18-3-1960 Average
Gold (per fine tola) ..	131.12	129 81	130.43	131.62	129 91	130 63	131.75	129.31	130.77	131.44	128.69	129.58
Silver (per 100 fine tolas)	217 31	215.12	216.14	217.62	216.44	217.04	218.00	216.87	217.38	218.06	216 00	216 98

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES: Notes in Circulation	LIABILITIES: Notes Held in Banking Department	LIABILITIES: Total Notes Issued (a)	ASSET: Gold Coin and Bullion (b)	ASSET: Foreign Securities (c)	ASSET: Total of (b+c)	ASSET: (b+c) as Percentage of (a)	ASSET: Rupee Coin	ASSET: Rupee Securities	ASSET: Total Assets
1953-54* ..	1,133.95	23,03	1,156,97	40,02	594,02	634,04	54 80	92,83	430,11	1,156,97
1954-55* ..	1,196 19	22,98	1,219.18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
1956-57* ..	1,476,77	18,75	1.494,52	40,02 (117,76)	545,61	595,63 (663,37)	39.95 (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
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
Average of Fridays										
January 1959 .	1,621,47	10 46	1,631,93	117,76	164,68	282,44	17.31	134,70	1,214,80	1,631,93
February ,, ..	1,660,09	16,85	1,676,94	117,76	174,68	292,44	17.44	132,22	1,252.28	1,676,94
March ,, ..	1,694,62	12,40	1,707,02	117,76	178,01	295,77	17.38	129,88	1,281,37	1,707,02
January 1960 .	1,766,07	14.42	1,780.49	117,76	163.01	280,77	15.77	130,31	1,369,42	1,780,49
February ,, ..	1,893,57	18.74	1,822.31	117,76	163,01	280.77	15.41	126,73	1,414,82	1,822,31
March ,, ..	1,836,41	16,64	1,853,05	117,76	163,01	280,77	15.15	124,00	1,448,28	1,853,05
Week-Ending										
11-3-1960 ..	1,837,40	8,67	1,846.57	117,76	163.01	280,77	15.20	123,69	1,442,11	1,846,57
18-3-1960 ..	1,841,93	14,51	1,856.44	117,76	163.01	280.77	15.12	123,74	1,451,93	1,856.44
25-3-1960 ..	1,844,90	21,94	1,866,84	117,76	163,01	280,77	15.04	124,14	1,461,93	1,866,84
1-4-1960 ..	1,864,53	6.33	1,870,85	117,76	163,01	280,77	15.01	128,17	1,461,91	1,870,85
8-4-1960 ..	1,896,77	12.40	1,909,17	117,76	163,01	280,77	14.71	126,49	1,501,91	1,909,17

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS: Central Government	DEPOSITS: Other Governments	DEPOSITS: Banks	DEPOSITS: Others	DEPOSITS: Total	Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad §	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	23,01	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	52,48	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
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
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
Avr. of Fridays														
January 1959 ..	56,88	29.42	72,41	116,18	274,88	80,27	440,15	10.52	12,68	28.85	26,49	88,18	262,21	11,20
February ,, ..	58,62	21.88	72,09	115,27	267,85	85,17	438,02	16,90	6,18	30,14	25,02	89,41	258,69	11,68
March ,, ..	55,82	24,53	68,84	117,73	266,92	90,90	447,81	12,47	7,22	34,98	23,79	104,21	253,15	12,00
January 1960 ..	54,26	23,94	81,53	120,76	280,49	86,67	452,19	14,48	39,44	46,55	21,53	106,74	210,48	12,93
February ,, ..	54 68	25,82	75,76	107.57	263.84	92,51	441.35	18,82	19,84	41,08	23,97	123,39	200,73	13,52
March ,, ..	54,20	41,86	83,07	96,73	275,86	110,21	471,06	16,71	18,36	33,02	25,06	143,45	220,44	14,03
Week-Ending														
11-3-1960 ..	50 64	29,76	71,63	95,04	247,07	102,91	434,98	8,74	7,48	32,27	29,49	135,61	207,49	13,91
18-3-1960 ..	52,62	60 45	85,84	97,27	296,19	117,29	498,43	14,59	27,58	31,96	20,64	155,12	234,51	14.08
25-3-1960 ..	63,15	42,97	92,90	100,10	299,12	131,34	515,46	22,02	33,60	34,11	22,34	156,54	232,58	14.26
1-4-1960 ..	73.49	35,34	79,02	104,62	292,47	137,82	515,29	6,43	49,25	25,50	27,81	143,52	248.18	14,61
8-4-1960 ..	62,33	5,57	86,60	98,32	252,81	122 29	460,10	12,49	53,53	24,57	34,24	112,01	208,45	14,81

* 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 of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities

COMPOSITION OF INDIA'S FOREIGN TRADE: 1958-59

Imports

(Rs. Lakhs)

Commodity	1958 (1)	1959 (2)	Variation of (2) over (1)
IV. MINERAL FUELS, LUBRICANTS AND RELATED MATERIALS			
Coal, coke and briquettes	9.25	6.76	—2.49
Petroleum, crude and partly refined	15,53.66	9,33.14	—6,20.72
Petroleum products	60,29.72	68,61.73	+8,32.01
Total for Section IV	**75,92,86**	**78,01.68**	**+2,08.82**
V. ANIMAL AND VEGETABLE OILS AND FATS			
Animal oils and fats	43.31	63.50	+20.19
Vegetable oils	3,84.38	3,86.03	+1.65
Total for Section V	**4,39.47**	**4,67.30**	**+27.83**
VI. CHEMICALS	**65,28.22**	**85,20.06**	**+19,91.84**
VII. MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL			
(a) Leather	45.76	40.87	—4.89
(b) Rubber	1,91.45	1,15.62	—75.83
(c) Wood and cork manufactures	55.96	42.69	—13.27
(d) Paper, paper-board and manufactures thereof	8,26.29	9,66.99	+1,40.70
(e) Textile yarn fabrics made up articles and related products	13,91.18	14,82.83	+91.65
Textile yarn and thread	1,05.27	1,19.21	+13.94
Cotton fabrics of standard type			
Cotton fabrics of standard type other than cotton fabrics	1,29.24	2,31.20	+1,01.96
Total for (e)	**17,16.47**	**19,45.77**	**+2,29.30**
(f) Non-metallic mineral manufactures, n.e.s.	6,41.48	6,66.70	+25.22
(g) Silver, platinum, gems and jewellery	82.51	81.07	—1.44
(h) Base metals:			
Iron and steel	97.80.23	84,01.32	—13,78.91
Copper	13,52.62	16,38.10	+2,85.48
Aluminium	5,99.77	5,93.72	—6.05
Tin	4,47.01	4,76.72	—2.29
Total for (h)	**131,54.49**	**120,11.78**	**—11,42.71**
(i) Manufactures of metals	19,22.43	24,09.47	+4,87.04
Total for Section VII	**186,36.83**	**182,80.95**	**—3,55.88**
VIII. MACHINERY AND TRANSPORT EQUIPMENT			
(a) Machinery other than electric	139,88.47	146,19.40	+6,30.93
(b) Electric machinery, apparatus and appliances	49,03.60	50,01.23	+97.63
(c) Transport equipment	59,47.96	70,42.26	+10,94.30
Total for Section VIII	**248,40.04**	**266,62.89**	**+18,22.85**
IX. MISCELLANEOUS MANUFACTURED ARTICLES	**16,96.50**	**14,55.29**	**—2,41.21**
X. MISCELLANEOUS TRANSACTION AND COMMODITIES n.e.s.	**6,18.22**	**4,44.37**	**—1,73.85**
GRAND TOTAL	**864,17.95**	**887,37.74**	**+23,19.79**

COMPOSITION OF INDIA'S FOREIGN TRADE: 1958-59

Imports

(Rs. Lakhs)

Commodity	1958 (1)	1959 (2)	Variation of (2) over (1)
I. FOOD			
(a) Live animals chiefly for food	3.88	0.59	—3.29
(b) Meat and meat preparations	2.05	2.24	+0.19
(c) Dairy products, eggs and honey	6,94.76	8,70.06	+1,75.30
(d- Fish and fish preparations	2,06.32	2,98.54	+92.22
(e) Cereals and cereal preparations	148,83.58	122,98.96	—25,84.62
(f) Fruits and vegetables	17,42.57	16,51.76	—90.81
(g) Sugar and sugar preparations	1.85	2.06	+0.21
(h) Coffee, tea, cocoa, spices and manufactures thereof:			
Coffee	0.26	0.29	+0.03
Tea and mate	8.73	0.39	—8.34
Spices	2,83.70	2,51.80	—31.90
Total for (h)	**3,05.43**	**2,67.87**	**—37.56**
(i) Feeding stuff for animals	0.18	0.51	+0.33
(j) Miscellaneous food preparations	20.69	81.29	+60.60
Total for Section I	**178,61.32**	**154,73.88**	**—23,87.44**
II. BEVERAGES AND TOBACCO			
Tobacco and tobacco manufactures	1,39.56	1,38.77	—0.79
Beverages	56.07	55.80	—0.27
Total for Section II	**1,95.63**	**1,94.57**	**—1.06**
III. CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS			
(a) Hides, skins and fur skins undressed	1,33.33	1,73.03	+39.70
(b) Oil seeds, oil nuts, and oil kernels	10,48.31	11,22.23	+73.92
(c) Crude rubber, including synthetic and reclaimed	4,22.37	6,71.57	+2,49.20
(d) Wood, lumber and cork	2,63.34	5,13.50	+2,50.16
(e) Pulp and waste paper	3,81.59	6,94.91	+3,13.32
(f) Textile fibres (not manufactured into yarn, thread or fibrics) and waste	46,09.71	46,87.10	+77.39
(g) Crude fertilisers and crude minerals, excluding coal, petroleum and precious stones	6,66.94	8,86.34	+2,19.40
(h) Metalliferous and metal scrap	1,89.64	3,44.44	+1,54.80
(i) Animal and vegetable crude materials, inedible, n.e.s.	2,93.65	3,43.63	+49.98
Total for Section III	**80,08.86**	**94,36.74**	**+14,27.88**

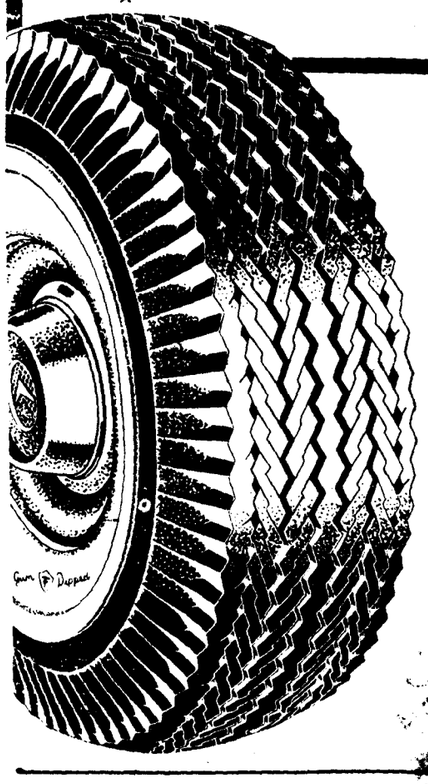
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It has been decided, in order to provide members of "The Eastern Economist" staff at a single time with unutilized holidays and compensatory leave, due according to legal regulations, to suspend one issue in the year. There will be no issue dated May 13, 1960.

HOME SECRETARY'S ORDER
10 MAY 1960
PUBLIC DEPARTMENT

The Eastern Economist

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CONTENTS

	Page
Leading Articles:	
DISINFLATION: A TWO-PRONGED ATTACK	989
SMALL FACTORIES TO THE FORE	990
THE BUDGET SESSION IN RETROSPECT	991
A DELHI DIARY	992
THE WEEK'S NOTES ... ... Official Language; Non-Plan Expenditure; Productivity.	993
A WINDOW ON THE WORLD: Odysseus on "Youth and Age"	997
THE EUROPEAN SCENE: The Atlantic Economy Takes Shape ...	999
ECONOMIC REPORT FROM THE U.S.: Two Groups of Wise Men	1003
Special Article:	
PRODUCTIVITY THROUGH MANAGEMENT'S EYES	1005
The Business World:	
TASK BEFORE THE TWO STATES ...	1007
BUSINESS NOTES ... ... Textiles; Paper; Fertilizers; Aluminium	1008
BOOK REVIEWS	1010
A DELHI NOTEBOOK	1011
WORLDGRAM AND NEWS IN BRIEF ...	1012
CURRENT STATISTICS	1033

Disinflation: A Two-Pronged Attack

THE news this week has been dramatic on two anti-inflationary fronts. Mr. S. K. Patil, in the limelight of the White House, has signed a historic food agreement under which India will be receiving over four years 17 million metric tons of foodgrains on a long-term loan which implies that there are no monetary commitments over the Third and the Fourth Plan while during this period a vast cushion has been built against inflationary cereal price rises. It is true that of the 17 million metric tons, only one million tons of rice have been included and, therefore, the impact of disinflationary factors written into the current agreement is not as significant as it would have been if, for example, one-third of the loan had been in terms of rice and cotton. Nevertheless, a powerful attack has been made on the perennial problem of food shortages. If a large number of other items on the food front, such as pulses and miscellaneous elements such as mustard, mustard oil and pepper could be equally contained, one might argue that the inflationary danger in the Indian Union has been substantially removed.

While, undoubtedly, a major blow has been

struck against inflation from the supply side, the problem at the money end is still the subject of raging controversy. At an important meeting of the Board of Directors of the Reserve Bank on Wednesday, it seems to have been decided not to change the Bank Rate, but for the short period at least to apply an additional restriction on bank deposits available to the scheduled banks. From May 6, additional deposits are to be impounded to the extent of 50 per cent with the Reserve Bank. The question is being asked, and should be answered at once, as to what the combined effect of this directive and Mr S. K. Patil's bold buffer operation will be in the context of the Third Five-Year Plan.

Conflicting calculations have been made of the order of the inflationary pressures in the Third Five-Year Plan. An authoritative estimate is to the effect that if money supply is generated by the rise of bank deposits roughly on the pattern of the Second Plan and taxation and loans are limited to what is contained in the Third Five-Year Plan documents, money supply might be excessive to the extent of Rs. 375 crores; that is, unless something like this sum is drawn away from the monetary system (or cushioned by additional consumer goods) it would do some damage to the price level. It is not unlikely that the order of rise written into this inflationary component would be well over 20 per cent over five years.

If this is to be avoided, the loan targets or the additional supply of consumer goods might be adjusted at least to this extent, but preferably to the extent of about Rs. 500 crores. If Mr. Patil's buffer stock implied a releasing of something like Rs. 100 crores of additional wheat each year, this in itself would be sufficient to solve the problem. On the other hand, since the Reserve Bank would impound additional resources, which are also computed at about 1000 crores of rupees during the Third Plan, it might appear that additional loans by the taking up of impounded money would separately solve the problem. This also will assist in keeping the level of deficit financing and fresh taxation at a lower level. There would thus appear two separate disinflationary forces each of which would be sufficient to contain the price level on the assumptions made. If both were applied together there is likely to be a disinflationary effect of an order of about 10 per cent on current prices, except for the point that this broad attack on cereals only does not affect the very large non-cereal element in the food crop. The cereal element constitutes one-fifth of the overall wholesale price index. For scaling down the inflationary impact from 20 per cent to 10 per cent, a retreat of 50 per cent on the cereal front would be needed. For political reasons this cannot be contemplated and, therefore, the need for monetary discipline at the same time cannot be ignored. All in all one might, therefore, argue that while the Government has now in its hands ample anti-inflationary armour, a matter of fine judgment is required in regard to their actual use. Nevertheless, one can reach a conclusion that the instruments of the Government of India and the Reserve Bank have been well replenished and inflation inside the country has at last looked as though it was firmly under control.

Small Factories to the Fore

THE annual meeting of the Small-scale Industries Board at Jaipur on Friday and Saturday last week has shown that a powerful dynamic element has been built into what might be described as the small factories programme. This programme concerns that intermediate range of industrial production outside large industry on the one hand and cottage industries on the other. More precisely, the small factory has been defined by Dr. Eugene Staley, one of the ablest consultants that the Government of India has had the good fortune to entertain. It will be remembered that Dr. Eugene Staley initiated the programme and the Service Institutes which are now growing from strength to strength. On this occasion, on a shorter assignment, he has submitted a most pregnant report dealing with training and the future administration of this great enterprise. "What", Dr. Staley asks, "are these 'small-scale industries' that the Industrial Extension Service and co-operating agencies are aiding? They are small factories. The upper limit under the present official definition, is Rs. 5,00,000 in final capital. These small factories differ in important ways from household or cottage industries and from artisan workshops of traditional type. They are more modern in orientation, both in kinds of product and in techniques of production and management. They are in a position, with proper help, to make use of new ideas from science, technology, and the management arts."

It is the fact that these factories are both technologically and mentally in tune with trends of modern industrialisation which makes their capacity for survival so different from the so-called cottage industries, such as the Ambar Charkha or hand-milling and pounding and so on. The Second Five-Year Plan has already demonstrated that while "Cottage Industry" targets have failed — can there have been greater failure than the collapse of the Ambar Charkha employment myth — the "small industries" movement has gone far beyond expectations. Mr. Manubhai Shah, Minister for Industry, at the meeting of the Board on Friday showed this was only a beginning of a great superstructure now being built on entrepreneurship, which is displaying itself in quite unexpected areas all over the country. The task today, as Dr. Eugene Staley puts it, is "to put more flesh and blood onto a good skeleton structure and to get it to do more and better work, essentially along the good lines already laid down."

In the first place, there is need for more resources, financial and human. The ridiculous manner in which the Planning Commission holds back a matter of Rs. 50 to Rs. 60 crores on a movement of such vitality is impossible to explain. Surely, it should be one of its first duties in the socialist pattern of society to rush on with the protection and development of the small entrepreneur. Instead the Planning Commission is passionate about its support to the big industry on the one hand, and inefficient cottage industries on the other; small industries seem always to fall between two stools. The sum required over the Third Five-Year Plan might conceivably be 300 crores of [illegible] Plan-

ning Commission is not half that amount. Why, it will be asked, is obstinacy being shown to sanction so modest a demand? Surely both because performance and promise in this field have not been appreciated in some of the highest quarters in the country. At the present time, after finance, the most important area of weakness lies in training. It is not inappropriate that so much should have been said on this meeting on this point. Dr. Staley has suggested "a training reserve" of 10 per cent in order to ensure that a sufficient number of administrative leaders in the movement should be available for thinking ahead. The economic and technical advisory services are so embedded in routine that almost no forward-thinking is being done. Nevertheless, the success has been striking and will be even more striking if rightly assisted. Too often delay has cost a small entrepreneur dearly for administrative failures.

This is not, however, the time when one should be narrow and grudging in assessing the Government's contribution. By any standards it has been large and one cannot doubt that a major source of enterprise has been discovered largely through Government imagination. A bond is also being built between the public and the private sectors which will help to reduce the acrimony which has often unwisely been displayed by narrow-minded persons in both sectors; this is a major political, and even spiritual, gain.

The Budget Session in Retrospect

ONE of the most controversial sessions of the Indian Parliament in recent years came to a close on Friday last. Unusual interest was attached to it for it was held at a time when three major issues were exercising the minds of the people. On the eve of this session, Mr. C. D. Deshmukh had been campaigning for some time for the constitution of a tribunal to go into the question of corruption in high places. The Chinese aggression on our northern frontier had posed a threat which could undermine all planned development. Last, but not the least, there was the general concern over the expanding spiral of prices. All these issues, besides the customary budgetary fireworks, were expected to make the session lively and indeed they did; the key for the major part of the session was kept switched at a high pitch. As if the excitement were not enough, the controversial figure of the Defence Minister, Mr. V. K. Krishna Menon, created a commotion in Parliamentary circles towards the end of the session when the Defence Audit Report touched off an animated controversy over the powers of the Auditor-General. But unfortunately a controversy on principles became an unworthy personal duel.

Although a great deal of economics was bandied about during the session — it was, of course, not unnatural as the session was primarily concerned with the Central Budget — it was disappointing to note that both the Finance Minister and his critics failed to face squarely the pressing problem of the appropriate policies to put the country in preparedness for the exacting strains of the Third Plan. Mr. Morarji Desai's taxation proposals revealed an absence of courage to strike an adventurous note; his half-hearted attempt to recover only about 28 per cent of the deficit on revenue account for the year 1960-61, leaving a deficit of the order of Rs. 153 crores, both on the revenue and capital accounts, to be covered by resort to deficit financing, implied a phase of tardiness and drift on the eve of the implementation of the ambitious Third Five-Year Plan which is to take the country to a stage of economic take-off. His mantle had to be seized by the Reserve Bank in mid-session and happily both Mr. S. K. Patil and the Reserve Bank look like pulling his chestnuts out of the fire.

There was, however, something unusual this time in the acrimony with which Government expenditure policies were criticised by members of the Congress Party no less than by the Opposition. Enough ammunition was supplied to the critics of the Government by various reports of the Estimates Committee, which highlighted the wasteful expenditure incurred by not a few Ministries. The critics made full use of it. It is becoming increasingly clear now that even the Prime Minister cannot keep Government's financial operations beyond severe criticism. Whether this will arouse initiative or not is yet to be seen. One thing, however, is certain; the executive is in for a much more severe testing time than has been the case hitherto.

But the session was not without a notable success which came in the political field. The most striking achievement during the session was the assertiveness of the Opposition and some Congress Members on the Sino-Indian border dispute, which compelled the Government to deal with China in the manner it did during the "Summit" talks between Prime Minister Nehru and Mr. Chou En-lai. Misgivings had been entertained in many quarters before the negotiations started that Government of India might acquiesce in the Chinese aggression and surrender some "unadministered" territory in Ladakh area in the name of avoiding further unpleasantness and deterioration in Sino-Indian relations. Happily, this did not come about. The credit for this goes as much to Mr. Nehru—for he conveyed to Mr. Chou En-lai the correct reaction of the country to the unwanton and forcible occupation of our territory by the Chinese — as to his critics who kept a strenuous vigil on the issue and continued to prod the Government, through a spate of adjournment motions and short-notice questions, to take note of every new development on our northern frontier.

The confabulations of the Congress Party in Parliament revealed another unmistakeable straw in the wind. In refreshing contrast to the previous occasions, it was particularly noted that some prominent members of the Party had shed their customary fear in speaking their minds in the presence of the Prime Minister. The election of Dr. Ram Subhag Singh as one of the Secretaries of the Congress Parliamentary Party, despite the fact that he had incurred the Prime Minister's severe displeasure, gives the clue that Mr. Nehru's overwhelming sway over the Party is ebbing away. Will this induce him to modify some of his controversial policies in deference to the wishes of Party members is a big question mark today, the answer to which can be provided only by time. But the August session of Parliament promises to be stormier; for Mr. V. K. Krishna Menon it may be fatal.

A DELHI DIARY

A FORCED PRECEDENT

THE Prime Minister being away, there is the expected lull in New Delhi, without even the mice at play. One good reason is the thermometer, which, having touched 107°F today, threatens to do worse next week. As a result of this threatening behaviour, "The Eastern Economist" editorial staff — somewhat stricken by illness and lassitude — has sought, and obtained, a suspension of next week's issue. I am expected on their behalf to pray for our readers' indulgence, and explain that the Delhi Shopkeepers Act — all newspapers are shops nowadays — requires a minimum number of compensatory holidays which, I conclude, prevent full working throughout the year. Thus have Nature, Law, and human inclination embarked on a precedent which will certainly be hallowed over a long period of time!

THE HORN OF PLENTY

All the daily newspapers on Thursday have given banner headlines to the dramatic signing of the agreement at the White House by which India is to receive 17 million metric tons of foodgrains over the next four years, thereby providing (so the pundits say) a complete insurance against inflation in the Third Plan. Thus has the horn of plenty delivered for the first time across half the world in a manner which will be much more effective than the ICBM or whatever modern missile delivers over the same distance. It was appropriate that Mr S. K. Patil should speak of the concept of "food for peace;" I can conceive of no happier metaphor than this long range missile of plenty designed for peace against the terrible warheads designed for destruction. It is also a dramatic fulfilment of President Eisenhower's Indian tour that he has waived aside considerations of protocol and has signed this agreement himself. Thus, history has been created not merely by the stupendous size of the transaction, but (saving their feelings) by the deliberate slight to Chiefs of Protocol in the signing by the Head of State of a simple loan transaction. It seems to me that President Eisenhower's imagination in public relations might well lead us to ask whether imitation by us would not be the sincerest form of flattery.

THE ARRIVAL OF RAJASTHAN

While the horn of plenty has thus been directed on us from afar, some of us have been looking closer at home to see whether or not we have equal opportunities for abundance in our midst. Taking advantage of the lull which attends the Prime Minister's absences from Delhi, I took myself off last week to study something about the food and small-scale industries possibilities in the great State of Rajasthan which has always looked as though it is capable of doing something dramatic, but that never seems to arrive. Now that the Rajasthan Canal has opened out vision splendid of what can be accomplished in desert land, I think the arrival of Rajasthan is certain. And what an arrival that will be! Let us span the next generation — a mere twenty years. Few people realize that the Rajasthan Canal project in that time will irrigate about 6.8 million acres and might be generating income (at the end of the Sixth Five-Year Plan) of 66 crores of rupees attended on by certain astronomical figures which I quote without comment. The actual area to be irrigated will be 3,636,440 acres on which cereals grown might be 1.1 million tons, sugarcane and garden produce 1.16 million tons, cotton 0,000 tons, fodder 280,000 tons and so on. I know I shall not live to see the end of the Sixth Five-Year Plan, but here at least is something which can warm the cockles of our declining hearts.

What is more is that Rajasthan is not merely feeling the fertilising effect of water; I could catch in three days in Jaipur (with the Small-Scale Industries Board in session and a large number of opportunities to see what is going on) a new spirit in the making. After the disorganisation of the first five years, an integrated Rajasthan is beginning to take dynamic shape, both in the sphere of agriculture and industries. The most important thing in Rajasthan is the fact that new talent is being built —and perhaps born—into the administrative services. The political differences that exist are not, as far as I could see, likely to affect the growing power of this (still) unfamiliar area of State administration. Projects are forming in many minds; history casts shadows before as well as after. There may well be another Central mechanised farm like that at Suratgarh, which filled Mr. Nikita S. Khruschev with such delight. But there is more than farming. One of the most attractive proposals is the great navigation canal which, dreaming a greater dream, will eventually go up to Kandla port, a distance of 400 miles from the tail of the canal now planned. Thus, one can take a yacht not very far from Delhi and sail down into the sea. What a wonderful winter trip that will be! In summer I expect it will be—hell! Once upon a time they used to speak of Hell as the hill station for Mesopatamia. May one substitute the Jodhpur desert for Mesopatamia?

DR. V. K. R. V. RAO

Some comment has been caused in Delhi by the decision of Dr. V. K. R. V. Rao—affectionately Alphabet Rao—the Vice-Chancellor of Delhi University, to resign from his office and devote himself to other work. Many will regret this decision because Dr. Rao has been a dynamic, if restless, Vice-Chancellor and has contributed a great deal to the growth of activity (and controversy,) in the campus. The campus of Delhi, as I have observed before, has become unquiet, but then so has every other campus in the Indian Union. And there can be no doubt that the filling of Dr Rao's post will be a matter of extreme difficulty. While I personally welcome the return of Dr. Rao's prodigal energy to what might be described as his parent home, there are many who feel that dynamism in Vice-Chancellors is not so easily obtained and also that economists are now multiplying rapidly enough for one of the most distinguished of them to be spared for administration in a centre of learning. I am a little perplexed myself. I want the economists to be in economics and yet I want to see them elsewhere—in journalism, for instance. Why should we draw circles round economists only, seeing that our leading scientists are all over the place and very far from the campus? Let us allow the fullest traffic between all occupations and all incomes. That, I believe, is what Dr. Rao himself would call the mobility of labour. Why should it not be open to Vice-Chancellors as well as to our topmost scientists? Thus, I shed no tear but hope that knowledge will gain what dynamism in Delhi University will lose. And in parting, may I do what is so seldom done in the Indian Union, to pay a warm tribute to a lively and distinguished Vice-Chancellor when he leaves office. Never let it be said that when he left office, his friends left him!

ARGUS

THE WEEK'S NOTES

Official Language

DOUBTS AND DIFFICULTIES

THE PRESIDENT'S order giving directions on the report of the Official Language Commission and the Official Language Committee of Parliament is a guardedly-worded document which may mean many things to many men. Thus while Mr Frank Anthony feels that it would be "greeted with dismay" by the non-Hindi speaking people as a "palpable negation" of the categorical assurance of the Prime Minister, Dr Raghuvira, who is a great protagonist of Hindi, has expressed the view that it is an attempt to "circumvent" the provisions of the Constitution. The major fact to be taken into account is that the order does not specifically mention any deadline for the switch-over from English to Hindi. At the same time, while recapitulating the important points in the Official Language Committee's Report, it draws attention to its recommendation that after 1965, when Hindi becomes the principal official language of the Union, English should continue as the subsidiary official language. By implication, it means that this order maintains the Constitutional deadline of 1965.

Along with this, the order makes a reference to the Prime Minister's important speech in the Lok Sabha on September 4, 1959 and says that it indicates broadly the approach of the Government to the official language question. In that speech, the Prime Minister gave the assurance that English would occupy the position of an alternate or associate language as long as the non-Hindi speaking sections so desired. The order, however, does not make any specific reference to this offer. The difference between the Prime Minister's offer and the recommendation of the Language Committee lies in the fact that while the former has given English the status of an associate or an alternate language the later would like to treat it as a "subsidiary" official language. There is, therefore, substance in the contention of Mr C. Rajagopalachari that the issue as to whether English should continue as the inter-State and Central official language, has not been satisfactorily disposed of. A redeeming feature, however, is the admission that no restriction should be imposed for the present on the use of English for any of the purposes of the Union and provision should be made in terms of clause (3) of Article 343 for the continued used of English even after 1965 for purposes to be specified by Parliament by law for as long as may be necessary. It also concedes that even during the intervening period, the extent to which Hindi can be used in addition to English will depend largely on the effectiveness of the "preparatory measures" that would have to be taken for the progressive use of Hindi. These may be interpreted to mean that there is sufficient awareness of the dangers of forcing the pace of the switch-over to Hindi by any ill-advised and hasty action.

Non-Plan Expenditure

COMMITTEE SCRUTINY

THE REPORT of the Estimates Committee on the growth of civil non-Plan expenditure may not be quite an eye-opener. Nevertheless it has done a distinct service in focussing attention on an aspect of the economy that deserves greater scrutiny. Nobody would deny that the execution of the Plan involves considerable sacrifices and the ordinary citizen would not mind bearing the burden so long as he knows that the resources garnered this way really go to carry out the development programmes envisaged in the Plan. It, therefore, casts a heavy responsibility on the Government to see that the resources raised through measures like taxation go by and large for purposes connected with the Plan. Unfortunately this has not been the case. The Estimates Committee points out how as against Rs. 420 crores estimated to be available through taxation for the Plan (Rs. 252 on the basis of the 1955-56 rates of taxation plus Rs. 168 crores by way of net proceeds of additional taxation) a sum of Rs. 1,044.2 crores will be actually realised during the five-year period 1956-61. Still the amount that will be available for the Plan will be only Rs. 439 crores. This means that though additional revenue by way of taxation and better collection from existing sources of revenue is to the extent of Rs. 792 crores, the gap of Rs. 400 crores left in the Plan will be covered only to the extent of about Rs. 20 crores. It also means that the balance of about Rs. 605 crores of the net additional receipts has been absorbed by increases over the Plan estimates in non-Plan expenditure.

Analysing the different sectors in non-Plan expenditure, the Committee points out that the bulk of the increase (Rs. 750.9 crores over the expenditure assumed in the Plan) has been accounted for by Defence, statutory grant to States, debt services and so on. It concedes that expenditure on these items may not be susceptible of close control but it is unable to see why there should not be a greater control over items like non-Plan development expenditure (which has shown an increase of Rs. 92.8 crores) and administrative expenditure. On the latter, it has marshalled statistics to show how the Parkinson Law has operated and there has been a steep rise in the different categories of posts between 1948 and 1959. What is surprising is that even after 1957, when internal economy committees were set up in the different Ministries, there has been an increase in expenditure under all heads. The Committee has suggested that in view of the phenomenal rise in non-Plan expenditure in spite of the reasonable size envisaged by the Planning Commission, it would be desirable for the Planning Commission to have a special study made of the disproportionate rise and make suitable suggestions to see that such expenditure is kept under control at least in the Third Plan. There is no reason why this should be undertaken by the Planning Commission. It can be left as well to a specially constituted independent body which can go into the whole question thoroughly.

Productivity

THE HURDLE

ONE DOMINANT note which could not be missed in the speeches delivered and the papers read at the last week's annual conference of the National Productivity Council was that considerable spade-work has been made to create a climate for productivity-consciousness. The NPC had its share in giving a fresh momentum to the movement for productivity which is under way. It has reason to be gratified that its preparatory phase has been launched under good auspices.

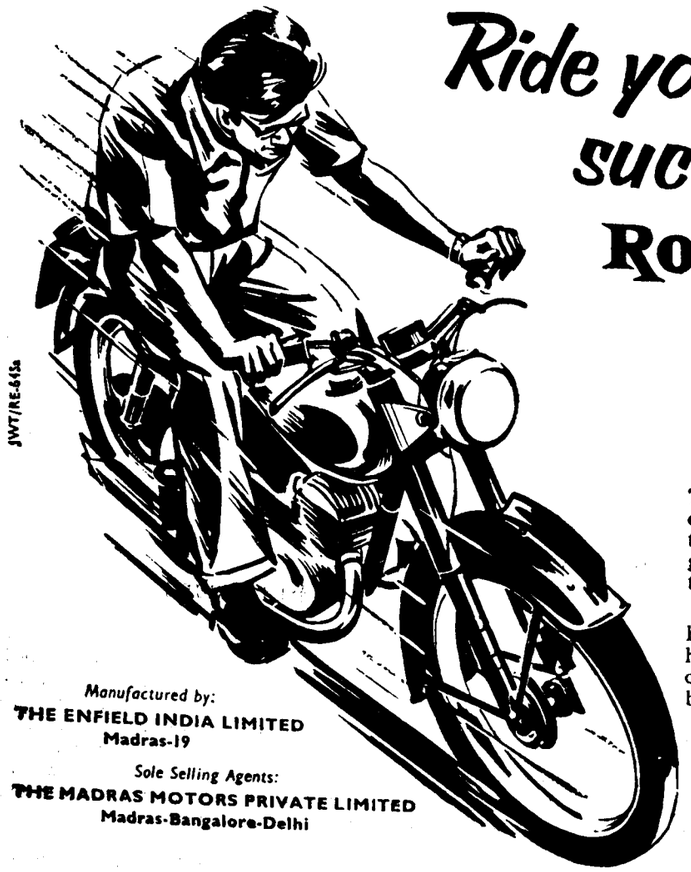
The annual session of the NPC demonstrated a unanimity of view among the participating interest

groups that productivity has to play a key role in the achievement of higher peaks of production in industry, that maximising the use of available resources was primarily a function of productivity. There is a genuine recognition on the part of managements and labour that improved productivity raises the level of production of real wealth and its fruits must be shared by both the parties if the movement is to be sustained. This is, indeed, the precondition of the introduction of new productivity techniques. In the immediate perspective, productivity promises to be an effective instrument to counter inflation and to prevent the erosion of the value of the worker's pay packet in real terms. The higher margin of profit which it ensures creates a dynamic source of internal capital formation. The third beneficiary is the consumer who cannot be denied the advantage of lower prices. In fact, lower prices are intended to boost production.

But a very great disservice will be made to the cause of productivity — in fact it is being allowed to be made — by a failure to recognize the potential hurdle to the drive for productivity. While labour has subscribed to the principle of progressive productivity, it has a serious and fundamental reservation on this issue. Mr Ramanujam's speech made it clear that labour looks upon productivity with a feeling of great suspicion and fear.

It is unrealistic not to grasp the fact that unanimity for the programme of productivity has been maintained by the pledge of no retrenchment. While a sufficient network of Local Productivity Councils was launched after the birth of the NPC, it is a hard fact that the base constituted by Productivity Committees at the level of individual plants cannot be called broad and strong by any stretch of imagination. Statistical evidence of the growth of Unit Productivity Committees is conspicuous by its absence in the NPC's latest annual report. There seems little bright promise of broadening and strengthening this base, unless the apprehensions about unemployment are allayed.

A good part of the fruits of productivity will be lost if the factor of redundancy of labour is ignored in individual units. This is in nobody's interest. Policy for employment in the Third Plan will have to take into consideration this aspect of productivity. It will have to be orientated towards absorbing redundancy in whatever degree it is created. At the present time the likely magnitude of redundancy is being grossly exaggerated because of the fear complex. An expanding economy which lays stress on rapid industrialisation should be able to provide alternative jobs to a substantial proportion of labour found redundant in units which have successfully taken to productivity. A part of redundant labour can be provided with productive work in these very units provided licensing policy under the Industries (Development and Regulation) Act gives precedence to them in their requests for expansion of production capacity over applicants who seek to set up new units. The dilemma posed by redundancy must be faced with a human as well as economic understanding, if the drive for productivity is to make a progressive headway.



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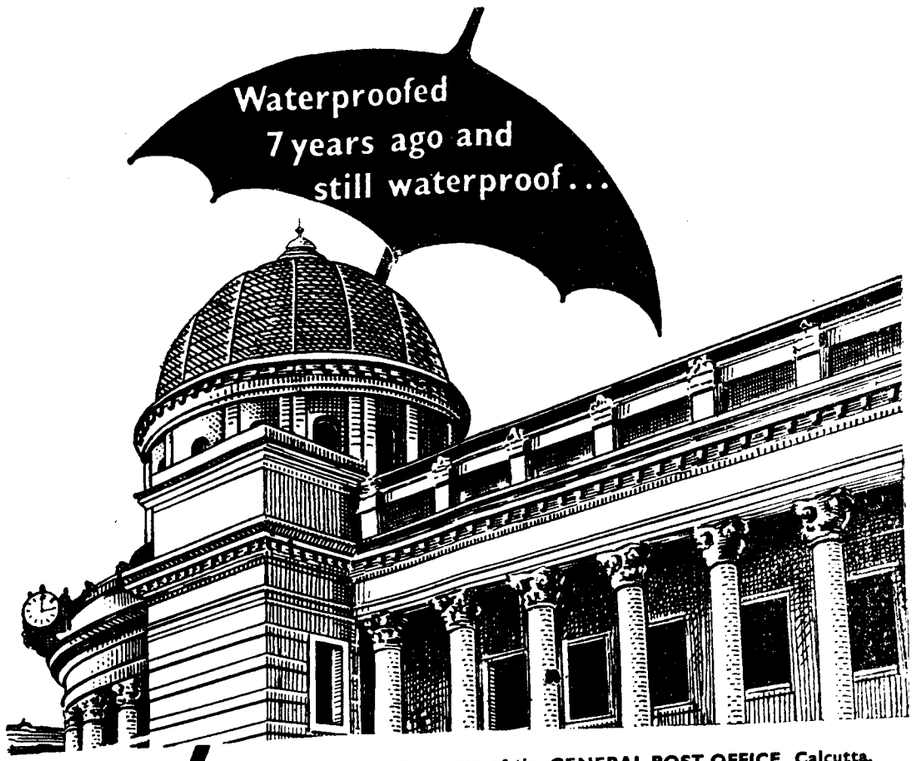
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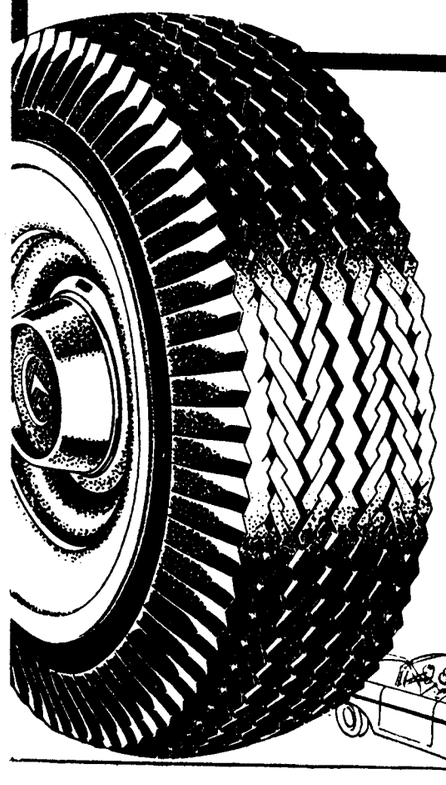
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A Window on the World

YOUTH AND AGE

By

ODYSSEUS

IN ORDER THAT it may work, the human brain needs to store quantities of data in memory. Some of these data are held for long periods but most are held for only some seconds or minutes. They are then "lost" or forgotten. This is called short term memory: the circuits in the brain on which it depends are liable to disruption by other things which may be going on at the same time. Thus in trying to do two things in quick succession, or to switch rapidly from one to another, you tend to lose sight of the first thing.

One of the main effects of age is to reduce the efficiency of short term memory. Older people are therefore less able to do, or to think about, more than one thing at a time. An example would be to look up a telephone number and then look for the letter which you are answering. By the time you are ready to dial, you may have forgotten the number: your short term memory has been affected by looking for the letter. Had you got out the letter first and kept it in front of you, you would have had no difficulty with the number. Such short term memory processes are important in a wide range of executive activities. They are a major factor in many types of problem-solving, especially those in which information must be gathered and then held pending the arrival of more information. This is then integrated to give a conclusion. Fatigue, drugs, and alcohol, also affect the short term process.

Because short term memory is fickle the older executive should organize his routine so as to reduce the load on short term memory — and, of course, the younger executive would benefit also by better organisation of his work. One source of "executive stress" is the mental pending tray of jobs to be remembered for attention in the future. Such stress is often expressed by saying "I never seem to get anything finished." The constantly recurring memory load reduces efficiency. Anxiety lest important items be forgotten, and regrets when they have, often disturb sleep and may seriously impair concentration on other problems. I cannot emphasise too strongly that the clatter and general background noise in the midst of which so many senior and junior executives work greatly reduces efficiency by building up fatigue.

Unhurried and unhindered work in quiet surroundings; notes, diaries, appropriate filing systems, and other office helps should be fully exploited. It is also important to establish routines and to devise administrative methods to enable one to work safely on the assumption that "one never remembers anything."

Having briefly discussed memory and learning, we can now turn to the way in which complex problems are comprehended and how this process changes with age.

COMPREHENSION AND EXPERIENCE

Comprehension is the way in which a variety of information, picked up at different times and places, is integrated with knowledge and judgement into a larger whole. Thus, a coherent picture is built up of something which cannot be completely observed in one glance. The processes involved in understanding the complex layout of a factory and the way in which its divisions are connected is an example. The process of integration depends on using information carried in short term memory and it is because older people find short term memory difficult that they are helped by visual aids and charts which enable complex organisations to be seen at a glance. Previous mastery of an outline will help new details to be fitted rapidly into place much more easily than if the larger whole had to be inferred while details are being observed.

But by far the best way to reduce the load on short term memory is to harness experience. This involves more than merely using information received directly from the five senses. The information needs to be related to past experience, and this means a process of grouping and coding. Thus, when you recognise a car, you do not observe all its details. One or two outstanding features, or ways in which it differs from the usual, are enough to label it. If challenged to describe the car in detail, your description will be based partly on this particular car and partly on others "experienced" in the past. You can demonstrate this point by displaying objects in which some familiar but unimportant details have been changed. The details which you remembered as having "seen" were often in fact not there at all; they were conventional features usually associated with this object whose presence you inferred in the process of recognition. This process is unconscious. If challenged you will feel certain that you are giving an accurate account of what you actually saw. The working of this process of inference, especially for briefly or inattentively seen incidents, may unwittingly influence your reliability as a witness if subsequently cross-examined on some details.

This coding process means that short term memory need not carry details, but merely data about which the long term memory codes are called upon to deal with the problems in hand. Such short cuts are essential to reduce the load on short term memory and constitute the process which makes high level constructive thinking possible.

It is experience which gives better coding and it is therefore experience which, in certain circumstances, can outweigh the loss of efficiency in your short term memory system that occurs with age. This is why there are many areas of knowledge, particularly those concerned with leadership and administration, in which the highest grades of achievement are seldom attainable except by older people.

The coding principle applies not only to factual information but also to routines of work. Thus to organise work problems and procedure into standardised patterns eases the load on the executive by bringing problems forward in digestible and recognisable forms. Deviations from the standard can, if necessary, be easily and quickly specified. This offsets changes such as slowness, which occur with age. Thus, the British Institute of Directors' pamphlet, "The Older Director — His Limitations and Advantages" (10 Belgrave Square, London, S.W.1., 30 pp. price 2 sh.) offers the reassuring conclusion that it is no accident that the ability to carry really large scale responsibility is normally found in middle and early old age.

DIFFERENCES BETWEEN YOUNG AND OLD

That old people are incapable of learning things is a misconception. Given a chance to learn in their own way, and at their own pace, older people can do extra

ordinarily well. The mistake is to assume that methods of teaching and standards of judgement which apply to children and students, apply equally to adults. This distinction in the methods and rates of learning and teaching between young and old has important practical consequence. If it is allowed for, it removes an important source of friction and misunderstanding between the generations. If an older person is confronted with a new problem his reaction to it becomes firmly embedded in his memory. This makes difficult the correction of any subsequent errors in his initial judgement. The same is true of the young but to a lesser degree. Teachers of typewriting, for example, know how much easier it is for the untaught to learn the right way from the start than it is to eradicate established bad habits.

If both young and old realise that a project inevitably presents itself very differently to an older or a younger man, much misunderstanding can be avoided. In presenting a problem to an older man you should take care to give an unambiguous first impression. Equally, the older man must be on his guard against making up his mind too rapidly about new facts or developments. Look all round a problem before committing yourself. But remember that the old have an automatic tendency against change. Older people must, additionally, take care that if there is occasion to change their minds, any difficulty inherent in doing so is not reinforced by a display of "pig headedness."

The next point to realise is that old people learn differently. Because of what they know already, they are more selective in what they will register as being worth the effort of learning. Thus, they learn better when an acceptable reason for so doing is offered them. Again, older people learn by doing rather than by memorising; in fact, they acquire much knowledge without obvious effort. The younger executive who has to present a case to his superior should therefore realise that it follows that a carefully supervised and presented test, initial errors having been eliminated by previous experiments, will be more persuasive than a long verbal explanation. The younger executive should aim at practical discussions with examples, and avoid the natural itch to lecture.

Just as older people learn better by doing than be memorising so they are better able to display their knowledge by practical demonstration. Action and judgement about a concrete situation come easier to them than a written statement filled with hypotheses. This is particularly true at shop floor and foreman level. At executive level, it means that an older man often acquires much knowledge which he can apply but cannot describe. Indeed, he may scarcely realise that he possesses it. In both cases, it means that although an older man may not talk much about new information, he may fully understand its implications. This is typical of the elderly skilled craftsman, who has been doing a difficult job all his life and is unable to pass on his experience verbally. Such difficulties are less obvious in the executive trained to speak and write, but it is a real hurdle for the practical man, such as a works manager, or technical expert, promoted late in life to board level where writing and speaking come to the fore.

If these differences are allowed for, it will be seen that there is a place in every enterprise both for the keen, young, adventurous mind, and for the more balanced, experienced, cautious, far-sighted elderly man, if he is allowed to make his contribution in his own way.

We will continue this discussion of the contrasting assets and liabilities of youth and age next week.

(The first article in this short series on "gerontology," the science of old age, appeared here last week.—ED.).



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The European Scene

THE ATLANTIC ECONOMY TAKES SHAPE

From Our Special West European Correspondent

PARIS, April 30.

THE OEEC is dead, long live the OECD! After three months' work, the four wise men commissioned by the Atlantic economic conference held in Paris in January have produced a plan which, the wits are saying, changes one initial in the title of the West's principal economic association. In reality, the passage from the old Organisation for European Economic Co-operation to the new Organisation for Economic Co-operation and Development will change much more than that. The impression of continuity that they have sought to create is quite spurious and is intended to serve three purposes. First, by making the new association seem a development of the old, they hope to avoid the necessity for a new ratification by the parliaments of the member-nations, a process that would be slow, laborious and, in a U.S. election year, hazardous. Second, this is a compromise between the contradictory wishes of various members, some of whom wanted a complete break with the OEEC while other did not; by presenting the new body as a transformation of the old, they hope to seem to satisfy everyone. Third, they wanted to start a new association without attracting any new members; in this they have failed, because Russia immediately demanded to be included in the OECD.

The main differences between the OEEC and the OECD are already indicated in the title: the dropping of "European" and the inclusion of "development". In other words, the new body is no longer a West European affair with the USA and Canada playing the role of mere observers, but an organisation on an Atlantic scale where the two North American nations are equal and active participants. Further it is no longer concerned merely with commercial co-operation (i.e. questions of import quotas and payments) within the West European area, but will deal with the positive tasks of development both in all the Atlantic region and in the developing countries of Asia and Africa. It is this last point that makes the OECD — potentially, at least — of much greater interest to India then was the OEEC.

In order to understand better the transition from the era of "European economic co-operation" to that of "economic co-operation and development" we must recall how the OEEC started, what it did and why it died. It began as the instrument for distributing Marshall Plan aid to the ruined nations of Europe (West Europe only, when Russia refused to join and made Chechoslovakia withdraw) after the last war. It then naturally sought to increase trade between these West European nations. Ruined economies tended inevitably to a suicidal protectionism; they could not afford to open their frontiers to U.S. goods but by pooling their resources and following agreed rules, they could afford to trade freely among themselves. Hence the progressive liberalisation of intra-European trade quotas and the establishment of the European Payments Union where members settled their payments on a multilateral basis as between themselves. So the OEEC was an organisation financed by the U.S.A. but which discriminated against the U.S.A.; the Americans, with a far-sighted generosity, put up the cash for the West European recovery while consenting to let the European trade freely among themselves and at the same time exclude U.S. imports.

The OEEC worked magnificently, but it was doomed to extinction by its very success. Once the West European economies were re-established, they could afford to trade freely not only between themselves but with all the world. So they made their currencies convertible into dollars at the end of 1958 and that put the European Payments Union out of business — for the EPU had been a means of making West European currencies (or at least trade balances) convertible into other West European currencies but not into dollars. Then they began removing bans on dollar imports, thus widening the internal liberalisation of trade into world-wide quota-free trade (this process is still going on). So the OEEC was being liquidated by a return to global free trade, which was the objective the Americans had always had in view for it. Meantime, the U.S.A had run into a payments deficit of its own and was anxious to have the OEEC, which was in essence an anti-dollar association, completely wound up as early as possible. None of the European nations objected to that.

Then complications began. Six of the members of OEEC decided to form a tighter union that would not be liquidated in a general return to global free trade, which they called the Common Market. The Americans took the same generous attitude to that as they had done to the post-war OEEC; they were willing to suffer the discrimination this entailed because it would have long-term political and economic advantages. But the other West European members of OEEC apart from the Six felt that they could not afford to take such a generous view and anyhow they had political objections to precisely the supra-national aspect of the Common Market that pleased the Americans. So they declared that as long as the menace of the Common Market remained, the internal European trade problem had not been settled and the OEEC must be kept in existence to pursue its original goal: the liberalisation of purely West European commerce. This point of view the Americans firmly rejected. For them, there no longer exists any purely West European trade problem justifying the continued operation of an exclusively West European association, whose policy could only be anti-dollar. The trade problem, they argue, has become Atlantic and in any case the strictly commercial problem is now overshadowed by the development problem which has two aspects: how to co-ordinate growth in the Atlantic world while keeping it comparable to the growth of the Communist bloc, and how to promote the development of backward countries in competition with Russian aid and without throwing too much strain on the over-burdened dollar.

Thus the problem the four wise men were set in January was to reconcile these conflicting interests. The Six of the Common Market wanted the OEEC purely and simply disbanded, in order to mark the fact that there was no longer any such economic entity as "West Europe" but only the Common Market and a loose group of other nations with whom the Common Market would deal liberally but individually, just as it did with the U.S.A. and Canada. The Americans wanted the OEEC not to be dissolved but radically transformed into fairly loose consultative body where North America could stop the West Europeans ganging up against the dollar and get their agreement to co-operate in development problems. Finally, the British and their peripheral alliance wanted the OEEC preserved not exactly in its old form but still as basically the meeting place of West European economies, concerned primarily with their internal problem of "building a bridge" between the Common Market and its neighbours.

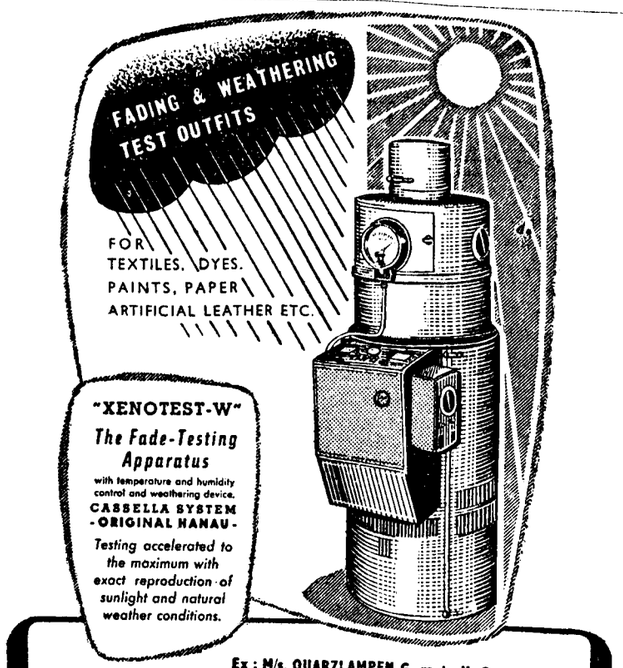
How have they solved this conundrum? They have planned a totally new organisation while dressing it up to look as much like the old one as possible. It will include all the members of the Common Market and all their neighbours, so it could theoretically serve as

the forum for resolution of their intra-European disputes. Yet it includes two powerful new North American members, who are less concerned with those intra-European disputes than with wider issues, so in the end it will probably not serve as a "bridge" between the Six and the Seven so much as a mere committee of contact such as the Common Market always consented to have with its neighbours taken individually. While close enough superficially to the old OEEC to avoid resort to national parliaments for approval, in fact it declares all the OEEC rules obsolete unless specifically renewed by the new body. It abandons the OEEC tradition of a permanent British president and will elect annual presidents by rotation. It will be possible for the Seven to try to use the new OECD as a courtroom for the impeachment of the Common Market, but it is likely that they will be talked down by the USA in its anxiety to frame common rules for the Atlantic world in such matters as controlling inflation and recessions, scientific research, competition with Russia, etc.

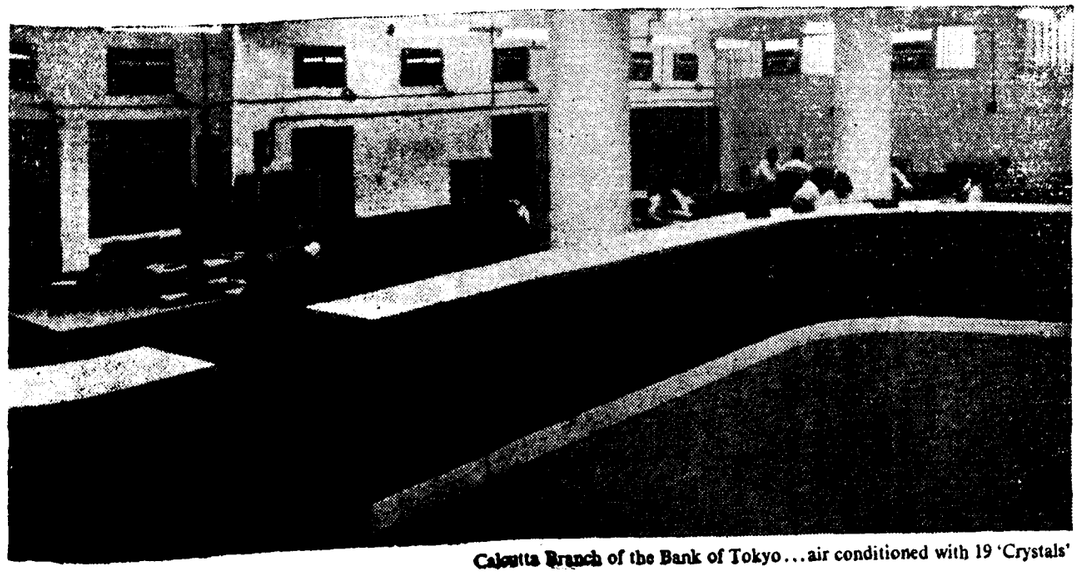
It remains to be seen how effective the OECD will be as the instrument of the "Atlantic economy". One can well foresee — and this is what India will hope — that it might cease to be engrossed with internal West European problems and will become a really useful weapon for the co-ordination and increase of Western aid to developing countries, for the elaboration of long-term investment plans, for the flattening out of cyclical movements by Atlantic-wide credit-control and maybe even for the stabilisation of commodity prices. On the other hand, there is the danger that, without getting bogged down in internal European squabbles, it will deal with those wider problems but in the spirit of a debating shop and will become what the French call "a machine for giving oneself a good conscience". The developing nations, hungry for Western aid, have seen altogether too many of these ambitious organisations that start out with noble charters but end up producing very little in the way of assistance that was not already to be had by appeal to individual national governments and private enterprise.

Even supposing that it avoids that danger, the OECD begins with an ambiguity that the Russians have very cleverly highlighted by applying for foundation membership. Is the OECD what its charter says it is, an association of prosperous nations mainly concerned with fair dealing between themselves and with aid to poor countries? If so, there could be no objection to it admitting countries that refused to accept "imperialistic" Marshall Aid: it is obviously open right now to Japan and Yugoslavia and — why not? — to Russia. Or is it, on the other hand, an instrument of anti-Communist economic strategy? Is it the reaction to American realisation that the USA can no longer meet the threat of Soviet economic competition alone, but must combine with the renascent West European nations? If that is the aim, it has had to be disguised because the OECD includes neutrals such as Austria, Switzerland and Sweden. But it could still be the unavowed intention, and in that event there would be no room for Russia.

So far, the Americans have dodged this one. To the Russian request for admission they replied evasively that since the Russians rejected Marshall Aid, which was the basis of the OEEC, why should they join the successor OECD?—an answer that begs the question brought out above, the fundamental difference between the OEEC and the OECD. Moreover, said the State Department (and two reasons are always worse than one), since the OECD will not be in operation until the middle of 1961, the Russian request is "premature", whatever that means. At present the issue is academic, but if the forthcoming Summit Conference, or one of its promised successors, saw the Russians rally to the French suggestion for combined East-West aid to backward countries, would the new OECD serve as the vehicle? No doubt, for West Europeans and Americans, there is nothing inconsistent about an organisation being BOTH an honest means of providing aid to backward countries AND an instrument of anti-Russian economic strategy. But the developing nations, particularly when they are neutral as between the power blocs, take a different view.



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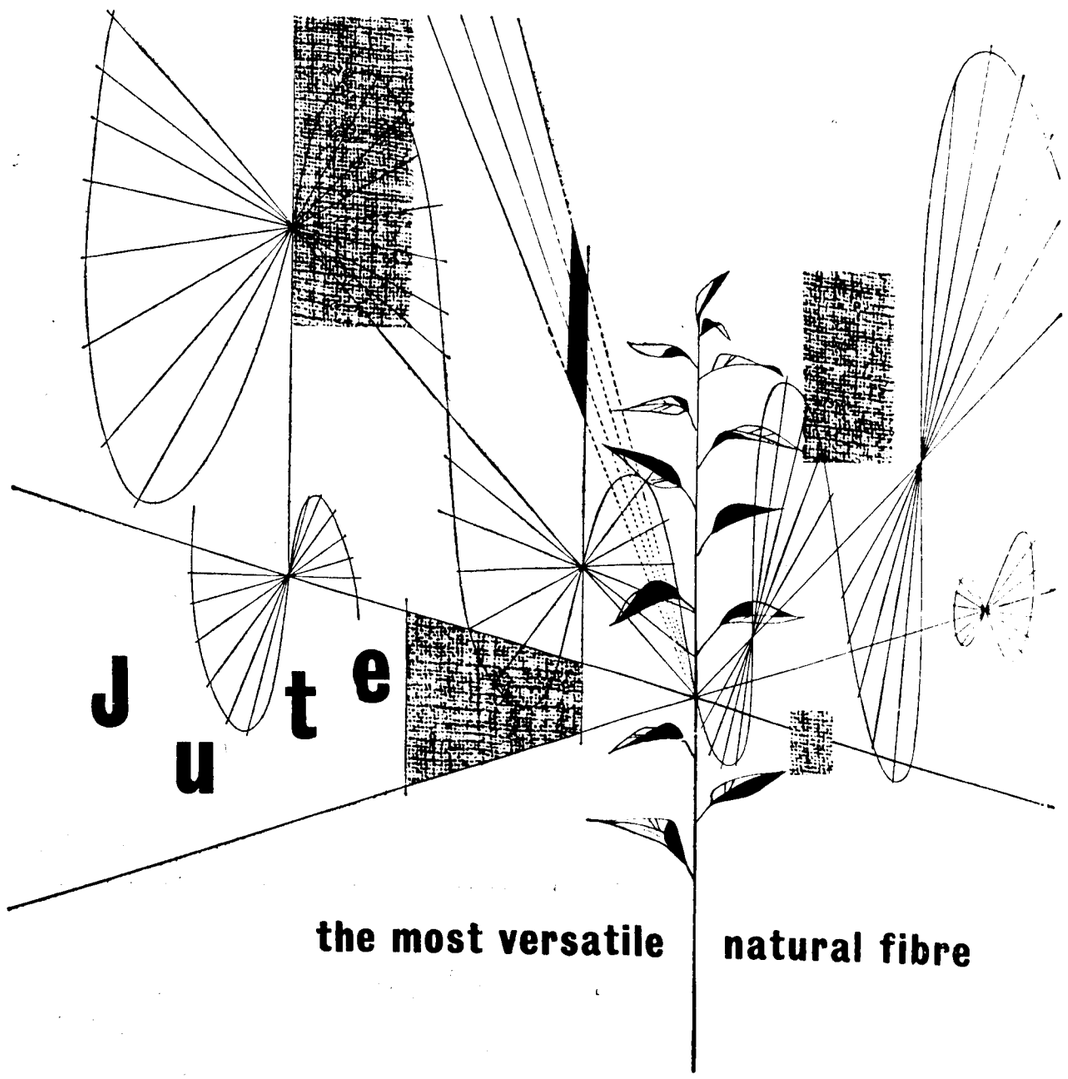
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Economic Report from the U.S.

TWO GROUPS OF WISE MEN

By GUY SIMS FITCH

WASHINGTON, April 27.

IT may be symptomatic of our times and of the stress we place on the need for a thoughtful approach to the complex problems of the 1960's, that two groups of international economic experts have won the sobriquet of "wise men." They are the "four wise men" who have proposed a new organization — the Organization for Economic Cooperation and Development (OECD) — to succeed the old Organization for European Economic Cooperation (OEEC), and the "three wise men" who at the behest of the World Bank have studied the economic development problems of India and Pakistan. At first glance, there may seem to be little direct connection between the work of these two groups. But it takes only little reflection to see that what the four have proposed could have an important bearing on what the three have disclosed.

It is important to understand, first of all, just what the new OECD would be, as recommended by the four experts — W. Randolph Burgess of the United States, Bernard Clappier of France, Sir Paul Gore-Booth of the United Kingdom, and Xenophon Zolotas of Greece. It will not be merely a perpetuation of OEEC, whose preoccupation was principally with European matters, nor will it be primarily a device for settling European trade problems or for distributing U.S. assistance to other countries. Its objectives extend far beyond this to the broader realm of meeting world-wide problems of economic growth. To this end, the four experts have agreed on the need for a new association among 20 major industrial nations including the United States and Canada as well as the 15 OEEC nations. Its purpose would be to help foster growth through expanded and coordinated programme of aid to developing lands, and through widening international and non-discriminatory trade. Other nations, such as Japan, would not be precluded from later participating in the work of this proposed OECD. These proposals have a direct relevance to the work of that other group known as the "three wise men" — Allan Sproul of the United States, Sir Oliver Franks of the United Kingdom and Hermann Abbs of the Federal Republic of Germany. Interestingly enough, these men are not only bankers and financial leaders of international repute; they also represent three countries which, it can be presumed, would probably be involved in any enlarged international aid programme for India and Pakistan.

This three-man group obviously was impressed with the determination of the Indian and Pakistani Governments to fulfil the goals of their development programmes, to raise the living standards of their people. But to do this, the group found, would require a massive and long-term effort, involving as much as $8,500 million in outside assistance to the two countries for their upcoming five-year plans.

Private foreign capital would have to play an important part in meeting financial needs of this magnitude, particularly through investments in import-saving and export-earning industries. But much of the capital assistance, the three "wise" men believe, still would have to come from Governmental, or public, sources. It is here where a new organization such as the proposed OECD could prove of incalculable value. It could provide organizational machinery through which more economic assistance could be enlisted from a number of Pakistan, but to other developing lands making serious efforts to accelerate their economic growth. One should not expect that OECD would work miracles overnight, of course. Its tasks will be difficult. Also, because of the participating nations' constitutional requirements for membership approval, it may not come into operating existence before the spring or summer of next year. Nevertheless, it represents a new and promising phase in the search for fruitful economic cooperation among the nations of the world.

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Special Article

PRODUCTIVITY THROUGH MANAGEMENT'S EYES *

By H. K. S. LINDSAY

AS the title suggests, I am speaking as a manager engaged in industry. One of the things a manager has regularly to do is to assess a situation—frequently on insufficient premises—and apportion priorities. An urgent problem facing those managing the country today is inflation. The recent measures taken by the Reserve Bank and the Food Ministry, to quote only two examples, provide evidence that the nation's managers are determined, as a matter of high priority, to do something about it.

The part industry can play in combating inflation is first to pursue sound pricing policies. But with rising labour costs—by which I mean all costs directly resulting from employing workers—this can only be achieved by increased productivity. This then is the standpoint from which I start: increased productivity as a means of reducing prices or at least keeping them stable, and increased productivity to make the most of the country's existing resources of men, machines and materials, to boost India's economic take-off.

At the very outset, I may point out that the answer to the problem of inflation by no means lies entirely in our hands; whilst in higher productivity in industry lies the key to economic advancement and the remedy for most inflationary ills, primarily what is required today is a dramatic rise in agricultural productivity. It is disconcerting to note that food prices, even after the last year's bumper harvest, have remained unduly high owing to distribution difficulties. Industry has no control over this huge area of food prices; over the encouragement of demands for higher wages irrespective of the productivity of labour; over Government's policies determining the allotment of controlled and imported raw materials, and its policies governing the import of certain essential equipment so necessary, as I shall explain later, if the full fruits of work study are to be reaped.

LIMITING FACTORS

May I first dwell on two points arising out of these limitations. In the first place, in our Local Productivity Councils we have, without any reservations, accepted the principle that in any drive for productivity the workers must be brought fully into the picture, that there should be no retrenchment as a consequence of the drive, and that its benefits should be equitably distributed amongst employers, employees and—let us not foreget them—consumers. In practice, I believe many industries have reached the point where **unless** there is increased productivity, increased payments to workers can only be made at the cost of higher prices to the consumer. I want to see the wages of Indian workers very greatly increased; but a great increase in wages without a correspondingly great increase in productivity will be illusory. It will mean inflation: just additional rupees to buy the some amount of goods. I, therefore, strongly urge the pursuit of higher productivity by managements as well as the workers. I would not ask my union friends to refrain from seeking higher payments and improved conditions for their constituents. But I would ask them to link their demands, wherever possible, to increasing productivity. I strongly urge this view upon the workers themselves, their unions and the Labour Ministers who are charged with the function of safeguarding their true interests.

I now turn to my **second** point and that is to draw attention of the planners to the fact that if increased productivity is to be striven for against the background of a guarantee of no retrenchment, there **must** be—since normal wastage will not take care of the surplus men made available for other work by a really successful productivity exercise—an increase in production. Increased production inevitably means the use of more raw materials, including **some** locally produced materials which are subject to controls and **some** imported materials which usually form a small, but irreducible, fraction of the total. There are, we all appreciate, very real difficulties about the provisioning of these materials; but they must be faced up to if a general productivity drive is to succeed; for who gains if all the time and effort devoted to increasing productivity results merely in your having idle men on your hands, a result which is demoralising for everyone?

Linked with this point which has a bearing on the marginal use of foreign exchange resources, is the fact that following work study the output of all machines in a production line may be increased by 100 per cent or more, with the exception, perhaps, of one piece of equipment which may need to be imported. Without this importation the speed of the line cannot be increased. A good example in this field is the refusal of licences for form grinding equipment which would enable chucks and seaming rolls to be made by relatively unskilled men rough turning them on a capstan lathe and finishing them by form grinding. Production rate then will be two per minute compared with the present rate of two per day by highly skilled men precision turning, grinding and polishing.

I have the greatest sympathy for those entrusted with the thankless task of allocating scarce materials and scarce foreign exchange, but unless there is a more liberal attitude in the matter of recognising capacity increases resulting from ingenious efforts to increase productivity, and licensing the importation of essential, but not involving major foreign exchange expenditure, equipment not yet made in India, such as twist drill grinders, temperature control instruments, hardness and other testing instruments, and special-purpose equipment, any general drive to increase productivity will fail.

MANAGEMENT'S ROLE

I have talked long enough on the areas of difficulty: these are important enough to draw attention to, but not to deflect us from our task of striving after increased productivity. After all, innovation is management's responsibility and a great deal of its 'raison d'etre' is the pursuit of increased productivity, i.e., promoting the full, proper and efficient utilisation of men, materials, processes, machines, land and capital. Now what can we as managers do to improve productivity in our enterprises? We can take the following steps:

(a) To begin with, we should all sharpen our tools of management and control and introduce new ones where necessary. I would say that management accounting should be the foundation—it is essential to have a proper instrument of measurement of production activity, plant utilisation, efficiency, costs etc. If you are going to improve the productivity of your men, materials, machines, capital and land, you must have tools to measure the performance of your operations.

*This article contains the substance of an address delivered by Mr. H. K. S. Lindsay at the Annual Conference of the National Productivity Council at New Delhi last week.

(b) To bring about the improvement, work study is one of the most important management tools. It has been fashioned specially for the purpose. It is "analytical method applied deliberately and systematically to every problem with complete objectivity and fearlessness to find whether improvement can be made." It is formally broken down into the components of Method Study and Work Measurement. Method Study first, because there is no point in measuring work that Method Study may indicate does not need to be done.

(c) In applying work study, Russell Currie's six-pronged approach is worth bearing in mind. I quote this with comments:

(i) **Improve basic processes by research and development:** more of India's medium and large size enterprises should have research and technical development units.

(ii) **Improve existing and provide better plant and equipment:** Often much can be done to improve upon in our own factories, and in relation to our own particular needs, the plant supplied by machinery makers.

(iii) **Standardise and simplify the product and reduce variety:** The key to variety reduction is often in the sales office.

(iv) **Improve the methods of operation of existing plant:** This can be done mostly by method study and quality control, particularly as applied to raw materials.

(vi) **Increase the effectiveness of all employees:** This means good morale, good working conditions, good incentives.

(vii) **Reward for increased productivity:** Work study will, inter alia, produce production standards and methods of measuring performance against standard. These can frequently provide a first-class basis for the devising of a production bonus scheme whereby the fruits of additional production can be shared with the workers.

MANAGERS IN CO-OPERATION

Now I turn to another aspect of the problem. How can productivity efforts of individual managements be intensified by co-operation with organisations outside their own? What facilities exist to stimulate ideas and to provide training in new techniques? The most fruitful fields in this connection are participation in LPCs, in local management association, and by our specialists in such professional institutions, as the Institute of Personnel Management, the Institute of Works and Cost Accountants, the Institute of Engineers, the Institute of Production Engineers, the Indian Statistical Institute, etc; these bodies are concerned with improving the quality of management and developing the tools which make it more effective.

In our LPCs, I am quite certain that we have got to avoid the pitfall, in our enthusiasm to get ahead with training programme, of failing to co-operate with the management associations and professional institutions. LPCs must work with them to avoid duplication and to ensure the most effective implementation of and effective participation in their programmes. To be specific, if we are organising application courses on cost control for supervisors, we do so in co-operation with the Institute of Cost and Works Accountants; if we are dealing with job evaluation, we, as LPCs, should do so in co-operation with the Institute of Personnel Management, and so on, provided, of course, these institutes have local branches.

By participating in and encouraging our executives to participate in these LPCs, management association and professional activities, we shall achieve a very worthwhile pooling of knowledge; also its effective extension over a wider area of employees. Needless to say, we should put forward candidates to participate in the various productivity teams which are being organised by the N.P.C. The full benefit of these team activities will, however, only be achieved if the LPCs study their reports and take steps to implement their recommendations where practicable.

Finally, I would like to refer to the LPC programmes of inter-factory visits and in-country productivity teams. Even the most sceptical will agree that any competent industrial administrator will gain some inspiration by a general visit to someone else's factory even though it may not be in the same industry. How much more benefit then will teams of technicians and departmental managers obtain from organised visits contemplated under these programmes! The effectiveness of these programmes will be enhanced if the factory visits have behind them a clearly defined purpose. For example, in a circuit dealing, say with Mass Production Techniques, the production processes at each factory might be seen in full but only as a background to the study of a particular aspect of the subject. The emphasis in one plant specially chosen for its prowess might be Production Control, the next Plant Layout, another Quality Control, another Materials Handling, and soforth.

Once it is appreciated that there is no question of giving away secret process data and that a company may reserve the right to exclude competitors from visiting their factories, in-country study teams and inter-plant visits clearly provide a very effective means whereby industries can share knowledge for mutual benefit and whereby the more organised sectors can provide general industrial know-how to the sectors which are less organised.

The problems of economic break-through are so massive that what may be described as professional co-operation is a national duty. The NPC and the LPCs, with their aim of stimulating this cooperation and broadening its base, provide a fine meeting place for every interest in the country which can promote higher productivity that ultimately is the only means of improving the lot of the common man and of raising dramatically his standard of living.

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THE BUSINESS WORLD

Task before the Two New States

By

CROESUS

THE new States of Maharashtra and Gujarat have come into being. They were actually inaugurated on May 1, 1960 and not on March 28 and April 1, as Maharashtra and Gujarat, respectively, were expected to be inaugurated earlier. Although the people of the two States celebrated the event as the fulfilment of a long-cherished desire, one could not miss a trace of regret, at least in certain quarters, at the disappearance of bilingual Bombay. Indeed, the Chief Minister of Gujarat, Dr. Jivaraj Mehta, stated on the eve of the inauguration of the new States (that is before he left Bombay for Ahmedabad) that his "honest, frank and personal" opinion was that "bifurcation was a bad business," and he added that he had told as much to Prime Minister Nehru. However, now that a decision has been taken in a democratic manner, the outcome has to be, and has indeed been, accepted with good grace by all the parties. In consequence where the combined strength of the two people was available in the case of bilingual Bombay, in the case of the new States, each has to depend on its own resources and endeavours to build up its respective State. The task is bound to be more exacting for both Maharashtra and Gujarat. However, considering the determination of the people of both the States and the strong men at the helm of affairs in the two States, we may expect the tempo of progress to be fairly brisk in either State.

As between the two States, Maharashtra is admittedly the richer and, with inclusion of Bombay City, it starts with a distinct advantage over Gujarat. In 1958-59, according to a preliminary estimate prepared by the 'Indian Institute of Public Opinion,' the regional income of Maharashtra aggregated Rs. 1,184.60 crores (at 1955-56 prices) as compared to Rs. 607.09 crores for Gujarat. The income of Gujarat was thus only a little above 50 per cent of Maharashtra's total income. Even a breakdown of the total income under agriculture, industry, and tertiary heads reflects the same pattern, the respective agricultural, industrial, and tertiary incomes of Maharashtra and Gujarat being Rs. 366.69 crores and 165.98 crores, Rs. 304.40 crores and 178.39 crores and Rs. 513.51 crores and 262.72 crores. In other words, Maharashtra, which accounts for 62.7 per cent of the area and 67 per cent of the population of the entire bilingual State of Bombay, accounted for 66.1 per cent or nearly two-thirds of the total income of bilingual Bombay. Although both the regional income and the per capita income figures in Maharashtra were higher than in Gujarat, the trend since 1955-56 would appear to suggest that the tempo of rise in Gujarat vis-a-vis Maharashtra has increased remarkably. Thus, while, in 1958-59, the per capita income of Maharashtra showed a rise of 1.46 per cent over 1955-56, the per capita income in Gujarat in 1958-59 had risen by as much as 20.55 per cent. It is noteworthy that Gujerat recorded increases mainly in agriculture. There has been appreciable increase in per capita agricultural income in every district of Gujarat. As regards income from industry, however, both the regions registered increases of over 10 per cent over the 3-year period, but, in respect of tertiary income, Gujarat showed a rise of four times as much again as Maharashtra. With Bombay city passing to Maharashtra, it is estimated that the tertiary income in Maharashtra also will steadily catch up.

The following table gives a few salient statistics relating to the States:

		Maharashtra	Gujarat
1.	Area (in sq. miles) ..	1,18,903	72,137
2.	No. of towns	384	243
3.	No. of villages	35,746	18,729
4.	Population (in '000) ..	3,21,69	1,62,62
5.	Total cropped area (in lakh acres)	463.8	239
6.	Total power generated (in crores kwh.)	288.78	79.13
7.	Railways (in miles) ..	2,656	3,284
8.	Roads (in miles) ..	23,722	14,985
9.	Coastal line (in miles) ..	350	900
10.	No. of ports	8	52

With an area of 1,18,903 sq. miles and a population of 3,21,68,614 Maharashtra is the third biggest State in the Indian Union. As in the rest of India, about 64 per cent of the total population depend on agriculture for their livelihood. Of these, about 15 per cent are agricultural labourers. Only 58 per cent of the area is cultivated. There is a considerable area of cultivable waste and fallow lands that can be brought under the plough, though a limitation is imposed by the meagre irrigational facilities available. Thus, only 5.6 per cent of the total cultivable area is irrigated. Thanks to its long coast line Maharashtra can supplement its food production with fish which is one of nature's bounties to the State. Maharashtra's primary task, must, nevertheless, be a determined drive for the intensive development of its agriculture. In the production of commercial crops, Maharashtra is fairly well placed. Groundnut, cotton, and sugarcane are among the principal commercial crops. The State is also well placed in the matter of rich and virgin forests. Although no exhaustive survey of the mineral resources of Maharashtra has been made, it is known that the State possesses, among others, rich bauxite deposits, manganese, iron and coal.

With the existence of a large area under cash crop which are necessary as raw material for the development of industries and with a sound enough base already there, Maharashtra can look forward to an era of rapid industrialisation. A number of important industries, including cotton textiles, chemicals, engineering,

sugar and paper, are already located in Maharashtra. Added to this is the State's abundance of power resources. The per capita generation of power in Maharashtra at 71.1 kw compares with the all-India figure of only 27.1 kw. Speaking at a reception by the Press Guild of India last week, Mr. Y. B. Chavan, Chief Minister, stated that the prosperity of Maharashtra would depend on the different areas being "flooded with small and large-scale industries". In this connection, he referred to the assurances of many industrialists of wholehearted participation in the industrial development of the State to dispel the baseless rumour that capital was fleeing Maharashtra. For the industrial development in the State, Mr. Chavan added, the creation of a climate of industrial peace was a prime necessity and he promised to do his best in this behalf. On the eve of the inauguration of the new State, the Government of Maharashtra issued a brochure in which the Government has explained what Maharashtra stands for. Briefly, this is a series of welcome assurances intended to remove fears and suspicions from all quarters. The task ahead of Maharashtra is no doubt arduous, but with the will and determination of the people of Maharashtra it should not be difficult for the new State to make rapid headway.

Compared to Maharashtra, Gujarat is a small State. With an area of 72,160 sq. miles and a population of 1,62,62,134 persons (according to the 1951 census), it will be more or less equal to Rajasthan. The State is well-known to be a deficit State and, as Dr. Jivaraj Mehta, the Chief Minister has remarked, "this will call for a proper husbanding of all resources so as not to effect the progress of our projects which have already been taken up during the Second Five-Year Plan." The share of Gujarat under the Third Five-Year Plan is also going to be limited by reason of its slender resources. Gujarat is also deficit in foodgrains; it is much more so than is generally believed with only 56 per cent of its cultivable land under foodgrains. The rest of the area is covered by cash crops and Gujarat has need to augment the production of both, and to quote Dr. Jivaraj Mehta, "the remedy lies in finding different better methods of intensive cultivation" and in making strenuous efforts not only for stopping further erosion of land, but also for reclamation of land where erosion has been heavy as well as of Khar land. Gujarat cannot boast of either adequate or good communications. Great efforts are no doubt being made, but much more is needed before Gujarat can claim to have all the communication facilities she requires in the light of her vast developmental plans.

Gujarat's power potential, though steadily increasing is very much below that of Maharashtra. It is, therefore, necessary to raise its power potential appreciably. Although Gujarat's motive power resources lag behind those of Maharashtra, thanks to the new find of oil in the Cambay region, the fuel question may not present a serious problem to this State. Fortunately for Gujarat, labour in the State is more united and disciplined than in any other part of India. With this background and with the assurances of Dr. Jivaraj Mehta that it will be the duty of his Government not only to maintain the enthusiasm of the people of Gujarat for the future development of the State, but also to offer to those who need such facilities and encouragement as would help in making the State self-sufficient and prosperous in as short time as possible, Gujarat can certainly look forward to an era of economic prosperity before long.

Let me conclude this piece wishing both Maharashtra and Gujarat all success in their efforts.

Business Notes

Textiles

STREAMLINING EXPORTS

IN THE light of the experience it has gained of the Export Incentive Scheme, which has been in force from the second half of 1958, the cotton mill industry is understood to have made a five-fold proposal to the Union Government in order to make the scheme work more effectively. The industry would appear to have pleaded, among others, for (1) an increase in the percentage of import entitlement for cotton on the FOB value-from 66.2/3 per cent to 75 per cent for all exports; (2) maintenance of the retention quota of foreign cotton at 30 per cent. as at present (in some quarters, there has been a suggestion that this percentage should be raised to 40 per cent); (3) the raising of the extra premium for exports of textiles to non-traditional markets, which is only five per cent presently, to ten per cent; (4) a change in the basis for calculating the premia percentage in the case of mills which have newly entered the export field (it is suggested that the basic export figures in respect of these mills be fixed as the exports during the period 1-7-1959 to 3-6-1960, or at Rs 2000 per loom, whichever is higher), and (5) the enforcement of these modifications, if accepted, from the beginning of the April/June 1960 quarter, allowing, in the meantime, the present Incentive Scheme to be extended till March 31, 1961.

Of these suggestions, the recommendation regarding the raising of the extra premium for exports of textiles to non-traditional markets has already received wide support. It may be noted, in this connection, that the Indian Cotton Mills' Federation has agreed to raise such extra premium to 20 per cent on exports of textiles to Western Germany with a view to enabling India to fulfil the quotas that may be granted by the West German Government. At a time when our textiles are facing severe competition from a number of new entrants like Pakistan and Communist China, not to speak of Japan and other established textile exporters, these suggestions should receive early and earnest consideration at the hands of the authorities.

PROBLEMS OF INDUSTRY

MR. E. J. M. LEIGH, Chairman of the Buckingham & Caranatic Co. Ltd. made a pointed reference to certain problems that face the cotton textile industry in India. Partly these problems arise on account of the fact that this being one of the largest industries even a minor provocation can cause much disturbance in its working. The Chairman pointed out that the exports of textiles were lower during the earlier part of 1959 and in the home market the demand was rather slack as the food prices were abnormally high, which restricted the spending power of people. Then there was only a restricted import of long staple cotton during the year. This shortage was felt all the more because there was a marked shift in the demand in favour of finer varieties which require imported cotton. Even this restricted import, the Chairman adds, was allowed after inordinate delays on behalf of the government in issuing import quotas. It may not be out of place to add that with lesser crop and higher consumption during 1958-59 sea-

, the carry over was 11 per cent lower than in the vious year. The prices of raw cotton too have been ng which again was a serious threat to the industry.

The Chairman has drawn the attention of the Govment in respect of the recommendations of the Tex-Wage Board over which so many difficulties of inrpretation have arisen. He has added that certain past members of the Wage Board do not agree with the interpretation of some of its findings as held by the workers' organisations. It will be really a misfortune if the trouble were to accentuate just on account of interpretation. It is very necessary that the Wage Board's recommendations should be read in its proper spirit and the essence of the report should be taken as a whole.

Paper

PROBLEM OF REASONABLE RETURN

IN THE annual speech delivered by Mr. M. L. Zutshi, Chairman of the Indian Paper Makers Association, the one point which has been highlighted is the unhelpful attitude of the Tariff Commission in regard to the needs of this fast developing industry. While during the Second Five-Year Plan capacity has increased according to expectations and there is every likelihood of the target of production being realised in the last year, the incentive to invest has been crippled by the unimaginative recommendations of the Tariff Commission which has made inadequate provisions for return on capital as well as for rehabilitation of machinery.

In the first place, the Tariff Commission, according to Mr. Zutshi, has not put forward any reasonable plea in support of its formula of a 12 per cent return on the capital employed. It may be stated that in this allocation of 12 per cent is included the provision for dividends, interest on working capital, reserves, taxation, managing agents and directors' remuneration, interests on debentures and loans and bonus to labour. The claim of the industry for at least 25 per cent of return on capital employed has been simply brushed aside. Moreover, like the sugar industry no provision had been made for rehabilitation or modernization of the plants. Needless to underline that prices of machinery have risen during the last two decades at such a fast pace that the normal depreciation provisions are not at all sufficient to cover the cost of new machinery. There is urgent need for a revision of the rate of return if this industry is to meet the growing demand of the public which is anticipated to almost treble themselves in the Third Five-Year Plan. The prices fixed by the Tariff Commission in its latest report and accepted by the Government of India since January this year are extremely inadequate for building reserves for plough-back. This obviously means that capital formation from within will be reduced to insignificance and expansion will have to depend on fluctuating response of the market.

Fertilizers

EAST INDIA DISTILLERIES VENTURE

SUFFICIENT DETAILS are now available from the speech of Mr. C. R. Srinivasan, Chairman of the East India Distilleries and Sugar Factories Limited, about the proposed erection of a compound fertilizer factory near Madras to be built at a cost of £3 million. It is indicated by the Chairman that of the total capital required, a quarter will be raised by a fresh issue of ordinary shares. The balance is proposed to be covered partly by raising rupee loan in India and partly medium term loan in U.K. at least to cover the foreign exchange component of the outlay on the new plant.

The present capital of the company consists of 549,950 ordinary shares of £1 each and 200,000 preference shares of £1 each. Under the terms of Articles, both classes of shareholders are entitled to participate in the rights issue. The shares of the company are held in two registers, one in India and the other in England and shareholders in both countries are entitled to participate in the new issue. On a rough estimate a third of the ordinary shares and a fourth of the preference shares are held on the London register. The new issue of shares will be made within the next three months and it is expected that a certain proportion of the foreign exchange requirements will be raised with the subscription to new shares by holders on the London register of the Company.

The company's subsidiary, Andhra Fertilisers Limited is nearing completion. This certainly would help in the fertiliser development programme. The expansion in respect of pottery is now being undertaken at Ranipet. There it has been decided to install a third kiln and to effect a number of improvements to the plant already in service. The significant feature of this expansion programme is that the entire cost will be met from the company's own resources.

Aluminium

INDIAN ALUMINIUM'S EXPANSION PROGRAMME

THE PAST decade has seen considerable progress in the field of aluminium industry in India. At the beginning of the decade aluminium was primarily used for the manufacture of domestic utensils. Today the metal is being used in many engineering industries, ranging from road transport to building. The draft of the Third Five Year Plan approved recently by the National Development Council placed the provisional target of production at 82,000 tons. Taking into account the output of 17,000 tons in 1959, much effort will have to be made to achieve this target. Indian Aluminium Ltd., a pioneer in the establishment of aluminium industry in India, is well set to contribute its share in this increased output.

Indian Aluminium Ltd. has embarked upon the second phase of an integrated expansion of its production facilities. It proposes to double the Hirakud smelter to 20,000 tons, to increase production capacity at Belur and install an additional extension press at Alpuram. These projects are expected to be completed by 1962-63. The Chairman, Mr. K. C. Mahindra, pointed out at the annual general meeting that the Company proposes to go on expanding because with a higher scale of production the cost of production is bound to be reduced. It may, however, be pointed out that decentralised growth of the industry also needs to be taken into consideration. While the raw materials position and prospective demand provide a basis for a bold expansion of the aluminium industry, the scale on which large units have appeared on the scene make it necessary to watch the trends in output and demand, so that any great imbalance between the two does not arise and produce strains during the transition to high consumption of this strategic metal which is assured after a time.

BOOK REVIEWS

THE SHAPE OF THINGS TO COME

Markets of the Sixties: Published by Harper & Brothers, New York; Pp. 266; Price $5.00.

"MARKETS of the Sixties," a fascinating book by the Editors of the "Fortune," takes a bold look at the United States over the next ten years. It describes the probable course of population, national income, expenditure pattern, technology and productivity and the impact of these on the size of the consumer market. The fabulous post-war boom of the 1950's is likely to continue in the sixties, belying the fears of the pessimists of the 1930's who forestalled the enfeebling of the U.S. economy due to stagnation, and possible decline, in population. The march of science and technology is likely to continue at its present astounding pace. Test-tube creation of a living cell, detailed understanding of the aging process, cure for cancer, computers with brain-like attributes, rocket mail and freight service and finally, man's landing on the moon may be accomplished. Despite these inventions and innovations, the sixties may fail to bring forth any single new consumer product of commercial impact comparable to the automobile, radio, automatic washing machine, home air-conditioning, TV or refrigerator. Productivity will maintain the secular trend in its growth. This will lead to a gross national product of $750 billion, 56 per cent more than the all-time high of $480 billion in 1959. As the decade closes, more than half of all the disposable personal income is likely to be "discretionary", that is, over and above the amount required for the indispensables of life. This will be lavishly spent on goods and services which are striking and uncommon, of better quality and variety.

If these bold projections are translated into reality, the sixties would be immensely profitable and exciting. But it is not because of the American picture that this book is exciting. It is because the methods demonstrated open out an opportunity for marketing research in India which we have been all too slow to appreciate. Is it not possible for India's research institutions to collaborate on a similar study of India's markets in the sixties? In percentage terms the growth in most areas will be larger than in the United States. But, of course, percentages mean little to businessmen. Who will spell out pretty accurate estimates of quantities to be bought with a description of How, When, Where and, possibly, Why? This is one of the most urgent challenges both to economists and businessmen; will they seize it?

THE PEOPLE'S REPUBLIC: AN EVALUATION

The Economic Development of Communist China 1949-1958: T. J. Hughes and D. E. T. Luard, Oxford University Press; Indian Edition Rs. 15.

This is a book which gives a very readable and factual account of what has been happening in China between 1949 and 1958. Mr Hughes is an economist who formerly worked for the British Treasury, the Ministry of Economic Warfare and the Foreign Office. Mr Luard was at one time a member of the British Foreign Service and is now a Research Fellow of St. Antony's College, Oxford. Their observations, therefore, are all the more of interest since they can hardly be accused of having a pro-Chinese bias, although they admit there is no means of verifying the figures which Chinese official statistics give.

The general conclusion which the authors arrive at is that "the rate of increase in industrial capacity aimed at by the Chinese Government is very high indeed.....,if anything, even higher than that attained by the Soviet Union at a comparable stage in her history....." (P.193), and further that Chinese production is higher than that of India and by 1962 the disparity is likely to be much greater. This in turn is likely to influence other under-developed countries towards following China's example.

Since this book was published at the beginning of 1959 it is, unfortunately, out of date in terms of statistics quoted. The authors writing at the end of 1958, could only take into consideration the figures of the draft Second Five Year Plan which was originally intended to be completed in 1962. But in actual fact most of the figures planned for 1962 have already been achieved, or almost achieved, in 1959. This, of course, was a fact which could not have been known to the authors at the time the book was being written—hence their conclusions do not go far enough except in a very vague manner. For instance, the argument that in 1962 China will still be a backward country is now no longer tenable to the extent it appeared in 1958.

A number of statistical tables are given which are of special interest as they give a comparative picture of the industrial progress in other countries. The Chinese assertion that they will catch up with Britain in the near future is also explained in some detail. On the whole, the book gives a very clear and complete picture of the Chinese economy as it was at the end of 1958. It must be borne in mind that China's progress is now much faster than is envisaged by the authors and that the immediate future is likely to produce consequences which have not been dealt with here.

PLANNED PURCHASING

The Eastern Purchasing Journal: Published by A. R. Palit & Co. Private Limited, 76, Sunder Nagar, New Delhi; Vol. I, No. 1; Pages 110, Annual Subscription Rs. 12|-.

The volume of industrial purchasing both in the public and the private sectors has risen sharply in recent years. It has been estimated that total government and non-government industrial purchases made in India in 1959-60 were of the order of nearly Rs. 500 crores and the level of purchases is likely to double itself during the Third Five-Year Plan.

Mr A. R. Palit, formerly of the Indian Stores Department, is a purchase specialist and must be given warm credit for launching the only Indian journal on purchasing. The quality of the first issue is high; and the ends look severely practical. It is also demonstrated that efficient purchasing means profits; roughly 2 per cent saving in purchasing is likely to yield a 17 per cent rise in sales. The journal is assured of success.

AGRICULTURE

Principles of Agricultural Economics: B. N. Pal. Published by M|s. Kitab Mahal, Allahabad. Pp. 451, First Edition 1959. Price Rs. 18|-.

Books on Indian Agriculture abound but Mr Pal's book is a refreshing contribution to the literature and a pioneering effort by an Indian author. In its 28 chapters and 451 pages, he has tried to assemble together as much material as is possible, though it could be said that certain subjects (e.g. Agrarian legislation, Community Development etc.) which are quite relevant to the Indian scene have been ignored. Still, the amount of work done to bring out his voluminous "Principles" must have been tremendous. Mr Pal does not claim any originality for the subject matter, but one could discern remarkable originality in the treatment of the subject. In his chapters "Incentives and Ideals," "Land Usage," "Ownership and Tenancy," "The Unit of Production" and "Farmers and the Future," he has advanced a point of view, original and thought-provoking. By appending "Summary" and "Conclusions" at the end of each chapter, he has made it easier for the student and the layman to put together the various threads of the argument. It is to be hoped, that he will also append an index, when he brings out the second edition.

A DELHI NOTEBOOK

THIRD PLAN

MR. S. K. PATIL'S valiant fight for greater allocation for agricultural development in the Third Five-Year Plan appears to have borne fruit. The Union Cabinet, it is understood, has decided to increase the outlay on this head by Rs. 100 crores. It may be recalled that Mr. Patil had asked for Rs. 200 crores more for agricultural development if the country was to be made self-sufficient in food by 1965-66.

Provision, it is learnt, is also being made for starting the work on setting up the fourth public sector steel plant at Bokaro in the Third Plan period; a sum of Rs. 100 crores is proposed to be earmarked for this purpose.

The total public sector outlay under the Third Plan, however, is not proposed to be stepped up consequent upon these changes. The additional funds for agricultural development and setting up the fourth steel plant would be drawn from the provision made in the draft Plan for inventories.

SIR ERIC COATS

Sir Eric Coats is again in India. This time he is heading the British team which has been invited by the Hindustan Steel Corporation to advise on the production and management of Durgapur Steelworks, and to suggest an outline of the system of periodical departmental returns and routines within the works for the proper management of the plant. Sir Eric is being assisted in his task by three representatives of Urwick Orr and Partner, namely, Messrs. Spurway, A Symons and B. J. Sledman, and two others, Mr. H. G. Pollock, General Manager of Organisation and Method Department of Stewart and Lloyds, and Mr. T. Sanderson, General Manager of Workington Iron and Steel Company. The team is expected to visit Delhi next week.

A two-member French team consisting of Mr. Marcel Macaux and Mr. Antoine Franquet is also here to render similar advice on the German-built Rourkela Steelworks. Russian experts are expected to advise on these lines on the Bhilai Steelworks.

MANUFACTURE OF ELECTRIC LOCOMOTIVES

The Railway Board, it is understood, will shortly enter into an agreement with the North British Locomotive Works for collaboration in the manufacture of electric locomotives at Chittaranjan. The North British Locomotives, for the purpose of its Indian contract, will have a tie-up with the Associated Electric Industries, which, in collaboration with the Government of India, is setting up the Heavy Electrical Equipment Plant at Bhopal. Initially, 42 electric locomotives will be assembled or imported for which the English Electric, the Associated Electric Industries and a French firm are in the field.

It was recently reported that the Government had selected P. H. Lloyd and Company to set up a Forge Foundry at Chittaranjan. Enquiries show that this project will cost Rs. 2.5 crores. The British firm will be paid £100,000. The initial capacity of the Foundry will be 70,000 tons a year, capable of being expanded to 100,000 tons. Construction will commence in August and the project is expected to go into production next year.

UTILISATION OF RUSSIAN CREDIT

The Government of India has decided to set up a factory at Rishikesh (U.P.) for the manufacture of antibiotics and a plant at Sanatnagar (Andhra Pradesh) to produce synthetic drugs and certain intermediates required for their production. Both these projects will be financed from the 80 million roubles credit offered by the U.S.S.R. Government, which has also promised technical collaboration in the execution of the two schemes.

The antibiotics project is expected to cost about Rs. 10.5 crores, excluding the expenditure to be incurred on the township. In the initial stages, some Russian experts may be working in the factory.

The total cost of the drugs project, excluding that of the township, is placed around Rs. 8.5 crores. This plant will have a capacity of 850 tons per annum, including that required for the manufacture of the intermediates.

IJMA DELEGATION'S REPORT

The following are some of the important recommendations made by the Indian Jute Mills Association's Delegation which visited U.S.A. and the U.K. recently.

"Research on the problem of producing a high-coloured jute fibre should be conducted in India, with particular reference to the possibility of developing a cheap chemical which would precipitate the suspended dis-colouring impurities in the water in the retting tanks and allow the jute to be retted in the clear water near the surface.

"For the purpose of exploring the markets for jute fabrics as an industrial textile as well as for the technical adaptation of jute fabrics to such uses, it would be necessary to engage the services of a Research and Development Consulting Firm in the USA.

"In order to propagate widely the specifications and properties of sacking fabrics in North America, it would be worthwhile, as a preliminary measure, to provide for a wide range of sacking fabrics to be made available for inspection in New York or for mailing to potential consumers.

"As regards quality complaints, mills should take immediate cognizance of complaints and claims and move rapidly to determine and accept responsibility and consumers should give comprehensive details of the complaints and make certain of their facts before lodging them.

"It is imperative that the industry be assured of its raw material at sound economic prices, to enable it to meet the opportunity offered by the present state of the North American economy for a significant increase in the use of jute products, and particularly to augment the industry's resources for further development."

SHIPPING

The Western Shipping Corporation, it is learnt, has ecquired controlling interest in the Mogul Line Ltd., a shipping company with rupee capital registered in India. Major part of the equity capital of this company was held by foreign interests. The Western Shipping Corporation has purchased 80,180 shares (Rs. 100 F.P.), out of a total subscribed capital of 1,01,190 shares, from the British Indian Steam Navigation Company and the Asiatic Steam Navigation Company, both of London, at the rate of Rs. 360 per share. The price was paid in sterling at London in March last.

BRIEFS

The British Government has offered to assist India in its coal production programme by sending out a team of four experts from the National Coal Board. This is in response to Government of India's aide memoirs, sent out to various foreign Governments a few weeks ago, requesting their assistance in coal production. The British Government has offered to meet the cost of the expert team.

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The Government of India is planning to set up a design bureau for the public sector. It may be located at Delhi. Foreign collaboration in setting up this bureau is envisaged.

WORLDGRAM

India

Steel Production Begins at Durgapur: Production of steel has commenced at Durgapur Steelworks with the first Open Hearth Furnace in the Steel Melting Shop going into operation. The second furnace is also ready for operation and the third one will follow shortly. The furnaces are of the fixed open hearth type and of the most modern design. They have a capacity of 200 tons each. Molten iron from the blast furnaces is stored in the Mixer Bay in 2 Inactive Hot Metal Mixers of 800 tons capacity each. It is taken from the Mixers, in ladles and de-siliconised by the application of pure oxygen to the molten metals by means of a lance. The molten iron is brought in ladles from the de-siliconising plant and charged into the furnace. A typical 'charge' consists of 70 to 80 per cent molten iron and 20 to 30 per cent steel scrap together with small amounts of iron ore and fluxes. The furnace is fired with a mixture of Coke Oven Gas and Creosote Pitch (residue of Tar Distillation) both of which are produced in the By-Products Plant of the Coke Ovens. The Durgapur Steel Plant will eventually have eight Open Hearth Furnaces, 7 of 200-tons capacity and 1 of 100-tons capacity for the production of special steel, producing a total of 2,800 tons of steel per day. The plant has been designed to accommodate four additional furnaces at a later date. Design and construction of the Open Hearth Furnaces has been executed by the Wellman Smith Owen Engineering Corporation, a member company of ISCON — the British Consortium, engaged in the construction of the steelworks.

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Production Statistics of Machine Tools: Indian Machine Tool Manufacturers' Association reports that the total approximate production of various machine tools by their 18 leading member-firms during the month of March, 1960, was:

Description of Machine Tools Manufactured	Quantity Nos.	Value Rs.
Lathes	295	31,23,215
Radial Drilling Machines	42	14,12,600
Milling Machines	26	10,22,150
Shaping Machines	14	2,54,390
Drilling Machines	62	1,63,930
Planing Machines	4	67,760
Press Brake	1	36000
Grinding Machines	3	2,970
Power Press	4	28,300
Hacksaw Machines	12	23,560
Guillotine Shear	1	6,600
Circular Saw Benches	4	2,200
Miscellaneous	3	560
Tools Grinders	3	1,500
Lathe Chucks	566	1,34,130
Drill Chucks	18	860
Total	1,058	62,80,725

*

Working of National Instruments Factory in 1958-59: A rise of 47 per cent in production and more than 50 per cent in sales over the previous year, resulting in a profit of about Rs. 2.5 lakhs, was the main feature of the working of the National Instruments Factory, a Union Government Undertaking in 1958-59. The report shows that production in the Factory in 1958-59 was at the value of Rs. 44.12 lakhs, as against Rs. 30.01 lakhs in 1957-58 and Rs. 23.07 lakhs in 1956-57. The sales during 1958-59 amounted to Rs. 45.30 lakhs, as compared with Rs. 30.50 lakhs and Rs. 24.16 lakhs in 1957-58 and 1956-57 respectively.

U.S.A.

Financing of Chandrapura Electric Project. The largest Indo-American economic project to be financed exclusively with U.S. funds will be a 250,000 kilowats thermal electric power plant near Chandrapura in the Demodar Valley, North-East India. The American Embassy announced recently the agreement in principle with the Government of India concerning the Indo-American project, which will be one of the biggest sources of electric power in this country. The $73 million (Rs. 34.8 crores) public sector venture will be an integral part of the Damodar Valley development. Foreign exchange for the undertaking will come from a $30 million (Rs. 14.3 crores) loan from the development loan fund, while local currency costs of $43 million (Rs. 20.5 crores) will be met by a loan of the sales proceeds of agricultural commodities supplied to India by the United States under Public Law 480. Repayment of the loan will be made by India in her own currency and will not involve either expenditure from India's foreign earnings, for exports of goods from India which would take resources out of India.

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Helping India's Food Production: The Ford Foundation has announced a $10.5 million grant for a programme aimed at boosting food production in selected districts of India by at least 50 per cent in 5 years. The programme, which the foundation described as an intensive agricultural effort of major proportions, is intended to demonstrate how food output may be increased throughout India. The food production plan grew out of a survey last year by a team of 13 agricultural specialists assembled by the Foundation at the request of the Indian Government. The effort will be concentrated on single districts in seven of India's States. Four raise mostly rice; two, wheat; and one, millet. Demonstration of substantially higher crop yields in these areas are intended to provide an impetus throughout India. The Indian Government intends to establish similar demonstration projects in the other seven States.

*

Loans to India: A $8,400,000 U.S. loan to the Sharavathi Hydro-electric Power Project in Mysore State was announced recently. This will cover the foreign exchange costs in connection with the first stage of a generating plant near the village of Linganamakki, and interconnecting substations at Shimoga and Bangalore. The total cost of the Sharavathi project is estimated at $76.9 million. A previous agreement allocated some seventy million rupees in P.L. 480 funds to cover local currency costs through March 31, 1961. This plant will have an initial installation of two 89,000 kilowatt generating units and switchgear transformers. It will be constructed in three stages, with 10 generators of power eventually in use. Steel for a 246 mile transmission line has been financed from a prior DLF loan. It has also been announced that a $10,000,000 loan has been granted to the Industrial Finance Corporation (IFC) of India. Both these loans have been approved by the Development Loan Fund in Washington, with the formal agreements to be signed in another three or four weeks. This $10 million loan to IFC is the first foreign loan secured by that organisation. The Government of India has a controlling interest in the IFC which will re-lend the money to certain private sector industries requiring foreign exchange for importation of capital goods.

U.A.R.

Rice Exports to India: Mr. El-Sayed Hassan Abbas Zaky, Minister of Economy in the Southern Region said at the economic conference recently that Southern Region has exported a total of 200,000 tons of rice this season. Out of this 100,000 tons were exported to India. A further quantity of 200,000 tons is expected to be disposed of before the end of this season.

NEWS IN BRIEF

INDIAN

According to a review, the National Small Industries Corporation secured government contracts worth about Rs. 2.65 crores in favour of the small-scale units during 1959-60. In 1955-56, the value of such contracts had amounted to less than Rs. 5 lakhs.

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Seven more warehouses, two each in Madras and Kerala and one each in U.P., Bihar and Orissa have been set up by the Central Warehousing Corporation. These warehouses which will have a capacity of 5,000 tons each are located at Madras, Coimbatore, Cochin, Saharanpur, Dalsingh Sarai and Berhampur.

*

The production of paper has reached a figure of 2,92,000 tons in 1959 which is three times the production ten years ago.

*

About 12 lakhs cubic feet of concrete—nearly a seventh of the total quantity of 87 lakh cubic feet—has already been laid in the concrete portion of the Kosi barrage at Hanumannagar in Bihar.

*

The Minister of Industry, Mr. Manubhai Shah, informed the Rajya Sabha recently that two schemes for the manufacture of tape recorders in the country in the large-scale sector had been licensed. Three other proposals for manufacturing tape recorders in the small-scale sector were under active consideration.

*

The tripartite Industrial Committee on Coal Mining has agreed that the coal award, which is due to expire on May 26, 1960, should be extended pending examination of the workers' demand for a Wage Board for the coal industry.

*

Investigations at the Central Glass and Ceramic Research Institute, Calcutta, have shown that a substantial quantity of costly pigments, used in the manufacture of road marking paints, could be replaced by mica powder without affecting the quality of the paints.

*

An agreement was signed recently between the Hindustan Steel Limited and the Burmah Oil Co. (Pipe Lines) Limited for the supply of about 51,000 tons of high tensile pipe of 14" outer diameter valued at Rs. 6 crores, for the construction of the second phase of the Assam Oil Pipe Line Project.

*

The Ford Foundation has announced a $10.5 million grant for boosting food production in India by at least 50 per cent in five years.

*

The Estimates Committee of the Lok Sabha has urged Government to make a beginning in the extension of social security measures to the entire population of the country, as envisaged by Article 41 of the Constitution.

FOREIGN

A new move to help British engineering firms to sell their products overseas on extended credit terms and which could also be of help to oversea buyers in markets where there may be payments difficulties has been announced by the Export Credits Guarantee Department in London.

*

An agreement for the establishment of a Marine Resources Research Institute in Peru has been signed in Lima by representatives of the United Nations Special Fund, the Food and Agriculture Organisation and the Peruvian Government.

*

Austria has ratified two conventions aimed at facilitating international touring and the transport of goods by rail. The Conventions, adopted by the U.N. Economic Commission for Europe in 1956, exempt certain vehicles from taxes and charges. Neither is yet in force.

*

Mr. H. E. Coke, a U.N. national, has initially been appointed for a term of one year by the United Nations Technical Assistance Operations as Reinsurance Adviser to the Ministry of Finance of the Government of India.

*

After three months intensive work, the Finance Committee of the Finnish Parliament has completed its proposals for a thorough reform of the tariff system. The Brussels nomenclature has been adopted, and in the process tariffs have been revised.

*

A new £A 25m. cash loan at slightly better yield terms than for shorter dated bonds has been announced by Mr. Harold Holt, Federal Treasurer. Long-term 5 per cent securities will again be issued at par.

*

Short-time working has been almost completely eliminated in West Germany, where more people than ever are in jobs. The Federal Employment Office reported that the number of those employed on April 1 was about 20m.—600,000 more than on the same date last year.

*

The Communications Ministry has sought Cabinet approval to employ 17 Soviet experts on railway projects in Iraq under the Iraqi-Soviet technical and economic co-operation agreement signed in March last year. About 300 Soviet technicians are now working on various projects throughout Iraq.

*

Nigeria's Federal Government has appointed a Parliamentary Committee to investigate insurance business in Nigeria, particularly premium charges, and whether adequate protection is afforded to insurers by the terms of policies.

*

British Petroleum is believed to be planning in conjunction with the Oronite Chemical Corporation of the U.S. to set up two new plants, one in the U.K. and one in W. Germany, for the manufacture of aromatics.

*

A contract has been signed between the New Zealand Government and the Japanese concern of Banno New Zealand for the sale to Japan of 50,000 tons of coking coal.

*

The Government of Indonesia has increased the capital of the Bank of Indonesia from 25m. rupiahs to 100m. rupiahs.

Company Meetings

INDIAN PAPER MAKERS ASSOCIATION

The text of the speech delivered by Mr. M. L. Zutshi, Chairman of the Association, at the Annual General Meeting of the Association held at 11 a.m. on Thursday, 28th April, 1960, in the rooms of the Bengal Chamber of Commerce and Industry, Calcutta.

Gentlemen,

It gives me great pleasure to welcome, on behalf of the Committee, our guests to this Annual General Meeting of the Indian Paper Makers Association.

1959 has been an eventful year for the Paper Industry. It was in December of this year that the Government announced their acceptance of the recommendations of the Tariff Commission resulting in a substantial cut in the prices of paper from 1st of January this year. It was again in December that the Government announced their decision to constitute a Development Council for Paper, Pulp & Allied Industries. Much thought was given during the year to the anticipated demand and the targets to be fixed for production of paper for the Third Five Year Plan. The year under review also saw the formulation of various schemes for the manufacture of paper and pulp machinery in this country. 1959 will thus be remembered as a year of important events for the paper industry. On the whole it was yet another year demonstrating hte earnest desire of the industry to produce more paper. When the results of the year are fully known it is quite likely that production will have exceeded 2,90,000 tons once again proving the soundness of the policy in general followed by the Paper Companies.

The Second Plan targets for capacity and production were 4,50,000 tons and 3,50,000 tons respectively and taking into consideration schemes under production and schemes covered by import licences a capacity of 5,30,000 tons has been achieved so far. The production of 2,90,000 tons by the Mills during 1959 is an achievement of great merit and shows the efforts the Industry has been making to reach the targets of production laid down for the Second Five-Year Plan. Having obtained a production of 2,90,000 tons in 1959, there is no reason why the Industry should not fully achieve the target of 3,50,000 tons in 1960-61. Thus the target for capacity for the Second Five-Year Plan has already been achieved and it is certain that the Paper Industry will have fully reached by 1960-61 the target of production set for it by the Second Five-Year Plan. All this has become possible because of the policy of ploughing back its resources for the modernisation and expansion of its plants generally followed by the Industry. The Industry has thus fully demonstrated its ability and willingness to work in the national interest. In this connection I would like to express the Industry's gratitude to the Ministry of Commerce & Industry and more particularly to the Development Wing for the assistance rendered by them to the Industry in the implementation of their expansion and modernisation schemes and on other matters.

The major event of the year was the acceptance by the Government of India of the Tariff Commission's recommendations on Paper Prices. Unfortunately there has been a lot of unmerited criticism of the Paper Industry even from quarters which should have known better. There has also been some unfair comment against the Industry from interested quarters. I have no doubt that most of this criticism is based on ignorance of facts. It is impossible for me in this address to deal with all the charges levelled against the Industry but I would not like to let this opportunity go without recording some of the important facts regarding the past record and performance of the Industry:—

(a) In 1948 when the earlier Tariff enquiry was conducted by the late Tariff Board, the price for White Printing was fixed @ Rs. -|10|1 or 63 nP per lb. for civilian supplies and @ Rs. |8|3½, i.e., 51.82 nP for Government supplies. The Mill rate for White Printing in December 1959 for civilian market had risen to 73.5 nP., i.e., an increase of 10.5 nP or 16.7% over a period of nearly 11 years. In case of Government supplies the rate prevailing in December 1959 was 57 nP., i.e., an increase of 5.18 nP or 10% over the same period.

(b) Out of the Mills selected for cost investigation in the 1948 & 1958 enquiries Titaghur Paper Mills Co. Ltd. & India Paper Pulp Co. Ltd. were common to both. The ex-Works costs (without depreciation) of production of Titaghur the major producer of Printing and Writing Papers, as determined in these two enquiries, were 5.956 annas or 37.22 nP for 1948 and 50.31 nP for 1958. Thus over a period of ten years the cost of production of this Mill rose by 13.09 nP or 35.1%.

(c) The total production of paper and paper board in 1948 was 97,908 tons. In 1959 production rose to 2,90,000 tons, i.e., an increase of about 300% over a period of 11 years.

Thus over a period of 10 to 11 years, while the Paper Industry trebled its production, the paper prices were increased by only 16.7% for the civilian market and by about only 10% for Government supplies as against an increase in cost of production of over 35%. This is a record of which any industry can be proud. It is indeed a pity that instead of receiving some appreciation for working in the national interest both in the matter of increasing production and keeping the prices under check the Industry should have been subjected to criticism and the prices of paper should have been slashed.

In his address last year the Chairman of the Association had expressed the hope that the Tariff Commission would recommend a price structure which would make it possible for the Paper Companies to allow a fair return to the Shareholders and also provide adequate internal finances for rehabilitation of the existing plant, machinery and equipment and for future expansion to meet the growing demand for paper & paper boards. I regret this legitimate expectation of the Industry has not been fulfilled. The Tariff Commission has allowed a return of only 12% on the Employed Capital to provide for the financial requirements of the Paper Companies towards dividends, interest on working capital, reserves, taxation, managing agents and Directors' remuneration, interest on debentures and loans and bonus ot labour. The Industry had, through its joint memorandum submitted by this Assoiation and the Indian Paper Mills Assoiation, shown how a return of 25% on Capital employed was the minimum required to meet the aforesaid liabilities. It is a matter of regret that the Tariff Commission should have rejected this demand without advancing any justification and should have fixed the return on Employed Capital in an arbitrary manner. Also no reasons have been given by the Tariff Commission for not providing a suitable allowance to cover the Industry's financial requirements for rehabilitating its plant, machinery end equipment.

I would like respectfully to submit that the return of 12% allowed by the Tariff Commission on Employed Capital is far too inadequate to cover the aforesaid liabilities. I would also like to take the liberty of stating that justice has not been done to the Industry by ignoring its claim for a suitable rehabilitation allowance. It may be pertinent to point out that the demand of the Industry for a suitable return on "Employed Capital" as also for the provision of a suitable "Rehabilitation Allowance" was not even discussed in the public enquiry held by the Tariff Commission in March last year and when the representatives of the Industry referred to these two prior charges the members of the Commission were pleased to remark that the representation submitted by the Industry would receive their consideration. Yet in the report itself no reasons have been stated for allowing a lower return than claimed on Employed Capital and for ignoring the rehabilitation claim altogether.

The need for a separate allowance for replacement of plant, machinery and equipment over and above the Normal Depreciation is now well recognised. Normal Depreciation accumulations are far too inadequate to meet the present day replacement costs of plant. The Paper Industry in its Memorandum to the Tariff Commission had submitted evidence to prove that the present day cost of machinery was more than four times the cost in the pre-war years. If existing production levels are to be maintained, it is necessary that Mills are put in a position to spend funds to replace worn out plant and there can be no controversy over the fact that Normal Depreciation accumulations are inadequate for this purpose. The need for providing funds over and above the Normal Depreciation accumulations for rehabilitation of plant has been confirmed by the Supreme Court in their various judgments on Bonus. Last year the National Council of Applied Economic Research, a body set up by Government, examined the adequacy or otherwise of the depreciation allowed under the existing law and came to the conclusion that Industry did need additional funds to rehabilitate plant. I am, therefore, convinced that justice has not been done by the Tariff Commission in not admitting the reasonable claim of the Paper Industry for a suitable rehabilitation allowance.

The provision for contingencies made in the cost structure is also inadequate and does not even cover the increase in costs which took place last year. In the current year there has been a further rise in costs as a result of the recent increase in Railway Freights.

Our Association has already submitted a Memorandum to the Government on the recommendations of the Tariff Commission which has been supported by the Indian Paper Mills Association. I do hope the Government will consider favourably the Industry's request for an immediate revision of the prices. Between now and the end of the Third Five-Year Plan the Industry has more than to double its output. This will involve the investment of huge sums of money in the purchase and installation of additional plant, machinery and equipment and if the Industry has to fulfil the targets set for it for the Third Five-Year Plan the prices must be increased.

Apart from the basic question of revision of prices some of the recommendations made by the Tariff Commission have upset the well-established conventions of the Paper Market. The differentials and extras provided for by the Tariff Commission are unrealistic and in some cases arbitrary.

I would also like to touch upon the observations made by the Commission regarding the inadvisability of fixing separate prices for different qualities under the same variety of the Writing and Printing category. The Commission seems to have ignored that in India as in other countries there is a class of selective consumers requiring special qualities of papers for doing special jobs. The requirements of this class have been altogether ignored and no incentive has been provided to the Mills to manufacture speciality papers of the Writing and Printing category. The Commission seems to have failed to appreciate that there is difference between Offset and Offset and that the Offset paper of inferior quality cannot be used by printers who have to produce quality work. The price structure finally recommended by the Commission and accepted by the Government provides no incentive to the Mills to manufacture quality papers so as to meet the requirements of the consumers who had started relying on indigenous supplies in place of imported papers.

I welcome the Government's decision to import 25,000 tons of Writing and Printing Papers to meet the gap between the actual demand and the indigenous production. The logical conclusion of this policy would be to encourage Indian Mills to manufacture quality papers. I do sincerely hope that those Mills, which as a result of experiments conducted over long periods have succeeded in producing quality papers as distinct from their normal varieties, will be encouraged to continue production of such speciality papers.

The other major event of the year was the formation by the Government of India of a Development Council for the Paper, Pulp and Allied Industries. I welcome the formation of this Council with representatives of the Industry, the Government, the Forest Department and the Trade as its members. The first meeting of the Council was held in February 1960 and inaugurated by the Hon'ble Minister for Industry. The Council has been assigned important functions and I have no doubt it will provide a close link between the industry and the Government. The Council has already constituted various sub-committees to examine closely some of the important problems facing the Industry and the Trade.

Earlier in my address I referred to the formulation of schemes for the manufacture of pulp and paper machinery in this country. The Government have already approved six schemes or the manufacture of large scale paper plants with a capacity of 50 to 100 tons per day and 4 schemes for the manufacture of small scale paper plants with a capacity of 5 to 10 tons per day and two for the manufacture of ancillaries. It is a right step in the right direction and I do hope that in the years to come India will achieve self-sufficiency and also be able to export paper and pulp machinery to foreign markets.

During the Annual Rate Contract meeting in early March this year between the representatives of the Industry and the D.G.S. & D. the attention of the Government was drawn to the representation submitted by the Industry for revision of prices and a case was put up for an immediate increase in prices, more particularly as increases in cost of production had taken place since the Tariff Enquiry. Although the Industry agreed to supply one third of the 1960|61 allocation on the basic of the Tariff prices I do hope that the Government would allow a higher price for the balance two thirds of the allocation.

India has set for itself an ambitious programme of industrialisation under the Third Five-Year Plan. Early this year the Planning Commission invited representatives of the Paper Industry and discussed with them the fixation of targets of capacity and production

of paper for the Third Five-Year Plan. Literacy is spreading in India. Consumption of paper by the Government is on the increase and the population of the country is going up from year to year. There is, therefore, no manner of doubt that the demand for paper during the Third Five-Year Plan will be substantial. The Hon'ble Minister for Industry in his inaugural address to the Development Council estimated the demand at 7,00,000 tons and capacity at 9,00,000 tons. In actual practice the demand is likely to be more. In the next six years the Industry will, therefore, be required to produce nearly three times its present production and will mainly depend on internal resources for doing so. It is, therefore, all the more necessary that the Government give their most favourable and urgent consideration to the request of the Industry for an upward revision of the paper prices with immediate effect.

The supply of raw materials suitable for paper making continues to be a source of anxiety to the Industry. With the installation of new Mills the position will become still more acute. Bamboo has been the primary raw material for paper making in this country and I cannot help but mention that the attitude of some of the State Governments in refusing long term leases of their bamboo and grass forests at reasonable royalties to the Paper Industry is far from being helpful. In the past various expert committees have recommended that the leases of bamboo forests should be granted to the Paper Mills on a long term basis. The latest of these is the recommendation of the Tariff Commission. Unfortunately, some of the State Governments do not fall in line with this policy and I take this opportunity of requesting the Central Government to issue clear directives to the State Governments to follow the policy as recommended by the Tariff Commission.

It is obvious that the overall availability of bamboo and sabai grass will in the course of time fall far short of the Paper Industry's total requirements. I, therefore, welcome the attempts now being made in some quarters to use bagasse as an alternative raw material. Plenty of bagasse could become available if sugar Mills were to convert their boilers and use an alternative fuel and supply the bagasse thus becoming available to Paper Mills at a reasonable price based on the fuel value of bagasse. It is, therefore, necessary that the Government lay down broad principles for determining the price of bagasse. This is a matter which requires close study in order to arrive at the proper basis on which bagasse can be made available to paper industry and I earnestly trust that the Government will give their due consideration to this problem.

During the year the Industry continued to receive demands from the trade unions for increases in wages. The Paper Industry pays decent wages to its workrs and it is time that he Trade Union Leaders started directing the energies of their followers to constructive channels for enlarging productivity, for increase in production is the best insurance for higher emoluments.

INDIAN ALUMINIUM COMPANY, LIMITED

Twenty-second Annual General Meeting

CHAIRMAN REVIEWS DEVELOPMENTS IN THE ALUMINIUM INDUSTRY

The following is the text of the Speech delivered by the Chairman Mr. K. C. Mahindra, at the 22nd Annual General Meeting at Calcutta, on Wednesday, the 27th April, 1960.

I have pleasure in according you special welcome to our 22nd Annual Meeting, for 1959 has been a year of good profits and a presage of better times to come.

The Directors' report submitted to you along with the audited accounts for the year 1959 gives a factual background to the year's operations. Production and Sales reached new high levels. Initial operations at the Company's new smelter at Hirakud were satisfactory. The Company's Technical Consultants, Aluminium Laboratories Limited of Canada, rendered great assistance towards the start-up of the new smelter. It is a matter of satisfaction to all of us that the Plant is being operated entirely by Indian personnel, which is good testimony to the progress we have made in training a cadre of sound technical personnel within the Company.

It has been reported that the draft of the Third Five-Year Plan establishes a target for production within the country of 82,000 tons of aluminium per annum and that the annual requirements of aluminium may be of the order of 100,000 tons. The Industry has come a long way in the last decade, at the beginning of which aluminium was primarily used for manufacture of domestic utensils. Today it is an established metal and is being used in many engineering industries, ranging from road transport to building. Our Company can justifiably claim that it has contributed substantially to the development of the aluminium industry in India. Aluminium still remains in our country an industry of high adventure. Your Company knows only too well how arduous and venturesome has been the climb and how complex the local technical problems connected with its installations and growth. In acknowledgement of this spirit I welcome the two new entrants in the field of production. As pioneers in the establishment of aluminium as an industrial metal within the country, your Company is resolved to play its part in the further development of the industry and has therefore embarked upon the second phase of an integrated expansion of its production facilities, and construction has already commenced.

It is proposed to double the Hirakud Smelter to 20,000 tons, to increase Belur production capacity and install an additional extrusion press at Alupuram. These projects are expected to be completed by 1962|63. On completion your Company will be a substantial producer of aluminium with integrated facilities. It is a matter of pride and satisfaction to all of us that the tempo of expansion which commenced in 1953 is being maintained. We propose to go on expanding so that within the next decade we shall be a Company of substantial size. But we must remember that the price factor plays an important part in the development of demand for any product. More so in India, where great stress in laid on the initial cost as opposed to long-term economies. Aluminium costs 30 to 40% more in India than in other developed countries. Further, the price differential between aluminium and other competing materials is far more unfavourable in India than elsewhere. If aluminium is to establish itself, especially in the next few years, when the supply of steel is expected to increase, it is essential that prices are brought down. This can only be done by having larger plants capable of producing 50,000 tons and over per annum. It has been estimated, for example, that unit costs of production of a 50,000-ton smelter may be lower by 15% than those of a 20,000-ton plant. By having larger size plants, operating costs will be correspondingly reduced and this will ensure that aluminium holds its ground in competition with other metals. For this reason it is essential for us to keep on expanding until such time as we have reached the optimum economic output levels at each one of our plants, so that with increased operational economies, prices may be reduced and thus ensure that demand will receive a stimulus.

As we turn into the 'Sixties', a decade of progress and expansion lies behind us—a decade during which the Company showed a twenty per cent growth a year in ingot production and established supremacy as a leader in a difficult and complex industry. This growth is unparalleled and far exceeds the 6% rate of growth which would characterise a dynamic economy. It is no doubt true that our fabrication facilities have grown only 4½ times as against a 6½ times increase in production of the primary metal. But this is no fault of the Company's management; Government regulations and priority considerations have not permitted a similar development in the semi-fabrication field. And yet, to sustain a demand for the virgin metal over a long term, the fabricators must grow apace, if not beyond the supply of ingots at any period of time. To continuously develop new applications and new channels for the use of aluminium products there must develop in the country varied types and kinds of fabricated materials. Looking at the decade ahead, we are engaged in increasing our metal production as well as our rolling and extrusion facilities by another 70% over our present turnouts. This will be achieved by middle of the Third Plan period. We will not cry halt because inherently expansion is in the bloodstream of the Company. Further, the Management firmly believe that economic efficiency as judged by costs which would be comparable to costs, say, in Europe can only be achieved by increasing suitably the sizes of both smelter and rolling units. The impost of excise duty in the recent Budget does not however encourage optimism about the growth of the market and I would earnestly beseech Government to examine afresh the long-term implications of the excise policy in its bearing and impact on the volume of future demand for aluminium products in the country. The stimulants of demand, as Mr. Nathanael V. Davis the President of Aluminium Limited, our Canadian associates, recently stated, are "new aluminium technologies, determined efforts in sales development and research and improved price relationship of aluminium with other metals." Production cannot maintain its rate of growth if consumption lags behind. Disregard of this criterion, it has been truly said, had its nemesis in the marked decline in the production of those very industries which at the beginning of the second Five-Year Plan were firmly set on the path to rapid expansion—textiles, cement, transport are significant examples.

Another forward step has been taken by the management in organising an engineering project division within the Company. This is the beginning for a regular design section which would complement the assistance we receive from the design and research facilities of our Canadian associates, and which in course of time will develop enough technological facilities to work out designs and techniques most suitable for operating materials and conditions in India.

I referred earlier in my address to the impact of new excise taxation on demand. I do not feel curious any more that the immediate fiscal policy of the Government should appear to be in conflict with the long-term planned objectives of the economy, for it has happened so frequently of late in diverse fields. A strengthening of the industrial base was the avowed theme of the Second Plan; strengthening means not merely increased production of basic materials both new and old, but a growing encouragement of the uses of the materials so produced. Application of resources, however limited, toward industrial growth implies growing diversion of savings toward investment in industries. Savings must increase; increasingly these should be applied toward generating new industry and promoting development of old ones. This concept of planning, admirable and praiseworthy in objectives has, however, been vicariously undermined by fiscal needs and petty conflicts between the various organs of Government. What you promote with one hand, you cut down and emasculate with the other. Road transport—for instance—has been the pet whipping boy of practically all the States in the Union in search of more revenue and now Railways have joined in curbing the upstart competitor which in their imagination threatens the rail monopoly and fresh excise duties have been levied on all forms of motor driven vehicles. In our industry protective tariffs have helped as a shield for growth. The price situation remained comparatively free from control and was regulated more or less by interplay of supply and demand. Market growth really generated the need for additional production of the metal. New schemes have been encouraged on the basis of anticipated growth in market demand rather than on the strength of the economies of a specific venture. And now heavy excise has been imposed which will obviously lead to the diminishing of demand and thereby make this capital-intensive industry more unattractive. These contradictions in policy of the various Ministries of the Government and between immediate needs and final desires lead one to think if there is not something wrong somewhere in the administration of our planned efforts and whether time has not arrived to re-examine the void between policy and execution and repair the lack of coordination between the planning and the executive wings of the Government.

I do not disagree with the "theory of the big push" —for, there are better than even chances of getting somewhere if the country tried to do too much rather than too little. There should therefore be a welcome for the more ambitious target rather than be critical about "unrealistic" goals. But while inciting a revolution of rising expectations one should be extremely careful that it does not end in becoming a whirlpool of increasing frustrations. Government everywhere is part of industry and planning is an acceptable feature even in free enterprise economies. There can be no quarrel on this score. But Government is essentially the source of prevention measures which when well directed and co-ordinated lead to avoid waste of valuable resources but when we witness contrariness in the various impositions and regulations we encounter the first phase of practical difficulties. The Planning Commission encourages growth along certain lines but fiscal needs refuse to take note of the effect of tax and such like imposts on demand and therefore on ultimate targets for achievements. Planning should be perspective in the sense that all points of the compass remain within view; over a measurably realistic period of time; that advances in the sectors of production and distribution be simultaneous so that one reinforces the other: that there remain a growing stimulus for further and further improvements in each field of economy. Planning is a most complicaed and complex exercise and I can find no better example and precedant than the manner in which the American industry was geared during war time to produce the necessary materials for the struggle. Briefly, policy decisions were first made "by balancing the requirements for selected high-priority objectives with the available amounts of strategic of scarce resources. Next, the details of the plan were worked out through applications of standard ratios based on past experience. Final adjustments were left to informal trial and error procedures of the actual month by month operations". The important difference from conditions current today in India was that demands were specific both in categories and quantum and accordingly where a gap in production point was noticed the surplus of capacity, manpower and finance was directed toward creating the supply in the shortest time possible. Applying the formula to the present state of our economic planning one finds no doubt a peremptory urge to move on rapidly, a compulsion to

build a solid industrial base but there is a singular aversion to analyse the factual data involved and shape, alter and mould the programme as we go along. We seem to get lost in concepts of linear programming, in the so-called method of Balances, in input-output ratios. One cannot but view with alarm the application of such theoretical doctrines when simple structural relationships between supply and demand are ignored and obiter dicta are issued nonchalantly and without mutual consultation from desks which adorn the planning or the executive enclave respectively. Aluminium production should step up to 100,000 tons by 1966; ergo, more units should be licenced to achieve this goal. It is ignored that demand for primary metal has increased from 23,000 tons to 35,000 tons over the last 5 years because of sales effort to increase applications, because of intense educational campaign to popularise the use of aluminium and because of relative stability in the price level. When the Finance Minister decided to impose an excise levy which would increase prices by as much as 10 per cent at one stroke, he did not, I am sure, consult the planning wing. Would the planners now revise their objectives in the light of possible shrinkage of demand because of pressure of excise duties on prices? I fear not, and that is where the lacunae in our thinking of the future become wide and disparate. It is naturally not my purpose here to draw the lines for the next Plan, but I enter a plea for recognition of the facts of supply and demand and for a more rational approach to the problems of growth of individual industries. If I am critical, it is not for the purpose of imposing judgment; it is to request discipline and rationalisation in the conditions of judgment.

The financial picture as presented in the Directors' report is promising. Profit for the year, before providing for income tax and development rebate reserve, was higher at Rs. 1.94 crores. After providing for Corporate tax of Rs. 55 lakhs and setting aside as development rebate reserve, which is a statutory appropriation under the Finance Act 1958, a sum of Rs. 61½ lakhs, net surplus for the year is Rs. 79.83 lakhs. Because of the statutory provisions regarding development rebate reserve the amount of money available for distribution to shareholders is not large.

This may appear disappointing in the year of our Hirakud development, for the immediate return to the shareholders is necessarily small but it is to be recognised that the allocation to the Development Rebate fund is a plough-back of profits into the business of the Company. Such appropriations of earnings retained in the Company are an essential element in a capital-intensive industry like aluminium and more so when the Company is engaged in a forward looking programme of expansion.

It has been possible for the Directors to recommend payment of a higher rate of dividend on equity shares — the highest so far in the history of the Company. I appreciate that the net receipts in the hands of the shareholder is less because of the new base of tax policy and abolition of the system of grossing up of the dividend. But here neither you nor the Board have any say if Government chooses to tax the shareholders further and take away a substantial portion of their income. The Company has passed on to the shareholders most of the "savings" on corporate taxation effected under the new scheme.

To Mr. Vance Echols and his able associates in the Company I convey our congratulations and thanks for the splendid results achieved during the year and I am sure the shareholders will join me in wishing them further success in the endeavours to come. Equally meritorious has been the effort of our work force at all the six operating points in the country. I am confident your trust is in good hands and the coming years hold an encouraging promise.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

THE BUCKINGHAM & CARNATIC COMPANY LTD.

CHAIRMAN'S SPEECH

Presiding at the Thirtyninth Annual General Meeting of the shareholders held at the Company's Office, 7 Armenian Street, Madras on Friday the 29th April 1960. Mr. E. J. M. Leigh said:—

Gentlemen,

It gives me great pleasure to welcome you to this Annual General Meeting of the Company, and with your permission I shall take as read the Report and Accounts for the year 1959 which have been in your hands for the requisite time.

It was not until well into the second half of 1959 that confidence in the future began to return to the Textile Industry and Trade. With lower exports in the earlier months more cloth was available for internal sale at a time when abnormally high food prices had restricted the spending power available for other necessities such as clothing.

There had also been a marked change in demand in favour of finer varieties requiring imported cotton, that could not be met on account of severely curtailed imports which forced Mills, at great inconvenience in many cases, to alter their production planning and spin coarser irrespective of buyers preferences. The inordinate delay on behalf of Government in issuing import quotas even on the restricted scale, cost the industry and the country many crores of rupees as by the time purchases could be made, foreign cotton prices had advanced sharply. However the most serious consequences of this delay were perhaps to be felt later on as by the end of the Indian cotton season, with higher consumption and a drop in the 1958/59 crop, the carry over had been reduced to 18.5 lakh bales, 2.37 lakh bales or 11% less than at the end of the previous season. I shall refer to the critical cotton supply position again later in my speech.

Returning to my opening remarks, it was from about August that confidence began to revive, encouraged by a marked broadening in export demand, reflecting a general expansion in world trade, and a tendency for prices to harden. Idia's ability to take advantage of this welcome development was assisted by the apparent, but no doubt temporary, reduction of activity on behalf of Red China, a severe set back to the Japanese Textile Industry through heavy typhoon damage and Government's Export Incentive Schemes, the value of which must not be under-rated.

Stocks with Mills began to fall and it was not long before cloth dealers throughout India saw the writing on the wall and began to re-stock the empty distributive pipe line. For nearly 2 years they had adopted a hand to mouth purchase policy, their confidence having been shattered by the frequent and substantial changes in Excise duty rates since September 1956.

Is it too much to hope that as Excise duty rates have now remained virtually the same since July 1958, Government have at last realised that heavy handed attempts to correct fluctuations in market prices and production trends by artificial measures, however temporary,

lead to chaotic conditions and loss of confidence both at home and abroad?

As shipments increased and clearances for home consumption got under way stocks with Mills fell precipitately and the reduction in closing stocks to the lowest figure for many years eased heavy financial burdens and released urgently required funds for the purchase of machinery, stores and raw materials. By the year end the trade was once more performing its proper function of holding stocks, which the Mills had been obliged to carry and finance for so long.

While this was all most encouraging and there was even talk of India's exports in 1960 reaching the target of 1000 million yards, dark clouds were building up on the horizon.

The Textile Industry, accustomed to shocks as it is, received its first warning of serious trouble ahead in November, when the current season's commercial crop of Indian cotton was estimated at the low figure of 45 lakh bales against the previous season's crop of 48.75 lakh bales and with consumption up by 4.13% to 46.16 lakh bales. But worse was to come and even the latest commercial crop figure of 37½ lakh bales is now considered to be a liberal estimate! Cotton prices reached and pierced the ceilings long ago and the Industry is faced with a very real crisis, though Government has issued repeated assurances that the short-fall will be made up by greatly increased imports, much of which will be of short staple American varieties. But it is vital that there should be no further delay in issuing quotas for the entire quantity so that bulk supplies can arrive in this country at the earliest possible moment. It is, I believe, only with the physical availability of adequate supplies that the hope lies of controlling Indian cotton prices within the ceilings.

Even if all Mills, which can, use much more long staple foreign coton and the rest of the short-fall is covered by imports of the lower grades, the high cost factor remains and the most acute shortage is in those types of Indian cottons on which the bulk of this country's cloth exports are based.

It is disastrous that this this should have happened at a time when India had an opportunity of consolidating export gains and approaching the target. It now looks as if the most strenuous efforts will have to be made if even last year's figure of about 790 million yards is to be achieved in 1960.

Another severe shock was occasioned by the recent publication of the recommendations of the Textile Wage Board over which so many difficulties of interpretation have arisen. Despite the fact that the essence of the report is that it must be taken as a whole, Labour Unions throughout the country are demanding the immediate implementation of those parts favourable to the workers and threatening country wide strike action. The Industry is not in a position to accept unrealistic additional financial burdens and it will indeed be a tragedy if the Mill Industry as a whole, employers and employees, receive a severe set back as the result of the emergence of this unhappily worded document.

In what can only be described as a developing national emergency, the Cotton Textile Industry being of such vital importance to this country both for the clothing of its peoples and as a substantial earner of foreign exchange, it passes my comprehension that the Union Government is reluctant to obtain for the benefit of all an authenticated interpretation of the Wage Board's recommendations by calling together all its past members for this specific purpose.

It is within my personal knowledge that certain past members of the Wage Board do not agree with the interpretations of some of its findings as held by the Workers' representatives. In the circumstances can it be anything else but a figment of fantasy to describe the report as 'unanimous' when the actual sense and wording is in undoubted dispute.

If the appointment of the Wage Board is to achieve its objects, which presumably include a fair deal for all concerned, including the consumer, with peace and progress in the industry, it is essential that negotiations between all employers and workers should proceed on the basis of the same agreed and clear cut formula.

Without this there can be no hope of reaching uniformity in separate and various agreements which may be negotiated, possibly after a long period of strife. This would merely sow the seeds of future trouble with serious repercussions on other industries.

I now deal more particularly with domestic affairs. As you know, your Company is now a subsidiary of Binny & Co. (Madras) Ltd. and you are also aware that the Directors of your Company and of Binny & Co. (Madras) Ltd. have agreed mutually to the final termination of the Managing Agency with effect from 1st January, 1961.

The Directors of both companies are firmly of the opinion that in the changed circumstances of today this would be in the best interests of all concerned, though the decision was reached with great regret in view of our close association and the valuable services rendered by the Managing Agents for so many years.

In General Metting in January this year you gave your approval to an application being made to Government for the renewal of the Managing Agency Agreement on the same terms for 4½ months to cover the period between the expiry of the present Agreement on 15th August, 1960, by operation of Law, and the end of the year. This application was submitted in good time and Government's decision is expected shortly.

I am sure you will all agree with me that it is of vital importance to your Company that there should be no departure from those most successful policies under which the Buckingham and Carnatic Mills have expanded and prospered in the past and in order to ensure continuity it is proposed that four of the present Directors of Binny & Co. (Madras) Limited, all of whom have had long experience in the management and business of your Company should then become Managing Directors of the Buckingham & Carnatic Co. Ltd.

A similar policy will be followed by your associate company, the Bangalore Woollen, Cotton & Silk Mills Co. Ltd., and arrangements will shortly be made by the Boards of the two Mill Companies with regard to the appointment of Managing Dirtctors. It is proposed that the cost of their emoluments will be shared in appropriate proportions as shall be mutually agreed.

You will have seen from the Dirtctors' Report that sales during the year were a record at over Rs. 10½ crores and finished stocks fell to under Rs. 40 lakhs, representing only 2 weeks production. A steady demand continues for your Company's range of products to which we hope to add some interesting new varieties during the current year. With adequate supplies of long staple foreign cotton, it will also be possible to meet, to a greater extent than last year, the demand for some of your Company's specialities such as 'Hanava.'

Despite every effort and extensive market research it was not possible to improve on an export figure of Rs. 1.81 crores but shipments during the first three months of the current year have been at the rate of Rs. 2.0 crores per annum which is encouraging. It is to be hoped that substantially increased costs of manufacture will not restrict further progress.

Your Company continues to supply the Defence Services' requirements of olive green drill and cellular shirting, though the prices obtainable showed a very poor return over the year.

The Company's showroom in Bombay has now been redecorated and air-conditioned to the great convenience of customers. These showrooms in various centres have proved of considerable advertising value and have provided a very useful and informative direct contact with the public.

It will be seen from Schedule 3 attached to the accounts which gives details of our fixed capital expenditure that additions thereto during the year amounted to approximately Rs. 53 lacs. Whilst the modernisation and renovation of the Company's buildings and plant is a continuous and never ending process, the main rehabilitation programme decided upon shortly after the war is nearing completion. The second new Weaving Shed is in production with a complement of 730 looms, the new Stores building and the extension of the Yarn Dyeing and Finishing buildings are well advanced and should be ready for occupation later in the year.

I am glad to inform you that after negotiations lasting nearly three years we received, towards the end of last year, licences for the import of new machinery valued at Rs. 40 lacs under United Kingdom and West Germany Credit Schemes. This sum is being utilized mainly for dyeing and finishing equipment, to replace obsolete plant and provide additional capacity to meet our ever increasing needs.

We have recently entered into contracts for the construction of an additional 198 dwelling houses for our workpeople at a cost of approximately Rs. 9 lacs.

Labour/management relations have on the whole been satisfactory although during the year there was unfortunately a crop of lightning sectional strikes over the most trivial issues and frequently without the support of the recognised Union. We are hopeful that a better understanding has now been reached which should reduce the incidence of such indiscipline.

I have already referred to the crisis following the publication of the Textile Wage Board's recommendations. Discussions between the Government of Madras and representatives of labour and management are now taking place and whilst these are proceeding, it would be inappropriate for me to express my personal views on the detailed implications as they might affect your Company. I must, however, warn shareholders that higher wage rates must inevitably affect the profit earning capacity of any Industry adversely unless accompanied by greater productivity, the acceptance of appropriate but fair workloads and essential rationalisation.

Your Company has been adversely affected to the extent of Rs. 1,13,600 by the changes made during the year in Corporate taxation and in order to maintain net dividends of 7½% and 10% on the Preference and Ordinary shares, respectively, you will see that we have had to deduct and pay to Government Rs. 8,33,375 from the gross dividends. This additional tax payment has been off-set to the extent of Rs. 7,19,775 by the savings resulting from the reduction in the rate of tax from 51.5% to 45%, and the abolition of both the Wealth Tax on Companies and of the Excess Dividend Tax.

As you know, we are a Section 23-A Company, but the penal provisions of that section will not apply as the total distribution on shareholders' account is more than 50% of the assessable income less the tax thereon.

Balance Sheet figures show only minor changes when compared with the previous year and items affecting the trading results have, I think, been adequately covered in the Directors' Report and require no further comment from me.

I am sure you will wish to join me in recording our appreciation of the valuable services rendered by my Co-Directors, the Mill Manager, his staff and all employees and, of course, the Managing Agents, whose combined efforts in a difficult year have achieved the results you see before you and which I consider can be regarded as satisfactory.

NOTE:—This document does not purport to be a report of the proceedings of the General Meeting.

THE EAST INDIA DISTILLERIES AND SUGAR FACTORIES LTD.

Sixty-Second Annual General Meeting

MR. C. R. SRINIVASAN'S REVIEW

Presiding over the Sixty-second Annual General Meeting of the Shareholders of the Company held on Friday, the 29th April, 1960, Mr C. R. Srinivasan, Chairman, said:

Gentlemen,

The Accounts of our Company for the year ended 30th September, 1959, together with the Directors' Report thereon were posted to you on 4th April and with your permission I shall take them as read. You would have noticed with pleasure that the Company continues to prosper and against a capital of £750,000 our Reserves now stand at over £1,500,000. The Accounts have been presented in the same form as hitherto and when read with the notes published along with them, they provide all the information needed to assess the working of the Company during the year under report. I am of course at your disposal if there is anything more you would like to know.

There was a suggestion made at the last Annual Meeting that we might send out along with these accounts those of the Company's main subsidiary, Parry & Co., Ltd. Its results are included in the consolidated accounts now before you at pages 8—11 and since we are a sterling concern registered under the English Act, the accounts as presented have been framed in conformity with the requirements of that Act. Still I gave due consideration to the suggestion made and came to the conclusion that far from enlightening it may tend to confuse shareholders. But I shall be happy to furnish copies of Parry & Company's Accounts on application. I appreciate the natural and understandable desire to assess the value of the purchase of the Ordinary Capital of Parry & Co., in 1956 on the basis of actual results. A study of the Parry & Co., Ltd., accounts however would not disclose the fact that because of the tax benefits arising, we transferred certain industrial and trading interests of Parry & Co., Ltd., to the parent Company. To shareholders who have any misgivings on the advantages of purchase, I am free to give the assurance that our entire investment in Parry & Co., Ltd., has been fully recovered by the return we have already received.

DIVIDEND EQUALISATION RESERVE

The financial results of the year's working are set out in detail in the Directors' Report and I do not propose to cover the same ground again. There is one point, however, to which I would invite your attention, that is the creation of a Dividend Equalisation Reserve of £150,000 from this year's profit. This should serve as abundant assurance to shareholders concerned over the maintenance of dividends in the future. In this context, it is but right that I should refer to the subject of Preference Dividends. Section 18 (3E) of the Indian Income Tax Act which was introduced in the Finance Act, 1959, required companies to pay all dividends with tax deducted. Provision was made for the grossing up of the tax where the Articles of Association of the Company provided for the net dividend at the rate stipulated. The Parry & Co., Ltd., Articles contain this provision. The Articles of this Company do not. It was

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RAW MATERIALS CONTROL • FUEL AND STEAM UTILISATION
TRANSPORTATION METHODS • MECHANICAL HANDLING
PRODUCT QUALITY CONTROL • OPERATIONAL RESEARCH
WORK STUDY • BUDGETARY CONTROLS
VALUATION OF PLANT & BUILDINGS
DESIGN AND ESTIMATES OF EXTENSIONS

ON LABOUR—

METHOD AND WORK STUDY • PRODUCTIVITY INDICES
TIMEKEEPING SYSTEMS • WAGE PAYMENT SYSTEMS
JOB EVALUATION • WAGE STRUCTURES
PERSONNEL RECORDS • LABOUR POLICIES
HUMAN RELATIONS • COMMUNICATION
REORIENTATION LECTURES • FOR LABOUR AND SUPERVISION

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to cover this lacuna that Extraordinary General Meetings jointly and severally of different classes of shareholders were convened late in February. But these meetings were adjourned **sine die** following the withdrawal of Section 18 (3E) of the Income Tax Act in the Indian Finance Bill introduced on the 29th February, 1960. We are awaiting the enactment of the Finance Bill into law before taking up the proposal again to alter the Company's Articles of Association suitably. I am sorry that meantime payment of the final dividend on the Preference Share Capital for the year ended 30th September has had to be held up I crave the indulgence of these shareholders to bear with us a little longer.

In my speech last year I drew attention to the new scheme of taxing companies introduced by the 1959 Finance Act and I pointed out that although the rate of tax on profits had been reduced to 45% and the Wealth Tax on companies and Excess Dividend Tax removed, the onus for the payment of the tax at the prescribed rates on shareholders' dividends had been thrown on the companies. I said then that what the combined effect of these two imposts would be, was not easy to assess but the result might well be that the total levy on companies would be increased. It gives me no pleasure to record that what I feared a year ago has come to pass. The representations made to the Finance Ministry by the various Chambers of Commerce bear this out. There was general expectation that these representations would yield some results. These expectations have not materialised to any extent. This year's Finance Bill confirms the tax rate on companies' profits for the assessment year 1960-61 at 45%. I am afraid Government have taken a short-sighted view and the conditions for further and fresh capital formation have been seriously prejudiced. This is unfortunate when the paramount need of the hour is to reinforce the internal resources of the country for the service of an expanding economy.

FINANCE FOR ERECTION OF NEW FERTILIZER FACTORY

In the lst para of the Directors' Report you would have noticed the statement that the Company is now committed to the erection of a Compound Fertilizer Factory near Madras costing approximately £3 million. It was expected that I would be in a position to disclose to you in detail the arrangements contemplated for financing this major project, I regret these arrangements are still incomplete and I am not in a position yet to give you the full picture. We are on the last lap of our negotiations with Government and various interests concerned and it is not in the interest of the Company to prejudice results by premature disclosures or discussions.

At the same time I can quite understand you would like to know in broad outline how we propose to finance the project. To the extent possible I shall be glad to take you into confidence. We require £3 million to integrate the project and it is proposed to find the whole of it from outside sources. Our plans are to raise approximately a quarter of the total requirements by a fresh issue of Ordinary Shares with a modest premium and the balance we propose to cover by medium term loans partly in India and partly in U.K. so as to cover our exchange requirements.

You are aware that the present capital of the Company consists of 549,950 Ordinary Shares of £1 each and 200,000 Preference Shares of £1 each. Under the terms of our Articles, both classes of shareholders are entitled to participate in the rights issue we make. I believe you are equally aware that the shares of the Company held in two registers, one in India and the other in England and shareholders in both countries are entitled to participate in the new issue. On a rough estimate a third of the Ordinary Shares and a fourth of the Preference Shares are held on the London Register. On the attractive terms we propose to offer, I have no doubt shareholders in this country will snap up all that is offered to them. I hope those on the London register will follow suit and in so doing cover in part our needs in respect of foreign exchange. In all probability we shall be making the new issue of shares within the next 3 months. Only one other point of interest I shall draw attention to in this context and that is, that on current earings we shall be able to service the new capital also.

I have so far dealt with the financial aspects of the Fertilizer Factory. It is a major step in industrial expansion that we have undertaken. Naturally you would like to know the reasons which have weighed with us in deciding to go forward. One of the interests transferred from Parry & Co., to this Company is the Fertiliser Department. Primarily there was a tax advantage in so doing but the transfer also cleared the way for a large-scale development which your Board felt must be undertaken in this field both in the interests of the Company and the country.

INCREASE IN FERTILISER BUSINESS

You are aware I have expressed in earlier meetings the need to gear our development to the dynamic requirements of the country. The prosperity of this country is largely conditioned by the way it solves the food problem. The deficit in this respect cannot be covered by bringing new land under the plough but only by intensive cultivation and a progressive increase in the yield per acre. Fertiliser is the answer to the problem and we say it from direct knowledge and experience of its potentials. Our fertiliser business has increased steadily and substantially since 1956 and credit is due to Parry & Company for the way the foundations were laid and developments envisaged.

The expansion would have been even more marked had adequate quantities of nitrogenous fertiliser been available from the Government Pool. A word on how this pool operates will not be out of place. Out of the total nitrogen available from indigenous manufacture and from imports, Government of India make allocations to State Governments in line with their demands. Each State Government then decides on distribution policy and makes allocations to the mixing firms on the basis of this policy. Generally speaking, the State Governments with which we work have shown appreciation of the value of balanced fertiliser application and I believe there is a growing awareness of the services which the mixing firms render to the agricultural community as a whole. By these services I refer not only to the supply of balanced mixtures but also to the ceaseless propaganda done through large and experienced selling staff which more than anything else has tended to make the South the most fertiliser-minded zone in the country, with a consequent improvement in our agricultural production vis-a-vis the rest of the country.

It has been obvious to your Directors for some time that if we could persuade Government to allow us the manufacture of a fertiliser containing nitrogen and we are allowed to distribute our own production in addition to what we get from the Government Pool, our fertiliser business would not merely develop on sound lines but also at a much faster rate. Until recently the possibility of the private sector being permitted to enter into the field of nitrogen production was not seriously considered. Fortunately there was a change in the outlook and immediately we took advantage of it.

And finally we succeeded in securing an industrial licence in January this year to establish a factory at Ennore near Madras to produce 51,000 tons per annum of Ammonium Phosphate. As stated in my circular of the 8th March to shareholders, a contract has been placed for the construction of a new factory at a cost of approximately £3 million. The contractors

are Messrs. Simon Carves, Stockport, England, and the contract provides for a turn-key job complete within 24 months of our securing the import licence. This I expect will shortly be forthcoming as our financial proposals including exchange cover are now before Government for approval.

A point of some importance in this context may be referred to here. One of the results of the increasing tempo of fertiliser business in South India is the inevitable increase in the imports of sulphur and rock phosphate. Both of these commodities are imported in bulk, that is to say they lie in the holds of the ship without packing material. Madras Port Trust authorities have made admirable arrangements for handling bulk export cargoes but partly no doubt due to lack of knowledge of the industrial developments and in part I must say due to lack of foresight, there have been no adequate preparations made for the handling of the greatly increased quantities of bulk import cargoes that will be coming through in succeeding years. I understand the various Chambers of Commerce are taking steps to bring to the notice of the Port authorities this pressing need and I confidently hope their representations will not fall on deaf ears.

Before I pass on to the next subject that I propose to cover, namely sugar, may I say a word about our subsidiary, Andhra Fertilisers Private Ltd. You will be glad to hear that the factory is nearing completion and in all probability, we shall go into production from July next. This should provide us a further vantage point in our fertiliser development programme.

SUGAR INDUSTRY

In my speeches of the last three years, I have sought to rationalise the developments of the sugar industry as they emerged from time to time. These attempts, in retrospect, have proved themselves of limited value because of the imponderables in dealing with what is essentially an agricultural industry. Uneven production over a period of years is largely responsible for many of the problems posed. In 1954-55 the total production of sugar in the country was 15.89 lakhs of tons; in 1955-56 it moved up to 18.56 lakhs of tons; in 1956-57 production touched 20.29 lakhs tons. In 1957-58 production came down to 19.78 lakhs tons, and in 1958-59 to 19.18 lakhs tons. In 1959-60 production has already exceeded the previous year's production up to 31st March by about 3 lakhs of tons and bids fair to close up at round about 23 lakhs, an all-time record. Consumption has steadily moved up and is now estimated at round about 21 lakhs of tons. Last year when demand threatened to outstrip supply, control measures were imposed in Northern India while in the South voluntary control was deemed sufficient for the purpose. With the prospects of 1959-60 production not merely covering normal demand but also providing sufficient buffer stocks for the future, I believe the lifting of control lies in the offing.

The problems that face the sugar industry at the moment, however, arise from the impending application of the price linking formula for one thing and the incidence of the Tariff Commission's Report on sugar for another. The price linking formula was announced in 1958 as applicable for the year 1958-59, but the terms of its application are still to be announced. Meanwhile the Tariff Commission was called upon to inquire into the cost structure of sugar. Presumably its findings will qualify the terms of the price-linking formula when applied. The Tariff Commission's Report has just been published together with an announcement that Government of India accept its main recommendations. It would perhaps be premature to express any final opinion on the implications of their recommendations and I assume that an opportunity will be provided for the industry to make its representations on the report to Government before any positive action, especially in relation to the price-linking formula, is taken by the Government.

There are one or two points arising from the Report which immediately strike the eye and which we have no doubt will be duly canvassed and considered by the industry affected and timely representations made to Government. The Commission has not conceded the claim for any rehabilitation allowance in the fair price they have fixed. Secondly only a 12 per cent return on employed capital has been allowed by way of addition to the cost of production to cover the commitments of the manufacturing units in respect of bonus, interest, dividend commission, tax, etc. The genesis of their cost structure and the rationale behind their recommendations call for close examination. But one thing is clear. Neither of these recommendations are in line with accepted standards professed and practised by industrially advanced countries in the West. In the new economy that we are building up in this country conflicting interests should be conciliated and co-ordinated if the foundations are to endure. In protecting the interests of the cane grower, it would be unfortunate, if any impression is produced that Government is yielding to pressure. We have set a target of 30 lakhs of tons of sugar production for the Third Planning period and if this is to eventuate, obviously the goodwill and co-operation of manufacturing interests are necessary and they should be given suitable and sufficient safeguards for the service they are expected to render in the build-up of the new economy. So far as the South Indian sugar manufacturing interests are concerned, they have pursued an enlightened policy and have for years, of their own accord, observed the SISMA formula which extends adequate recognition for equality cane at fair price; a bonus is offered in addition to the price fixed by Government. The price linking formula now proposed is in essence only a variation of the SISMA formula and the advantage of the latter is that it has proved its value over a period of years. Hasty and ill-considered action may well provoke a train of reasons by no means helpful for the purpose in view. A note of caution is all that I desire to urge at this juncture.

EXPANSION OF RANIPET POTTERY FACTORY

There is only one other point that I shall touch on before I conclude. The expansion which I forecast last year in respect of our Pottery is now being undertaken at our Ranipet Factory where we have decided to instal a third kiln and to effect a number of improvements to the plant already in service including the conversion of the two present kilns to oil-fired burning. The greater part of the cost will be incurred in India and we have received an import licence for part of the items which have to come from overseas and we expect to receive a licence for the remainder in the near future. I am glad to say the whole cost for this expansion of the pottery section will be met from our existing resources.

For the rest a brief review of our operations finds place in the Directors' Report and I shall leave it at that. And now before I close let me express my warm appreciation of the ready and willing co-operation I have uniformly received from my colleagues, staff and labour throughout the year.

I now formally move the adoption of the Directors' Report.

The Directors' Report and the Accounts for the year ended 30th September, 1959, were unanimously adopted. Mr. R. Venkataswamy Naidu was re-elected to the Board, and the Auditors, Messrs. Lovelock & Lewes were re-appointed.

N.B.:—This does not purport to be a Report of the Proceedings of the General Meeting.

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THE
AMALGAMATED ELECTRICITY CO., LTD.

Transfer Books of the Company will be closed from 14th to 21st May, 1960, both days inclusive, in connection with Ad-interim dividend for the part of the year ending 31st March, 1960, payable on or after 23rd May, 1960.

By Order of the Board,
For N. C. Javeri & Co.

BOMBAY, 30th April, 1960.

N. C. JAVERI
Partner
Managing Agents.

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Paid-up Capital	... ...	Rs. 15.00.000.00
Reserve Fund	... ...	Rs. 12.00.000.00
Working Funds as on 30-6-59		Rs. 6,48,20,996.00

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Balance Sheet 31st December 1959

1958	LIABILITIES		
	Capital:		
	Authorised: 74,000,000 Shares of £1 each	£74,000,000	
27,847,605	Issued: 34,809,506 Shares of £1 each, fully paid ..	———	£34,809,506
	Reserve Fund:		
—	Share Premium Account	5,950,000	
18,000,000	General Reserve	19,000,000	24,950,000
18,000,000			
703,010	**Profit and Loss Balance, as per Account below**		569,125
46,550,615			60,328,631
1,297,752,123	**Current, Deposit, and other Accounts, including Contingency Account**	1,377,309,437	
	Public Accounts secured as per Note III are also included)		
1,894,259	**Balances in Account with Subsidiary Companies** ..	147,525	1,377,456,962
1,299,646,387			
907,368	**Final Dividend, less Income Tax** (subject to confirmation by the Members)		1,492,458
10,767	**Notes in Circulation (Isle of Man)** (See Note III)		9,227
3,681,894	**Acceptances**		3,512,805
181,101,665	**Endorsements, Guarantees, and other Obligations**		268,691,290
£1,531,898,696			£1,711,491,373

Notes.

I. Investments in British Government Securities amounting to £258,856,830 which are all redeemable at fixed dates, the majority maturing within 10 years, are taken at or under cost and below redemption price. Market value of these Investments at the 31st December, 1959, was greater than the balance sheet figure.

II. Other Investments: the market value of the quoted investments at the 31st December, 1959, was greater than the balance sheet figure.

III. Securities and Other Investments totalling £737,500 (1958: £737,500) nominal are lodged for Public and Other Accounts and for the Note Issue in the Isle of Man.

IV. Subsidiary Companies: The holding of The National Bank of Scotland Limited Consolidated Capital stock has been exchanged for National Commercial Bank of Scotland Limited Ordinary shares which are included in Other Trade Invesments.

V. Foreign Currencies have been converted at the rates of exchange ruling at the 31st December, 1959, in the case of Eastern branches, as at the 31st October, 1959, the date as at which the accounts of those branches are included herein.

E. J. HILL, Chief General Manager

H. A. BEASLEY, Chief Accountant

PROFIT AND LOSS ACCOUNT

DR.

693,869	To Interim Dividends, less Income Tax	£1,066,241
1,250,000	„ General Reserve	1,000,000
907,368	„ Final Dividend, less Income Tax (subject to confirmation by the Members ..	1,492,458
703,010	„ Balance to be carried forward	569,125
3,554,247		£4,127,624

Note: Directors' emoluments amounted to £91,767 (1958: £79,756), including £8,421 (1958: £8,622) paid to certain Directors by subsidiary and other Companies and £2,500 (1958: £2,500) pension to a Director in respect of past services as Chairman.

LIMITED

England)

December 1959

105,772,684	**Cash in hand, with Bank of England and Eastern Reserve Bank**	£111,304,184	
82,296,313	**Balances with, and Cheques in course of collection on other Banks in the United Kingdom and Ireland** ..	91,939,085	£203,243,269
188,069,197			
74,687,500	**Money at Call and Short Notice**		112,237,500
10,650,564	**Balances with Banks abroad**		10,148,670
244,150,000	**British Government Treasury Bills**	205,220,000	
19,824,228	**British Bills of Exchange**	20,293,918	
5,765,614	**Dominion, Colonial and Foreign Bills** (including India, Pakistan and Burma Treasury Bills, £1,312,500) ..	4,810,418	230,324,336
269,739,842			
	Investments (see Notes I, II and III):		
	Securities of, or guaranteed, by the British Government	258,856,830	
308,131,846	Other Investments, including Securities of) quoted ..	29,375,918	
28,726,012	Dominion and Colonial Governments) unquoted ..	5,796,940	294,029,688
7,871,333	British Public Boards and British Muni-) ..		
344,729,191	cipal Corporations)		
	Loans and Advances after deducting provision for Bad and Doubtful accounts		513,510,323
392,319,428	**Items in Transit**		26,832,366
24,024,002			
1,304,219,724			1,390,326,152
	Trade Investments:		
	Subsidiary Companies		
4,443,284	The National Bank of Scotland Limited ..		
	Consolidated Capital Stock (see Note IV) ..		
	Lloyds Bank (Foreign) Limited		
	24000 Shares of £50 each, fully paid, at £50 per share	1,200,000	
1,200,000	Lloyds Bank Executor and Trustee Company (Channel Islands) Limited 100,000 Shares of £1 each,		
100,000	fully paid, at cost	100,000	
5,743,284		1,300,000	
18,971,890	Other Trade Investments at cost or under	27,792,026	29,092,026
24,715,174	**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)		4,957,527
4,844,735	**Bank Premises**, at cost, less amounts written off		14,911,573
13,335,504	**Liabilities of Customers for Acceptances**, as per contra ..		3,512,805
3,681,894	**Liabilities of Customers for Endorsements, Guarantees,**		
181,101,665	**and other Obligations**, as per contra		268,691,290
£1,531,898,696			£1,711,491,373

OLIVER FRANKS Chairman
JEREMY RAISMAN, Deputy-Chairman

FOR THE YEAR 1959

826,712	By Balance brought forward	£703,010
2,727,535	Profit brought in, after providing for taxation on 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	3,424,614
£3,554,247		£4,127,624

REPORT OF THE AUDITORS TO THE MEMBERS OF LLOYDS BANK LIMITED

In our opinion the foregoing accounts of the Bank, with the annexed statements relating to the Bank's subsidiary, 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 so far as concerns members of the Bank, a true and fair view of the state of affairs as at 31st December, 1959, and of the profits, ascertained as indicated in the accounts and statement, for the year ended on that date.

We have obtained all the information and explanations which we considered necessary. In our opinion the Bank has kept proper books and obtained proper branch returns and the accounts of the Bank are in agreement with them and with the said information and explanations.

3, Frederick's Place, London, E.C. 2. 12th January, 1960.

PRICE WATERHOUSE & CO. Chartered Accountants.

Balance Sheet of the Indian Branches of Lloyds Bank Limited as at 31st December 1959

1958	CAPITAL AND LIABILITIES	Rs. nP.	Rs. nP.
	Capital		
	Deposit with Reserve Bank of India under Section 11(2) of the Banking Companies Act 1949 ..		
24,30,000	2½% Loan 1961 Rs. 25,00,000 @ Rs. 98.45	24,61,250.00	
Nil	**Reserve Fund and other Reserves** ..		Nil
	Deposits and Other Accounts—		
3,18,89,157	Short Deposits and Deposits at call	3,23,83,786.52	
5,22,43,880	Fixed Deposits ..	5,66,40,978.87	
12,50,08,877	Savings Bank Deposits	13,71,51,462.65	
19,80,87,132	Current Accounts, Contingency Accounts, etc.	21,45,80,657.39	44,07,56,885.43
40,72,29,046			
	Borrowings from other Banking Companies, Agents, etc.:		
35,00,000	(i) In India	2,00,000.00	
Nil	(ii) Outside India	Nil	2,00,000.00
35,00,000			
	Particulars:		
	(i) Secured by Central Government Securities per contra ..	Nil	
25,00,000			
10,00,000	(ii) Unsecured	2,00,000.00	
		Rs. 2,00,000.00	
31,54,147	**Bills Payable**		29,93,929.46
	Bills for Collection being Bills Receivable as per Contra:		
2,12,18,709	(i) Payable in India	2,04,42,946.17	
62,13,515	(ii) Payable outside India	63,21,249.79	2,67,64,195.96
2,74,32,224			
	Other Liabilities:		
	Inter Branch Balances Net — Head Office and Branches outside India	33,34,891.60	
28,14,675			
34,66,080	Inter Branch Adjustments — Branches in India ..	37,04,375.55	
37,85,833	Staff Provident Fund	36,61,834.80	1,07,01,101.95
1,00,66,588			
	Acceptances, Endorsements and other Obligations—per Contra		383,56,088.11
4,02,30,840			
	Contingent Liabilities—		
	(i) Liabilities on account of outstanding Forward Exchange Contracts	8,40,20,035.90	
11,14,15,148			
1760,000	(ii) On Partly paid up shares	17,60,000.00	

AUDITORS REPORT ON THE INDIAN BRANCHES OF LLOYDS BANK LIMITED UNDER SECTION 3(OF THE BANKING COMPANIES ACT, 1949.

We have audited the Balance Sheet of the Indian Branches of Lloyds Bank Limited dated 31st December 1959, and above set forth and the annexed Profit and Loss Account for the year ended 31st October, 1959 with the books and accounts as kept at the Chief Managers' (Eastern Branches) Office, Calcutta, in which ar incorporated certified returns from the ten Indian Branches and also with the books and accounts kept a the Calcutta Branch.

In accordance with the provisions of Section 29 of the Banking Companies Act 1949, read with the pro visions of Section 211 (1), (2) and (5) and Section 227 (5) of the Companies Act 1956, the Balance Sheet an Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI o the Companies Act 1956. The accounts are therefore drawn up in conformity with Forms A and B of th 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 an belief, were necessary for the purpose of our audit.

Bank Limited as at 31st December 1959

1958	PROPERTY AND ASSETS	Rs. nP.	Rs. nP.	Rs. nP.
	CASH—			
	In hand and with Reserve Bank of India and State Bank of India (including Foreign Currency Notes) ..			3,67,98,834.80
2,36,51,953				
	Balances with other Banks:			
	Current Accounts—		1,31,997.69	
2,15,546	(i) In India		3,85,721.62	5,17,719.31
3,55,621	(ii) Outside India			
5,71,167				
				1,40,00,000.00
28,00,000	**Money at Call and Short Notice**			
	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. 11,73,55,400.00 are lodged as security for borrowings from other Banks and for other Accounts.) ..		12,26,36,586.89	
14,57,45,825				
	(ii) Ordinary Shares — Fully paid up at Market Value ..	3,36,000.00		
7,41,000	Fully paid-up — Unquoted — at Cost ..	25,000.00		
Nil	Partly paid up — Unquoted — at Cost ..	4,40,000.00 ..	13,01,000.00	
4,40,000				
11,81,000	(iii) Debentures or Bonds		Nil	
Nil	(iv) Other Investments		Nil	
Nil	(v) Gold		Nil	12,39,37,586.89
Nil				
14,69,26,825				
	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	24,84,07,396.86		
22,39,85,489	(ii) Outside India	Nil ..	24,84,07,396.86	
Nil				
22,39,85,489	(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)—			
	(i) Payable in India	74,96,616.26		
75,83,151	(ii) Payable outside India	2,11,49,234.08 ..	2,86,45,850.34	27,70,53,247.20
1,62,80,850		..		
2,38,64,001				
	Particulars of Advances:			
	(i) Debts considered good in respect of which the banking company is fully secured		18,78,46,232.42	
16,60,40,955	(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security.		4,62,63,690.87	
4,50,71,162	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors		4,29,43,323.91	
3,67,37,373	(iv) Debts considered doubtful or bad, not provided for		Nil	
Nil				
24,78,49,490	(v) Debts due by Directors or Officers of the banking company or any of them either severally or jointly with any other persons. ..		27,70,53,247.20 ..	
			1,40,884.00	
1,61,348	(vi) Debts due by companies or firms in which Directors of the banking company are interested as Directors, Partners, or Managing Agents, or in the case of Private Companies, as members ..		4,20,913.00	
60,000				

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 Mangers' (Eastern Branch) 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 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 account 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 affairs of the Branches as at 31st December, 1959, and the Profit and Loss Account gives a true and fair view of the profit for the year ended 31st October, 1959.

CALCUTTA,
24th March, 1960.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

Rs. 49,16,12,845

Rs. 51,97,72,200.91

Profit and Loss Account of the Indian Branches

1958	EXPENDITURE	Rs. nP.
76,54,159	To Interest paid on deposits, borrowings etc	64,62,588.85
93,42,652	Salaries and Allowances and Provident Fund (includes Chief Managers'	
(1,08,431)	(Eastern Branches) Rs. 1,36,570.77)	91,94,808.27
Nil	„ Directors' and Local Committee Members' Fees and Allowances	Nil
9,44,035	„ Rent, Taxes, Insurance, Lighting, etc.	10,40,606.06
1,11,692	„ Law Charges	36,962.98
1,30,294	„ Postages, Telegrams and Stamps	1,38,742.60
13,500	„ Auditors' Fees	13,500.00
6,08,956	„ Depreciation on and repairs to the banking company's properties	4,37,772.59
5,84,970	„ Stationery, Printing, Advertisement, etc.	4,80,346.14
Nil	„ Loss from sale of or dealing with non-banking assets	Nil
12,87,012	„ Other Expenditure (including proportion of Head Office Expenditure)	12,51,167.37
28,56,504	„ Balance of Profit (subject to Indian Income Tax and Super Tax)	32,01,095.13
Rs. 2,35,33,765		**Rs. 2,22,57,589.99**

Bank Limited as at 31st December 1959 (Contd.)

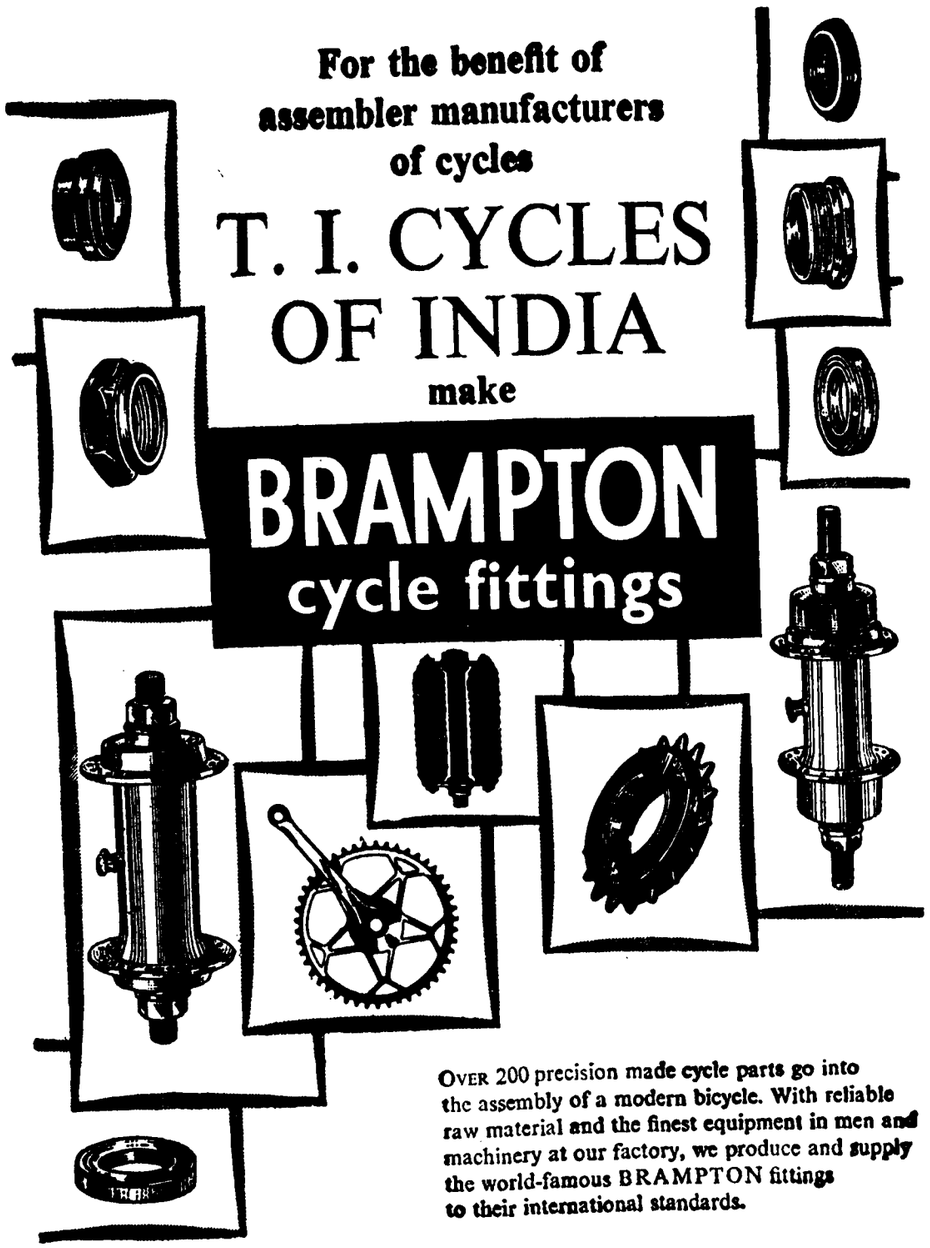
1,71,117	(vii) Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or Officers of the banking company or any of them either severally or jointly with any other persons.	1,64,122.00	
60,000	(vii) Maximum total amount of advances including 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.	4,55,579.00	
27,88,103	(ix) Due from banking companies	20,93,722.56	
	Bills Receivable Being Bills for Collection — As per contra.		
2,12,18,709	(i) Payable in India	2,04,42,946.17	
62,13,515	(ii) Payable outside India	63,21,249.79	2,67,64,195.96
2,74,32,224	**Constituents' Liabilities for Acceptances, Endorsements,**		
4,02,30,840	**and other Obligations** — Per Contra		3,83,53,928.11
	Premises Less Depreciation —		
10,09,767	Original Cost	10,09,767.44	
1,56,828	**Less** Depreciation	1,79,232.00	8,30,535.44
8,52,939			
	Furniture and Fixtures Less Depreciation		
	Other Assets, Including Silver —		Nil
Nil	Inter-Branch Balances — Net —		
Nil	Head Office and Branches outside India	Nil	
1,53,820	Income Tax Advance Payments	96,853.93	
11,43,587	Interest, Exchange, Commission, Discount and Expenses	14,17,139.27	15,13,993.20
12,97,407	(No adjustments made as at 31st December, 1959, for the two months, November and December for accrued Interest and exchange receivable and payable and Commission receivable).		
Nil	**Non-Banking Assets Acquired in Satisfaction of Claims.**		Nil
Rs. 49,16,12,845			Rs. 51,97,72,200.91

J. A. BROUGH & E. S. TIBBETTS
Chief Managers (Eastern Branches)

for the Year Ended 31st October 1959

1958	INCOME	Rs. nP.
	(Less provision for Bad and Doubtful Debts and other usual or necessary provisions made during the year)	
1,84,05,616	By Interest and Discount	1,77,53,782.22
48,27,730	„ Commission Exchange and Brokerage	44,69,763.77
16,044	„ Rents	16,044.00
2,84,375	„ Net Profit on sale of Investments, Gold and Silver, Land, Premises and other assets	18,000.00
Nil	„ Income from non-banking assets and profit from sale of or dealing with such assets	Nil
Nil	„ Other receipts	Nil
Nil	„ Loss	Nil
Rs. 2,35,33,765		Rs. 2,22,57,589.99

J. A. BROUGH & E. S. TIBBETTS
Chief Managers (Eastern Branches)



CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53=100)

Average of months/ Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricants	Industrial Raw materials	Manufactures			All Commodities
						Intermediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.8	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56		86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108 2	108.1	108.4
1958-59	..	115 2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119 0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
January 1959	..	114.3	103.6	115.1	114.1	110.5	108.4	108.4	112.4
February ,,	..	115.7	104.4	115 9	115.5	110.6	108.1	108.5	113.3
March ,,	..	113.8	100.3	116.0	116.2	109.4	108.5	108.6	112.4
January 1960	..	117.5	100.9	117 6	130.9	121.6	115.1	116.0	118.8
February ,,	..	118.8	96 0	117 4	131.6	120.5	115 6	116.2	119.5
March ,,	..	117.0	96.4	117.3	131.9	121.3	115.9	116.6	118.8
26-3-1960	..	116.5	97.1	117.3	132.0	121.3	116.0	116.7	118.6
	..				132.3	122.6	116.4	117.3	118.7
2-4-1960	..	116.3	96.5	118.9	133.3	122 3	116.3	117.2	119.8
9-4-1960		118.0	100.4	119.1	134.6	122.7	116.3	117.2	120.5*
16-4-1960	..	119.0	100.4	118.8					

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi†	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
									Madras June 1936=100			
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†		Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
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	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	158	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1959 June	394	413	309	154	385	462	498	163	432	164	179	168
July	399	418	315	155	399	465	500	166	434	166	178	171
August	401	420	311	156	406	468	504	165	433	164	178	173
September	403	422	319	156	399	465	510	162	434	162	179	173
October	408	427	324	158	406	470	510	166	441	162	179	174
November	405	424	322	158	399	475	511	163	449	162	177	174
December	401	420	311	157	389	460	511*	163	441	162	175	168
1960 January	403	422	304	159	385*	460	509	168	441	164*	173*	168*
February	399	418	294	161	—	468	511	165	448	167*	167*	168*
March	395	414	287	157	—	—	510	—	446	—	—	—

† Base 1944 = 100 * Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	22-4-1960			15-4-1960			8-4-1960			1-4-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) —	135.50	131.28	133.05	132.19	130.75	131.35	131.12	129.81	130.43	131.62	129.91	130.63
Silver (per 100 fine tolas)	221.75	217.12	219.62	217.69	215.56	216.61	217 31	215.12	216.14	217.62	216.44	217.04

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
1953-54* ..	1,133.95	23,03	1,156,97	40,02	594.02	634.04	54 80	92,83	430,11	1,156,97
1954-55* ..	1,196 19	22,98	1,219 18	40,02	648.81	689,83	56.58	102.26	428,09	1,220.18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656 52	696,54	51.35	106,87	553,06	1,356,47
1956-57* ..	1,475,77	18,75	1.494,52	40,02 (117,76)	545,61	595,63 (663,37)	39.95 (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
1958-59* ..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
Average of Fridays										
January 1959 ..	1,621,47	10 46	1,631,93	117,76	164.68	282,44	17.31	134,70	1,214,80	1,631,93
February ,, ..	1,660,09	16.85	1,676,94	117,76	174.68	292.44	17.44	132,22	1,252 28	1,676,94
March ,, ..	1,694,62	12,40	1,707.02	117,76	178.01	295,77	17.38	129,88	1,281.37	1,707,02
January 1960 ..	1,766.07	14 42	1,780 49	117,76	163 01	280.77	15.77	130,31	1,369,42	1,780.49
February ,, ..	1,803,57	18.74	1,822 31	117,76	163,01	280.77	15 41	126,73	1,414,82	,822,31
March ,, ..	1,836,41	16,64	1,853,05	117,76	163,01	280,77	15.15	124,00	1,448,28	1,853,05
Week-Ending										
11-3-1960 ..	1,837.40	8,67	1,846.57	117,76	163.01	280,77	15 20	123,69	1,442,11	1,846,57
18-3-1960 ..	1,841,93	14.51	1,856 44	117,76	163 01	280 77	15.12	123,74	1,451.93	1,856 44
25-3-1960 ..	1,844,90	21,94	1,866,84	117,76	163,01	280,77	15.04	124,14	1,461,93	1,866 84
1-4-1960 ..	1,864,53	6,33	1,870,85	117.76	163,01	280,77	15.01	128,17	1,461 91	1,870.85
8-4-1960 ..	1,896,77	12.40	1,909,17	117,76	163,01	280,77	14.71	126,19	1,601,91	1,909,17

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									
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	81,93	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	85,84	51,82	13,60
1957-58* ..	54,61	11,28	81.00	111,38	288,27	84,36	407,63	23,30	4,81	40,47	32 90	77,91	213,92	14,32
1958-59* ..	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
Avr. of Fridays														
January 1959 ..	56,88	29 42	72,41	116,16	274,88	80.27	440,15	10 52	12,68	28 85	26,49	88 18	262,21	11,20
February ,, ..	58,62	21.88	72,09	115.27	267,85	85,17	438,02	16,90	6,18	30,14	25,02	89 41	258 69	11,68
March ,, ..	55,82	24,53	68,84	117,73	266,92	90,90	447,81	12.47	7,22	34,98	23,79	104,21	253,16	12,00
January 1960 ..	54.26	23,94	81,53	120.76	280,49	86 67	452.19	14.48	39 44	46 55	21 53	106 74	210.48	12,93
February ,, ..	54 68	25,82	75.76	107 57	263.84	92,51	441.35	18 82	19 84	41 08	23.97	123 39	200 73	13,52
March ,, ..	54,20	41,86	83,07	96,73	275,86	110,21	471,06	16,71	18,36	33,02	25,06	143.45	220,44	14,03
Week-Ending														
11-3-1960 ..	50 64	29,76	71,63	95,04	247,07	102,91	434 98	8.74	7,48	32 27	29.49	135.61	207 49	13,91
18-3-1960 ..	52,62	60 45	85,84	97,27	296,19	117 29	498.48	14,59	27 58	31,96	20 64	155.12	234 51	14 08
25-3-1960 ..	63.15	42,97	92,90	100,10	299.12	131 34	515,46	22,02	33 60	34,11	22.34	156,54	232,58	14,26
1-4-1960 ..	73,49	35,34	79,02	104.62	292.47	137,82	515,29	6.43	49,25	25.50	27,81	143 52	248 18	14 61
8-4-1960 ..	62,33	5,57	86.60	98,32	252,81	122 29	460,10	12,49	53.53	24,57	34,24	112,01	208.45	14,81

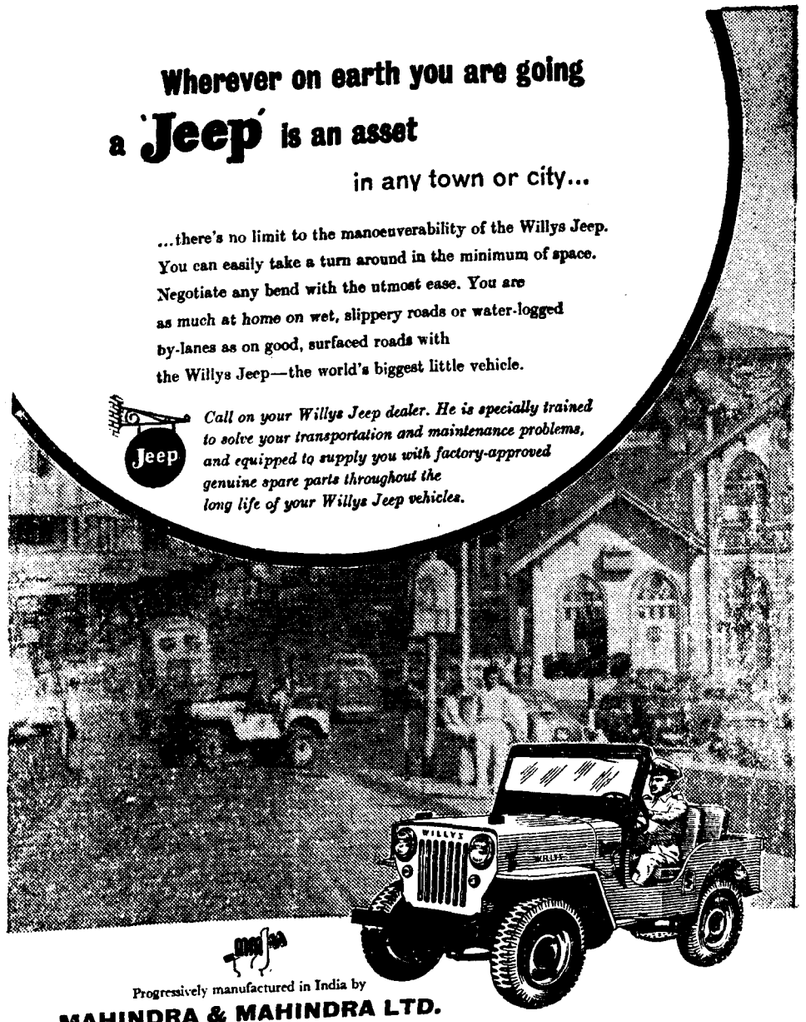
* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and of Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡ Includes cash and short-term securities

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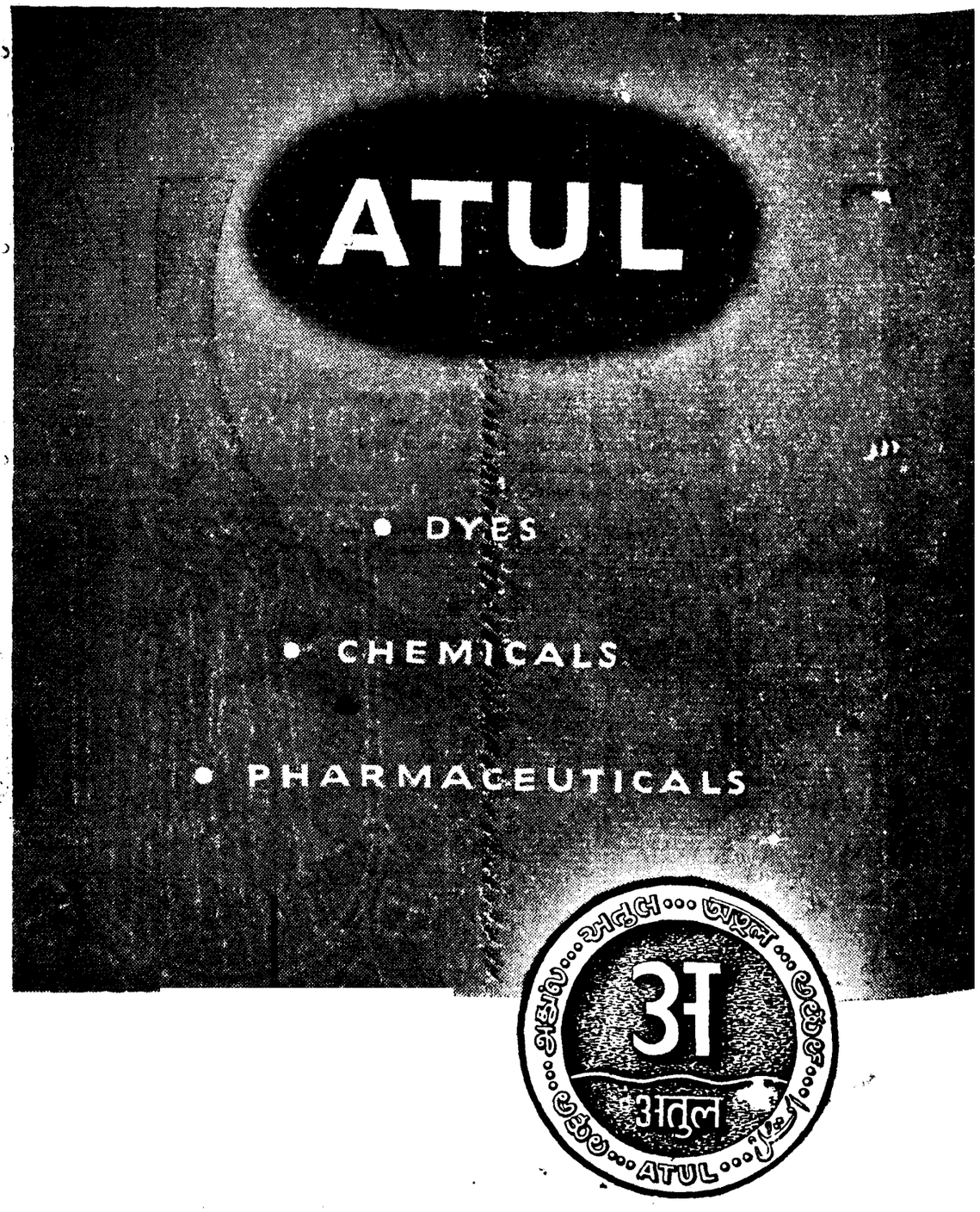
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Energy and Industry

CONTENTS

	Page		Page
Energy Requirements for Industry	i	Predicting Energy Requirements from Index of Industrial Production	vii
Energy Requirements by Major Manufacturing Industries in India	ii	Conclusion	viii
Methods of Estimation of Future Requirements	ii	Statistics	iii, iv, v, vi, viii
Assessment for the Future	vi		

Energy Requirements for Industry

FOR the Blue Supplement of this month, we are indebted to three specialists, Messrs. A. Lahiri, A. Ghosal and N. C. Sinha of the Central Fuel Research Institute, Jealgora, Bihar. They have provided us with the research paper of considerable significance giving a clear picture of the energy requirements for the major manufacturing industries in India during the next 20 years. It is truism that for any perspective planning, the development of energy resources in the country is of paramount importance and it is necessary that their requirements for the various sectors of the economy are assessed with proper care. This is what the paper has done and of special importance are the methods used by the authors to compute the projected requirements of energy.

There is no better source for the basic data on industries for such a study than the Census of Indian Manufactures and the authors have based their study on that. They have been able to establish ratios in respect the consumption of energy content (coal-equivalent) for unit product of each of these twenty-nine industries. Ratios have been established in respect of power contents too. From these ratios certain important conclusions can be drawn. It has been calculated, for instance, that about 28 million tons (coal-equivalent) of total energy including about 10 billion kwh of power (equivalent to 6 million tons of coal-equivalent of energy) will be necessary to achieve the targets o the Second Plan in respect of these industries. Agai it has been observed that for producing 15 million ton of ingot steel by 1965-66 (end of the Third Five-Yea Plan), about 28.5 million tons (coal-equivalent) of tota energy including about 6 billion kwh of power woul be required. Clues are available in this study in res pect of power necessary for other industries too.

Another interesting relationship evolved relates t the production of energy required from Indices of In dustrial Production. This has been made possible b the fact that there exists a high correlation (0.97) be tween the annual energy consumption and the officia Index of Industrial Production. If we assume tha this Index with the base year as 1951 will be aroun 1000 by 1970-71 it is easy to assume from the relation ship evolved in this study that the energy requirement of industry alone will be 80 (coal-equivalent) million tons.

There can be no doubt that the pattern of energy consumption in India will change in the coming years By the end of the Second Plan, 75 per cent of the energy will be derived from coal whereas at the beginning of the Plan it provided 80 per cent of it. It may be safely presumed that in the years ahead, the relative role of oil and electricity will be increasingly felt.

Energy Requirements by Major Manufacturing Industries in India

By
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Introduction

ANY plan for economic development of a country must foresee and provide for the subsequent increase in energy requirements in all the sectors of the national economy e.g. industry, mining, transport, commerce, etc. The reason is that man without the aid of external energy can hardly keep himself alive as a living organism not to speak of bettering his lot. Hence parameters like Per Capita Income, Gross Domestic Product Per Capita, Index of Industrial Production, etc., which measure the standard of economic growth of a nation, are found to have a close association with the consumption of commercial energy, i.e. coal, oil, and hydro-power, in a country. With the increase of the consumption of energy for industrial production, non-industrial uses of energy for personal comforts must also go on increasing in order to support, a higher standard of living. India, through her ambitious Five-Year Plans, has been striving hard to guarantee her people a higher standard of living and greater volume of industrial production. The purpose of this piece is to estimate the requirements of energy for reaching the stipulated standard of living in future.

The piece embodies a statistical study of energy requirements by the major manufacturing industries in India, for which annual census is undertaken by the Director of Industrial Statistics, Cabinet Secretariat. The "Census of Manufacturing Industries" provides exhaustive details for each industry e.g. various elements that go into the production with respective costs, various items of productinn along with values of products and by-products, etc., and the quantities of and corresponding costs on various items of energy (e.g. coal, coke, firewood, oils, electricity, etc.) required by each group of industry. A drawback of the reporting has been that some of the groups out of 29, in all, (items I to 29 in Table 1) are heterogeneous, and because figures are not available for various constituents of the group separately, we lose some information. This is especially marked for "Chemicals" (No. 22 of Table 1), which is a heterogeneous group comprising dyes, explosives, fertilizers, etc. the energy contents of whose products are all different. This small drawback, nevertheless, does not undermine the immense usefulness of the statistics reported by the Census.

Methods of Estimation of Future Requirements

THERE are many ways of calculating energy requirements for manufacturing a commodity, but in this piece we have considered and confined ourselves to the following two approaches only: (i) such estimation is possible from a knowledge of energy consumption per unit of production in different industries on the basis of the past data; (ii) by correlating Index of Industrial Production, with the total energy consumption by industries under study and from the structural equation forecast of future energy requirements.

The first approach assumes that although the pattern of energy consumption may change, as for example, oil may replace coal in various sectors, the total energy requirements for manufacturing a unit quantity of a particular commodity remains more or less unchanged provided the efficiency of utilization and the prevailing manufacturing techniques do not alter appreciably. The energy requirements per unit have an irreducible minimum which is indispensable whatever be improvements in efficiency of utilization and manufacturing techniques. The past trend in energy consumption per unit is also a valuable guide for studying improvement or deterioration in efficiency of fuel utilization.

The limitation of the second approach lies in the fact that the structural relationships which are developed on the basis of the past data especially in underdeveloped country like ours is likely to change in future in a rapidly developing economy. Thus, it appears that if we were clear about the levels of production likely to be attained during the successive plan periods in future, the first approach might be more appropriate.

BASIC DATA AND TREATMENT

The figures for consumption of coal, coke, oil, electricity etc. consumed by 29 industries from 1951 to 1955 were collected from the 'Census of Manufacturers' as stated above. By using the usual conversion factors (Appendix I), all the items of fuel and power, coal, oil, electricity, wood, etc. were converted to coal-equivalents of energy and added together for all the industries separately. An industry sometimes produces more than one product and many by-products, but for simplicity of calculation and without much loss of accuracy we have selected the "main product" of an industry. In deciding upon the item which should be taken as the "main product", we have been guided both by the quantity and the value of the item. For some industries we had to consider the 'consumption' of the main raw material rather than the 'main product', as for example, 'General Engineering,' which produces diverse products but all of them are produced from the same raw material i.e. iron and steel.

TOTAL ENERGY REQUIREMENTS

From the figures of total energy consumption (in coal-equivalents) of each industry for a period of 5 years (1951-55), **the energy content (in coal-equivalent) for unit product** has been calculated after dividing by the figures of main production of a particular industry. **In most of the Western countries studies on perspective planning have been directed, in the first step, towards estimating the total material content of each item of production, so that by specifying the requirement for the item, materials necessary for its production can be estimated.** In India such information is not available, with the result that the projected requirement for various materials for producing stipulated quantity of goods is determined on the basis of opinions of a few experts, who are not free from bias. Total material contents for different items of production have not been determined here — only the energy and power contents have been estimated. Table 1 gives the total energy content (in terms of coal-equi-

lents) for unit production for 30 industries. The it of production considered in each case has been dicated. For two groups ('chemicals' and 'aluminium-)per-brass') this ratio has not been calculated due to fact that these are heterogeneous groups. The rgy content for production of ammonium sulphate . 30) has been obtained from figures furnished by ssrs. Sindri Fertilizers and Chemicals (P) Ltd. A scrutiny of the figures in this table indicates that while in many industries the energy consumption per unit of production remains the same over 1951-55, some industries show strikingly falling trend, indicating consciousness for conserving energy items like coal, electricity, etc. In iron and steel industry the energy content for every 10 tons ingot steel has consistently decreased from 27.7 tons (coal-equivalent) in 1951 to 18.6 in 1955, in woollen textiles the energy content for 10,000 lb. yarn has decreased from 74.7 tons (coal-equivalent) in 1951 to 50.0 tons in 1955 and in ceramics the energy content for 10 tons refractory has decreased from 14.6 tons in 1951 to 11.0 tons in 1955, etc.

The trend given in Table 1 shows that for all practical purposes these ratios should hold good for at least next 15 or 20 years. It has, however, to be admitted that any estimates offer more or less an indication towards future requirement.

TABLE 1

ENERGY CONSUMPTION IN (COAL - EQUIVALENTS — TONS) PER UNIT OF MAIN PRODUCTION OF MAJOR MANUFACTURING INDUSTRIES IN INDIA

Sl. No.	Industry	Unit (of main product)	Coal-equivalents of energy consumed, tons				
			1951	1952	1953	1954	1955
(1)	(2)		(4)	(5)	(6)	(7)	(8)
1.	Wheat Flour	100 tons Atta and Maida	.. 14.1	16.2	14.3	12.5	11.2
2.	Rice milling	1,000 tons of rice					
3.	Biscuit making	1.000 Cwt. of bread, buns and biscuits	.. 42.4	32.0	28.3	27.8	22.7
4.	Fruit and vegetable Processing	1,000 gallons of squash	.. 13.2	16.2	9.6	11.0	12.0
5.	Sugar	100 tons	.. 14.2	13.1	16.2	18.7	13.0
6.	Distilleries and Breweries	1,000 L.P. gallons of country spirit	.. 13.7	17.1	17.5	18.0	17.0
7.	Starch	100 tons	.. 50.4	66.2	57.0	52.6	75.7
8.	Vegetable oils — Oil-seeds crushing and extraction	100 tons unrefined oils	... 48.4	45.2	45.6	37.9	33.2
9.	Edible of hydrogenated oils	100 tons of edible hydrogenated oils	.. 54.2	63.0	66.9	57.5	41.8
10.	Paints and varnishes	1,000 Cwt. Paints and varnishes	.. 12.9	14.1	17.4	22.0	18.0
11.	Soap	100 tons	.. 42.4	37.1	27.2	40.5	38.2
12.	Tanning	10 ton sole leather	.. 15.8	13.7	15.9	13.8	12.3
13.	Cement	100 tons	.. 39.4	38.4	38.0	36.1	36.7
14.	Glass and glassware	100 gross bottles	.. 10.7	11.8	12.6	11.0	10.1
15.	Ceramics	10 tons of refractory	.. 14.6	11.4	12.2	11.6	11.0
16.	Plywood and tea chests	10,000 tea chests paper board	.. 33.9	23.9	33.8	30.0	23.4
17.	Paper and paper board	10 tons of paper and paper board	.. 37.1	33.5	33.0	28.8	29.3
18.	Matches	100,000 gross	.. 55.2	54.0	72.0	68.4	61.8
19.	Cotton textiles Spinning and weaving	10,000 lbs. yarn	.. 19.0	17.8	17.5	17.1	16.9
20.	Woollen textiles	10,000 lbs. yarn	.. 74.7	72.7	68.4	60.0	50.0
21.	Jute textiles	100 tons of jute	.. 69.0	66.0	33.0	63.0	61.0
22.	Chemicals (including drugs and Pharmaceuticals)	* —	.. (0.326)	(0.558)	(0.744)	(0.965)	(0.714)
23.	Al, Cu and Brass	* —	.. (0.179)	(0.156)	(0.159)	(0.243)	(0.260)
24.	Iron and steel smelting, rolling and re-rolling	10 ton ingot	.. 27.7	25.7	24.3	19.1	18.6
25.	Bicycles	1,000 Nos.	.. 26.0	20.8	18.7	20.7	21.0
26.	Sewing machine	1,000 Nos.	.. 70.3	72.7	65.2	65.0	69.0
27.	Electric lamps	100,000 Nos.	.. 29.3	27.2	23.4	29.9	25.2
28.	Electric fans	1,000 Nos.	.. 18.2	17.3	19.5	17.5	21.8
29.	General Engineering and Electrical Engineering .	Per 100 tons of Iron and Steel consumed	.. 44.5	43.4	42.0	45.6	36.3
30.	Ammonium sulphate† (S.F.C.L.)	10 tons of sulphate	.. —	—	—	—	16.8

* Total Energy Consumption Coal-equivalents—million tons.
† 1956 .. .. 16.4 Coal Equivalents — tons
1957 .. .. 16.4 " " — "

TABLE 2

ELECTRICITY CONSUMPTION PER UNIT OF MAIN PRODUCTS BY MANUFACTURING INDUSTRIES IN INDIA

Sl. No.	Industries	Unit of Production	(1,000 kWh. per unit) 1951	1952	1953	1954	1955
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Wheat flour	Per 100 tons of atta and maida ..	5.780	9,060	8,430	6,920	6,450
2.	Rice milling	1,000 tons of rice ..	3.470	4,403	5.357	6.648	7.467
3.	Biscuit making	1,000 cwt. of bread, bun and biscuits ..	6.898	5.876	7.376	8.727	8.268
4.	Fruit and Vegetables processing	1,000 gallons of squash ..	3.932	6.675	6.283	7.828	5.797
5.	Sugar	100 tons ..	3.780	4.530	5.550	3.200	5.180
6.	Distilleries and breweries	1,000 L.P. gallons of country spirit ..	0.417	0.514	0.538	0.630	0.572
7.	Starch	100 tons ..	22.470	25.398	27.206	26.741	27.232
8.	Vegetable oils — oilseeds crushing extracts	100 tons unrefined oils ..	9.908	9.668	10.838	10.320	10.815
9.	Edible Hydrogenated oils	100 tons of edible hydrogenated oils ..	205.721	198.030	225.820	217.800	207.424
10.	Paints and Varnishes	1,000 cwt. of paints ..	6.850	7.630	8.720	8.820	9.400
11.	Soap	100 tons of soap ..	13.900	14.500	15.600	17.900	23.400
12.	Tanning	10 tons of sole leather ..	5.200	5.686	5.504	6.307	7.753
13.	Cement	100 tons ..	12.150	10.580	12.080	11.720	11.790
14.	Glass and Glasswares	100 gross bottles ..	0.371	0.374	0.297	0.496	0.549
15.	Ceramics	10 tons of refractory ..	0.548	0.397	0.650	0.803	0.669
16.	Plywood and tea chests	10,000 tea chests ..	2.033	1.660	1.904	3.160	2.560
17.	Paper& paper board	10 tons of paper and paper board ..	16,900	16.700	16.070	15.540	6.100
18.	Matches	100,000 gross ..	55.097	57.000	63,455	47.000	61.864
19.	Cotton textiles spinning & weaving	10,000 lbs. yarn ..	11.000	9.8000	10.600	10.500	10.600
20.	Woollen textiles	10,000 lbs. yarn ..	64.000	52.000	48.000	42.000	36.000
21.	Jute textiles	100 tons of jute ..	33.970	33.050	36.270	35.390	39.120
22.	Chemicals (including drugs and pharmaceuticals)	* — ..	(59.2)	(62.7)	(76.9)	(378.7)	(201.9)
23.	Al, Cu, Brass	* — ..	(21.5)	(17.0)	(19.8)	(101.9)	(154.6)
24.	Iron and steel smelting, rolling and rerolling	10 tons of ingot ..	3 477	3.250	3.435	3.762	4.078
25.	Bicycles	1,000 Nos. ..	19.300	12.453	11.260	11.386	12.463
26.	Sewing machine	1,000 Nos. ..	58.790	61.590	57.010	56.674	54.928
27.	Electric lamps	100,000 Nos. ..	12.290	10.907	12.870	12.982	14.730
28.	Electric fans	1,000 Nos. ..	13.470	15.980	14.580	13.790	18.627
29.	General engineering and Electric engineering.	100 tons of iron and steel consumed ..	11.920	11.140	13.890	14.850	12.547
30.	Amm. Sulphate (S.F.C.L.)	10 tons of sulphate ..	—	—	—	—	—

REQUIREMENT OF POWER

Power requires separate treatment, although it has been included in the total energy requirements. Power contents for unit production for each industry have been likewise calculated in Table 2. The power content appears to increase through time in most of the industries, indicating greater use of power in industry. The figures for the amount of electricity consumed (both self-generated and purchased) by some of the major industries were made available by the Central Water and Power Commission, Simla. The power content per unit production may similarly be utilized for calculating future power requirements for the industries but if the dependence of a particular industry on electric power increases enormously the ratio is not likely to yield reliable estimates for such industry.

Assessment for the Future

THE ratios given in Tables 1 and 2 will provide a valuable guide in assessing the future energy and power requirements of the industries under study, from a knowledge of their respective target of production. In Table 3 we have arrived at the anticipated energy and power requirements for meeting the targets of production by the end of the Second Five-Year Plan for different industries, on the assumption that reasonable efficiency is attained by the industries in the matter of the energy consumption and that the manufacturing techniques do not change appreciably. The "Programme of Industrial Developments (1956-61)" published by the Planning Commission gives the target of production of most of the industries under study in 1960-61. A modest increase of 50 per cent over that of 1955 has been assumed for the industries whose targets of production is not available in the above publication. It appears that about 28 million tons (coal equivalent) of total energy including about 10 billion kWh. of power (equivalent to 6 million tons coal equivalent of energy) will be required by these 29 industries and the Sindri Fertilizers factory (for which energy consumption per ton of ammonium sulphate was available up to 1955-57). In Table 3, requirements for total energy including power for meeting the targets of production by the end of the Second Five-Year Plan for different industries have been calculated, on the assumption that reasonable efficiency is attained by the industries in the matter of energy consumption. If targets of production for these industries are available by 1965-66 (end of the Third Five-Year Plan) and 1970-71 (end of the Fourth Five-Year Plan), reasonable estimates of energy and power requirement can be obtained.

SOME ASSUMPTIONS

For industries which show consistent ratio (energy per unit of product) over the past four or five years, we can assume that the same will hold good in the near future also. For industries where the ratio fluctuates, some discretion has to be used in assuming the future ratio of energy per unit. These ratios will no doubt depend and must vary with the change in the (i) manufacturing techniques of a commodity, and more so, (ii) in the efficiency of utilization of energy sources, and (iii) the 'balance' of the fuel and power affecting the conversion factors of fuels, but for a short period, say 15-20 years, abrupt changes in the values of the above ratio are most unlikely so far as the Indian industries are concerned.

To give a few examples, say for producing 6 million tons of ingot steel by 1960-61, 11.4 million tons (coal equivalent) of total energy including about 2.5 billion kWh of power would be required; for producing 13 million tons of cement by 1960-61, 4.8 million tons (coal-equivalent) of total energy including 1.56 billion kWh of power could be required. At the same rate of energy consumption, it follows that **for producing 15 million tons of ingot steel by 1965-66, about 28.5 million tons (coal eq.) of total energy including about 6 billion kWh of power would be required.** We can perform similar estimation of energy requirements for other industries with the help of Table 3.

ENERGY CONSUMPTION PATTERN

Table 4 gives the percentages of energy supplied by different sources of energy i.e. coal, coke, oil, etc. for 1951-55. It is observed that coal supplied more

TABLE 4.

PERCENTAGES OF TOTAL (COAL - EQUIVALENTS — MILLION TONS) SUPPLIED TO INDUSTRIES UNDER STUDY FROM COAL, OIL ETC. (1951-1955)

Coal Equivalents of Million tons

Year	Coal	Coke	Coal gas	Coal + Coal derivatives (2)+(3)+(4)*	Fuel oil	Electricity (purchased only)	Firewood & charcoal	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1951 ..	8.142 (78.4%)	0.380 (3.7%)	0.075 (0.7%)	8.597 (82.8%)	0.514 (4.9%)	1.138 (11.0%)	0.137 (1.3%)	10.386 (100)
1952 ..	8.462 (79.2%)	0.365 (3.4%)	0.053 (0.5%)	8.880 (83.1%)	0.507 (4.7%)	1.180 (11.1%)	0.117 (1.1%)	10.684 (100)
1953 ..	8.335 (78.0%)	0.427 (4.0%)	0.042 (0.4%)	8.804 (82.4%)	0.479 (4.5%)	1.304 (12.2%)	0.098 (0.9%)	10.685 (100)
1954 ..	8.100 (73.2%)	0.395 (3.6%)	0.005 (0.1%)	8.500 (76.9%)	0.509 (4.6%)	1.875 (17.0%)	0.177 (1.6%)	11.061 (100)
1955 ..	8.070 (71.8%)	0.427 (3.8%)	0.006 (0.1%)	8.503 (75.7%)	0.556 (4.9%)	1.943 (17.3%)	0.235 (2.1%)	11.237 (100)
Total of 5 Years ..	41.209 (76.1%)	1.994 (3.7%)	0.181 (0.3%)	43.284 (80.1%)	2.565 (4.7%)	7.440 (13.8%	0.764 (1.4%)	54.053 (100.0)

Note: (i) Figures within brackets are percentages to total consumption of energy.
(ii) The figures for 'coke' and 'electricity' only give the 'amount purchased' and not total 'consumption' as some of the Industries produce some of their required coke and electricity.

TABLE 3

ASSESSMENT OF FUTURE ENERGY (COAL EQUIVALENT) REQUIREMENTS AND TOTAL POWER REQUIREMENTS BY THE INDUSTRIES UNDER STUDY FROM THE PAST TREND IN ENERGY CONSUMPTION PER UNIT

		Energy requirements (Coal equivalents)			Power requirements	
S. N.	Industry & Units of Production	Energy consumed per Unit vide (Table 1)	Estimated production in 1960-61	Total Energy requirements (m. tons)	1000 Kwh per unit (see Table 2)	Total Power requirement in 100 Kwh
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Wheat Flour (100 tons Atta and Maida)	12	0.8 m. tons	0.096	6.5	52,000
2.	Rice Milling (100 tons of Rice)	60	2.7 m. tons	0.162	7.5	20,250
3.	Biscuit Making (1000 cwt. bun, biscuits and bread)	25	0.3 m. cwt.	0.008	3.3	2,490
4.	Fruit & Vegetable Processing (1000 gallons of squash)	12	0.3 m. gallons	0.004	6.0	1,800
5.	Sugar (100 tons)	15	2.25 m. tons	0.338	5.0	112,500
6.	Distilleries & Breweries (1000 L.P. gallons)	17	7.5 m. gallons	0.128	0.6	4,500
7.	Starch (100 tons)	70	100,000 tons	0.070	27.0	27,000
8.	Vegetable Oils (100 tons unrefined oils)	35	2.114 m. tons	0.740	10.8	228,312
9.	Edible Hydrogenated (100 Oils tons)	60	0.36 (m. tons)	0.216	210.0	756,000
10.	Paints & Varnishes (1000 cwt.)	18	0.9 m. cwt.	0.016	9.0	8,100
11.	Soap (100 tons)	35	0.3 m. tons	0.105	24.0	72,000
12.	Tanning (10 tons sole leather)	12	84,000 tons	0.101	7.8	65,520
13.	Cement (100 tons cement)	37	13 m. tons	4.810	12.0	1,560,000
14.	Glass & Glass Wares (100 gross bottles)	10	3.20 m. gross bottles	0.320	0.5	16,000
15.	Ceramics (10 tons Refractory)	11	0.8 m. tons	0.880	0.7	56,000
16.	Plywood & Tea Chests (10,000 Tea chests)	25	11.73 m. tea chests	0.029	2.5	2,933
17.	Paper & Paper Board (10 tons)	30	0.35 m. tons	1.050	16.0	560,000
18.	Matches (100,000 gross)	60	35 m. gross	0.210	60.0	21,000
19.	Cotton Textiles (10,000 lbs. yarn)	17	1950 m. lbs. yarn	3.320	11.0	2,145,000
20.	Woollen Textiles (10,000 lbs. yarn)	55	27 m. lbs. yarn	0.149	40.0	108,000
21.	Jute Textiles (100 tons jute)	65	1.2 m. tons	0.780	40.0	480,000
22.	Chemicals	—	—	1.071*	—	307,330*
23.	Al, Cu, Brass	—	—	0.390*	—	232,053*
24.	Iron & Steel including Rolling, Rerolling (10 tons ingots)	19	6 m. tons	11.400	4.1	2,460,000
25.	Bicycles (1000 Nos.)	20	1.25 m. numbers	0.250	12.5	15,625
26.	Sewing Machine (1000 Nos.)	70	0.3 m. numbers	0.210	55.0	16,500
27.	Electric Lamps (100,000 Nos.)	25	82 m. Nos.	0.021	15.0	12,300
28.	Electric Fans (1000 Nos.)	18	0.6 m. Nos.	0.108	18.0	10,800
20.	Gen. Engineering & Elec.. Engg. (100 tons iron & steel consumed)	40	2 m. tons of iron & steel (1 m. tons pig & 1 m. tons scraps)	0.800	13.0	260,000
30.	Ammonium Sulphate (Sindri) (10 tons)	17	0.35 m. tons	0.595	9.0	315,000
	Total 1 to 30	—	—	28.377 m. tons of coal equivalents	—	9,929,263

.0 Total Energy Requirement for the 30 Industries (1960-61), 28.377 m. tons of (Coal equivalents) = 28.4
1.1 Total Electricity requirements (1960-61) = 9,929,263,000 Kwh = 6.0 m. tons of coal equivalents.
Energy Required to be supplied from coal, coke and oil or other minor fuels (wood, charcoal)
= 28.4 — 6.0
= 22.4 m. tons (coal equivalents).

Note: (1) The industry for which target production was not available, a modest 50 per cent increase over the actual production in 1955 has been assumed for 1960-61.
(2)*For chemicals, Al, Cu & Brass industry a 50 per cent increase over actual Total energy consumption in 1955 and power consumption in 1955 has been assumed for 1960-61.

than 80 per cent of the total energy in the industries for the last five years. We can safely assume that for the next ten to fifteen years coal will remain the chief source of commercial energy in India, because it takes more time and money to develop alternate sources of energy (e.g. oil, hydro or atomic fuel). We, therefore, arrive at the following figures of demand of commercial energy in 1960-61 for the industries under study in million tons of coal equivalent:

1. Coal and processed coal .. 21.3 (75.0 %)
2. Fuel oil .. .. .. 1.1 (5.0 %)
3. Electricity (mostly coal-based) .. 6.0 (20.0 %)

Total 28.4

OTHER SECTORS

Attempts are being made to perform similar studies for other consumers of energy, e.g. railways, agriculture and irrigation, mining (coal and others), and all the industries which are not considered in detail by the Directorate of Industrial Statistics. Among 'Chemical' industries, similar studies are being made on different components, e.g., fertilizers, paints, dyes, calcium carbide, soda ash, heavy chemicals, etc.

Predicting Energy Requirements from Index of Industrial Production

THE industries under study have contributed much to the index of industrial production of India for the last few years. The following table gives the indices of industrial production of India (1951 as base year) and the total energy consumption by the industries under study (excluding Sindri).

TABLE 5

Year	Index of Industrial Production (Ip)	Energy consumption (coal equivalents — million tons (EI)
1948 ..	73.0	8.034
1949 ..	82.0	8.413
1950 ..	87.8	9.016
1951 ..	100.0	10.386
1952 ..	103.6	10.634
1953 ..	105.6	10.635
1954 ..	112.9	11.061
1955 ..	122.1	11.237

Using these eight pairs of data, an equation has been arrived at for estimating energy from a knowledge of the Index of Industrial Production. The correlation coefficient is extremely high being +0.97. The feasibility of arriving at such an equation from only eight pairs of data might be questioned but these data starting from only two years before the start of the First Five-Year Plan have been deliberately chosen to ascertain the 'actual trend' during the total period of eight years. The equation is:

$$E_I = \frac{2{,}224 + 78\ I_p}{1{,}000}, \text{ where}$$

E_I = Energy requirement for industries under study.

I_p = Index of Industrial Production (1951=100). Following table estimates the energy requirements of the industries up to 1971 in million tons of coal equivalents for stipulated growth in industrial production.

TABLE 6

Period	Ip* (1951 = 100)	Energy Requirements (coal equivalents million tons)
1960-61 ..	250	22
1965-66	**500**	**41**
1970-71	**1,000**	**80**

[* Requirements and resources of power generation in India, A. Lahiri and A. Ghosal, C.F.R.I. Ind. J. Pwr., and River Valley Development, 8(1958), 12, 42.]

As stated earlier the past trend of the economic growth cannot estimate the future requirements precisely because structural equation may undergo plausible changes.

COST OF FUEL AND POWER

It is not out of place here to mention something of the fuel and power bill of the industries under study. Table 7 gives cost of fuel and power as percentages to total cost (at factory) of materials consumed by the industries. It could be observed that only six industries (with asterisk marks) spend more than 10 per cent of the total operating cost. They are: distilleries and breweries, cement, glass and glass ware, ceramics, paper and iron and steel which spend about 15, 35, 28, 40, 15 and 20 per cent respectively on fuel and power and should undertake all possible measures for fuel economy. Most of the other industries spend negligible amounts for fuel and power and an increase of say 10 per cent in the cost may not affect the industries greatly.

Conclusion

THE preceding paragraphs give but a short introduction of tables 1, 2 and 3. The information contained in these tables conveys various other items of information which can be derived easily with the help of published statistics. As for example, the total energy requirements for each industrial group can be easily split up into various energy sources e.g. coal, coke, oil, power, etc. This piece considers two methods of estimating energy requirement for 30 manufacturing industries in India:

(1) from energy consumption per unit of products,

(2) a trend analysis by correlating the total energy requirement in 29 industries studied here and some economic factors like index of industrial production.

The energy requirements for the industries by 1960-61 has been assessed at 28.4 million tons including 0.8 million tons of hard coke requirements and 10 billion kWh of power.

The supply aspect of these enormous energy sources: coal, oil and electricity is not dealt here. It appears certain that coal will remain as a major source of commercial energy in India for the next 15-20 years or more, since development and production of alternate sources of energy entails both time and money. The question of supply of coal and other sources of energy, viz. oil and hydro, has been ably dealt with in the 'Preliminary Report of the Committee on Require ment and Utilization of Coal in India' (1957).

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*Coal Council of India.

APPENDIX 1

Table of Equivalents

	Coal Equivalent (tons)
1 ton of coal	= 1.0
1 ton of coke	= 0.9
1 ton of Charcoal	= 1.0
1 ton of Firewood	= 0.5
1 ton of Fuel oil	= 1.5
1,000 cu. ft. of coal gas	= 0.02
1,000 Kwh of electricity	= 0.6

TABLE 7

COST OF FUEL AND POWER CONSUMED BY THE INDUSTRIES AS PERCENTAGES TO TOTAL VALUE OF MATERIAL AT FACTORY (INCL: FUEL AND POWER) CONSUMED

S. No.	Industries	Cost of fuel and power as percentages to the cost of material				
		1951	1952	1953	1954	1955
1.	Wheat Flour	1.0	1.0	0.9	1.1	1.2
2.	Rice Milling	0.8	0.8	0.8	0.8	0.8
3.	Biscuit Making	2.9	3.0	3.1	3.4	4.0
4.	Fruit and Vegetable Processing	1.3	2.4	2.6	3.1	2.4
5.	Sugar	1.4	1.7	1.9	1.7	1.6
6.	Distilleries and Breweries*	15.3	14.1	15.5	14.5	14.7
7.	Starch	3.1	4.2	4.2	4.9	6.6
8.	Vegetable Oils—Oilseeds Crushing	4.0	1.5	1.4	1.4	1.6
9.	Edible Hydrogenated Oils	1.3	1.9	1.8	1.9	2.3
10.	Paints and Varnishes	1.1	1.4	1.6	1.5	1.4
11.	Soap	1.3	2.2	1.8	2.3	2.2
12.	Tanning	0.6	0.8	0.8	0.8	0.8
13.	Cement*	30.8	29.7	35.4	33.9	34.3
14.	Glass and Glassware*	29.3	34.4	29.7	27.8	28.2
15.	Ceramics*	37.4	40.6	39.8	38.4	37.2
16.	Plywood and Teachests	2.8	2.7	4.6	3.8	3.8
17.	Paper and Paper Board*	14.6	13.6	14.3	13.4	14.(
18.	Matches	1.7	1.8	2.8	3.1	3.2
19.	Cotton Textiles	3.7	4.7	5.4	5.3	5.5
20.	Woollen Textiles	2.2	3.3	2.9	2.7	2.5
21.	Jute	1.4	1.9	3.4	3.0	2.7
22.	Chemicals	6.9	9.0	10.7	10.3	8.0
23.	Al, Cu, Brass	3.4	4.1	3.7	4.3	3.6
24.	Iron and Steel*	27.7	24.1	24.1	21.0	19.6
25.	Bicycles	3.2	2.8	2.4	2.8	2.8
26.	Sewing Machine	4.4	4.6	4.8	3.5	4.4
27.	Electric Lamps	7.4	6.6	8.0	8.0	8.0
28.	Electric Fans	1.8	1.7	2.0	2.3	2.2
29.	Gen. Engg. and Elect. Engg.	4.0	4.7	4.8	4.5	4.1

* Industries spending more than 10 per cent of their total cost of material at factory for fuel and power

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Growth Pattern of Companies

CONTENTS

	Page		Page
The Growth of Indian Companies 1950-60	1	Company Taxation	viii
The Pattern of Growth: An Analysis	ii	The Working of Penalties 1956-59	x
Sources of Finance for Indian Companies	vii	Statistics	xii

The Growth of Indian Companies: 1950-60

THE Annual Report of the Company Law Administration which has recently been issued provides a fitting opportunity for the review of the growth of Indian companies under the pressures of the last ten years. The view is widely held that the progress and development of companies has been restrained as a result of the high and growing level of personal and corporate taxation. Secondly, it is argued, the coming of the new Company Law with increasing restrictions on managing agents and directors has, to some extent, damaged enterprise or the initiative to build companies. There might, indeed, be some force in both these contentions. Nevertheless, the broad fact remains that the Indian companies have grown more rapidly than ever before, both in number and in total capital employed, during the last few years.

Two conclusions must be entered in regard to the character of this growth. In the first place, the large public company, of which the most spectacular is Hindustan Steel, might tend to detract attention from the point that the smaller companies find capital financing more difficult than before. They are increasingly dependent on institutional finance like the Industrial Finance Corporation and I.C.I.C.I. and, more recently even on loan finance from the banks. This is, however, no more than to say that the emphasis on resources from personal incomes or from corporate private accounts is being changed increasingly towards resources from the public sector directly as in the public corporate sector companies, or by institutional channels financing the private sector through public initiative. Secondly, it is apparent that so far as the total volumes of initiative and capital of companies is concerned, there has been no fall. All that has happened has been that both initiative and the volume of capital are increasingly dependent on the will of the public sector. This may have political consequences; but it is not a major bar to economic development.

Interesting facts on the growth of companies will appear in the statistics for a decade which are published in this Blue Supplement. The major conclusion that the pace of advance is not greatly hindered by elements most frequently quoted, namely, high taxation and Company Law Administration, needs to be driven home with some force. The truth is that in an economy bent on growth and even particularly in what is now called the "economic take-off, the obstacles in the way of progress can be taken in the stride of impersonal and almost continuous growth. This is the moral which should be good for both the Indian and foreign entrepreneurs. The most important factor in Indian growth at the moment is the coming potential market based on rising standards of living for the great mass of the Indian people. This does not mean, of course, that obstacles should be increased; they are enough already.

The Pattern of Growth: An Analysis

AN attempt is made here to study the growth pattern of companies as well as their capital expansion during the past decade. So far as the former is concerned, the relevant data is available. As for the latter, however, adequate data is not available for purposes of comparison beyond 1956-57. Keeping this limitation in view, certain broad conclusions can be drawn on the growth pattern.

Table I gives the figures of joint stock companies at work between 1948 and 1959. These cover public companies and private companies and their respective figures of paid-up capital. It can be seen that in numbers as well as in paid-up capital, the proportion of private companies is showing a steady rise. Thus, while in 1951 the figure of private companies was 15,964, in 1959, according to provisional figures, the figure was 19,719. On the other hand, there has been a general decline in the number of public companies which have fallen from 12,568 in 1951 to 7,760 in 1959. Taking paid-up capital, it can be seen that there has been a fast expansion from about Rs. 209 crores in 1951 to Rs. 732 crores in 1959 in the case of private companies. However, in respect of public companies the increase in the paid-up capital has been rather slow. It was Rs 536 crores in 1951 and just rose to Rs. 784 crores in 1959. The general trend, therefore, has been towards a large increase in the number and capital of private companies.

TABLE I

JOINT STOCK COMPANIES AT WORK

(Paid-up Capital in crores of rupees)

As on 31st March	All Companies		Public Companies		Private Companies	
	No.	Paid-up Capital	No.	Paid-up Capital	No.	Paid-up Capital
1948	22,675	569.6	..	..	..	..
1949	25,340	628.3	..	..	..	..
1950	27,558	723.9	..	..	..	..
1951	28,532	775.4	12,568	566.5	15,964	208.9
1952	29,223	855.8	12,413	606.8	16,810	248.9
1953	29,312	897.6	12,055	628.8	17,257	268.8
1954	29,528	944.9	10,248	631.3	19,280	313.6
1955	29,625	969.6	10,056	661.3	19,569	308.3
1956	29,874	1024.2	9,575	690.4	20,299	333.8
1957	29,357	1077.6	8,810	714.6	20,547	363.0
1958 (Provisional)	28,283	1300.1	8,266	754.2	20.017	545.9
1959 (Provisional)	27,479	1509.8	7,760	784.1	19,719	725.7

Source: Department of Company Law Administration.

During the last few years, there has been a steady growth in the participation of Central and State Governments in the field of industry. This growing State participation in the industrial development of the country has taken many forms and one is the formation of limited liability companies. The primary object in this form is to see that these enterprises are run on sound commercial lines and they conform to the provisions of Company Law as any other company promoted by private enterprise. Table II shows the position of Government companies in the overall corporate sector.

It shows that from 61 in 1956, the number of Government companies has gone up to 103 in 1959, whereas non-Government companies have declined from 29,813 to 27,376 during the same period. The paid-up capital of 103 Government companies alone amounts to about Rs. 424 crores, whereas for the 27,376 non-Government companies, the paid-up capital adds up to Rs. 1,086 crores. Of the 103 Government companies, 5 are subsidiaries of other Government companies. Of the remaining 98 companies, 36 were registered as public limited companies and 62 as private limited companies. The total authorised and paid-up capital of all Government companies at work amounted to Rs. 705 crores and Rs. 424 crores respectively. A sizable portion of these is taken up by the Hindustan Steel Ltd. which alone accounts for Rs. 300 crores. During the last three years, 47 new Government companies were formed, of which one company was liquidated in the year of incorporation itself in 1956-57. The total authorised capital of the 46 new companies at the end of 1958-59 was about Rs. 17 crores. During 1958-59 alone, 16 Government companies were floated with a capital of Rs. 98 crores. Of the 98 Government companies, 27 to Rs. 21 crores and Rs. 12 crores respectively.

TABLE II.

GOVERNMENT AND NON-GOVERNMENT COMPANIES AT WORK: 1956-59

(Paid up capital in crores of rupees)

Year ending	Total		Government companies		Non-Government companies	
		Paid-up capital (Rs)	No.	Paid-up capital (Rs.)	No.	Paid-up capital (Rs.)
31-3-1956	29,874	10,24.02	61	66.0	29,813	9,58.2
31-3-1957	29,357	10,77.6	74	72.6	29,283	10,05.0
31-3-1958*	28,283	13,00.1	91	2,56.8	28,192	10,43.3
31-3-1959*	27,479	15,09.8	103	4,24.2	27,376	10,85.6

* Provisional.

What is, however, more interesting than the growth of companies is the investment pattern of the companies, public and private. Though it is known that during the last decade, there has been an appreciable rate of growth in both the paid-up and authorised capital of companies, what is relevant is to find out where the new capital is being attracted. The industrial pattern of new companies registered during the years 1956-57 to 1958-59 is given below: (Table III). It shows that of the total of 1,095 new companies formed in 1958-59, nearly half are in the category "Processing and manufacturing". The total authorised capital of these companies amounted to Rs. 168 crores or 59 per cent of the total authorised capital of all companies registered in that year. Next in importance comes the "Commerce" group which recorded 302 new companies with the total authorised capital of Rs. 37 crores. The two groups together constituted nearly three-fourths of the total number of companies formed during the year. The picture is more or less similar in the preceding two years.

TABLE III.

INDUSTRY-WISE DISTRIBUTION OF NEW COMPANIES: 1956-59

(Authorised capital in crores of rupees)

Major Industrial Group	1958-59		1957-58		1956-57	
	No of Companies	Authorised Capital (Rs.)	No. of Companies	Authorised Capital (Rs.)	No. of Companies	Authorised Capital (Rs.)
Agriculture and Allied Activities	33	0.84	39	1.01	28	2.24
Mining and Quarrying	22	71.59	17	1.94	31	78.78
Processing & Manufacturing (all kinds) ..	502	1,67.69	427	68.89	330	88.20
Construction & Utilities	26	1.21	37	1.30	17	3.99
Commerce (Trade & Finance)	302	37.39	281	17.15	292	23.56
Transport, Communications & Storage ..	104	2.97	70	10.21	66	11.34
Services of all kinds	106	2.67	90	2.21	84	2.54
TOTAL	1,095	2,84.36	961	1,02.71	848	2,10.65

There is, however, no data available of the overall industrial pattern after 1956-57. In Table IV is given the growth of paid-up capital of joint stock companies between the years 1949-50 and 1956-57. The discrepancies in some of the figures in respect of the total are due to the inclusion of the then provisional figures). It can be seen from here that during this period, the paid-up capital of joint stock companies has risen by as much as 51.72 per cent. This development has been largely achieved in the industrial sector. The rate of rise here being 61.39 per cent as against half that figure for commercial and trading concerns. In Industry, iron and steel has more than doubled the paid-up capital, whereas Engineering raised its capital by 90 per cent and mining and quarrying by 58.07 per cent. Sugar has tripled it capital. On the other hand, Construction has not progressed in keeping with the general tone and Paper and Public Utilities, though more forward than Construction, had failed to keep pace. The commercial sector, by comparison, has been a slow mover.

TABLE IV

PAID-UP CAPITAL OF JOINT STOCK COMPANIES REGISTERED IN INDIA

(Rs. Crores)

	1949-50	1950-51	1951-62	1952-53	1953-54	1954-55	1955-56	1956-57	Increase of 1956-57 over 1949-50
Agriculture & Allied Activities									
Plantation Industries ...	31.69	32.10	33.21	34.90	39.91	40.75	41.48	42.30	10.61
Others	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Agriculture & Allied Activities ..	31.69	32.10	33.21	34.90	39.91	40.75	41.48	42.30	10.61
Industrial Concerns									
Mining and Quarrying ...	36.51	37.56	43.84	44.97	46.44	54.46	56.02	57.71	21.20
Chemicals	25.46	23.64	46.28	47.43	49.45	49.72	52.60	57.54	32.08
Textiles	134.65	144.94	152.62	158.10	161.98	166.84	173.06	176.96	42.31
Iron and Steel	22.54	24.53	29.53	35.45	42.95	44.52	45.29	51.14	28.60
General Engineering & Electrical Engineering ..	13.25	20.69	23.98	25.55	26.47	27.70	30.83	34.29	16.04
Paper and Paper Products ...	10.24	10.42	10.29	10.23	11.54	11.72	14.05	14.92	4.68
Construction & Construction Material	25.38	24.52	26.70	28.47	29.92	31.83	32.40	33.78	8.40
Sugar	10.88	11.66	26.98	27.71	29.04	29.64	31.05	33.80	22.92
Public Utilities	31.28	34.27	36.83	38.95	40.56	49.72	52.44	53.58	22.30
Other Industries	166.17	176.12	197.37	208.40	229.32	233.74	252.30	263.15	96.98
Total Industrial Concerns ...	481.36	508.55	594.42	625.26	666.67	699.89	740.04	776.87	295.51
Commerce, Trade & Finance									
Transport	51.26	56.82	62.19	62.03	62.47	64.59	65.66	68.31	17.05
Managerial Services ...	31.18	36.40	40.55	41.94	44.18	46.26	47.40	47.77	16.59
Banks	40.38	36.90	33.84	37.59	35.61	35.33	35.52	35.10	—5.28
Insurance	11.67	11.83	12.56	13.76	12.56	11.96	12.49	12.76	1.09
Other Concerns	69.71	79.43	79.50	82.09	83.46	84.32	93.02	105.09	35.38
Total Commerce, Trade & Finance	204.20	221.38	223.64	237.41	238.28	242.46	254.09	269.03	64.83
GRAND TOTAL	717.25	762.03	856.27	897.57	944.86	983.10	1035.61	1088.20	370.95

UNDER SECRETARY TO GOVT. 8 APR 1960 PUBLIC DEPARTMENT

Transport shows a rise of 35 per cent and managerial concerns 53 per cent. Insurance is static while banks banks have even slightly declined.

If one takes into consideration the additions to authorised capital, it will be found that it has risen by four or five times between 1951-52 and 1956-57 as shown in Table V. It can be seen that the rate of addition is fairly uniform among the various groups although the agricultural group shows a very low addition to authorised capital both in absolute and relative terms. In 1956-57, newly authorised capital in agriculture stood at Rs. 1.77 crores only and even here, it is only the plantation industries that are almost responsible for

TABLE V.

INDUSTRY - WISE DISTR IBUTION OF CONSENTS

(Rs. crores)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Agriculture & Allied Activities						
Plantation Industries	0.88	0.49	1.09	1.19	3.67	1.77
Others	0.10	0.29	0.52	—	0.25	—
Total Agriculture and Allied Activities	0.98	0.79	1.61	1.19	3.92	1.77
Industrial Concerns						
Mining and Quarrying	1.18	0.28	2.62	3.41	2.10	46.35
Transport Equipment	6.95	—	0.50	0.60	17.79	16.60
Vegetable Oils	0.88	0.92	0.08	0.20	—	3.98
Chemicals	1.91	0.67	1.50	5.63	6.84	12.46
Cotton Textiles	7.51	2.33	9.15	5.72	9.22	11.79
Other Textiles	1.12	2.23	6.46	17.52	3.28	5.61
Iron and Steel	0.50	4.12	13.11	0.16	13.29	54.84
General Engineering and Electrical Engineering	1.92	6.31	1.09	5.35	3.85	6.92
Paper and Paper Products	2.50	0.65	1.40	5.49	6.88	4.19
Cement	2.51	3.66	3.36	12.29	10.53	7.36
Construction & Construction Material	1.01	0.72	2.41	0.63	0.84	1.86
Sugar	1.91	0.89	4.46	5.39	4.12	7.67
Electricity Generation and Supply ..	0.84	1.18	8.35	10.35	1.10	0.29
Other Public Utilities	1.30	0.20	5.00	0.30	2.00	—
Other Industries	9.03	17.87	8.35	38.22	15.6	6.95
Total Industrial Concerns	41.07	42.03	68.15	111.21	97.49	186.87
Commerce, Trade and Finance						
Transport	3.49	0.35	5.70	3.20	19.20	23.96
Managing Agencies	3.24	1.14	0.57	1.43	0.89	0.30
Trade	2.54	1.79	2.23	0.77	1.79	3.21
Banks	0.71	0.63	0.17	0.58	0.11	1.13
Insurance	0.14	0.06	0.24	0.12	0.16	2.52
Other Concerns	3.04	1.16	2.93	6.93	3.60	4.02
Total Commerce, Trade and Finance ..	13.16	5.12	11.82	13.03	25.75	35.13
GRAND TOTAL OF CONSENTS ..	55.21	47.94	81.59	125.43	127.16	223.77

the growth. In the mining and quarrying industries, the percentage rise is remarkable, namely, about 4000 per cent. In iron and steel, it is even more impressive. But here, one should bear in mind that in 1956-57, there were two heavy additions to capital in mining, amounting to Rs. 40 crores and if this is eliminated, the picture would be far less impressive. Similar is the case with iron and steel also. Among other industries, chemicals and sugar have shown impressive rise, but the majority of industries are not quite so. For example, cotton textiles have increased their authorised capital by only Rs. 4.28 crores, an increase which is very low when account is taken of the absolute increases in other industries. The performance of Engineering has been quite fair, while it is construction that is disappointing. In the commercial sector, the growth has been much less rapid. The rate of growth for the commercial sector during this period has been little more than half while the rate for industry in general has been very nearly five times. Transport has risen substantially. Again, banks have continued to play only a very stationary role.

Finally, a reference should be made here to the price factor. It is likely that changes in the price level between different years may conceal or over-emphasize a trend in investment. Thus, in 1951-52 while the total paid-up capital was Rs. 856 crores at current prices, it is only Rs. 741 crores at 1948-49 prices (as can be seen from Table VI). However, barring two years, 1951-52 and 1955-56, price fluctuations are negligible for most of the other years, and the differences in investment at constant and at current prices are not very much appreciable. It is true that generally prices have exerted some pressure upon investments. At current prices, the period between 1949-50 and 1956-57 gives a uniform yearly addition to paid-up capital of Rs. 50 crores with the exception of 1951-53. At constant prices, the gradation is less evenly marked.

TABLE VI.

PAID-UP CAPITAL OF JOINT STOCK COMPANIES REGISTERED IN INDIA

(Rs. Crores) (at 1948-49 prices

	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	Increas of 1956-5 over 1949-50
Agriculture & Allied Activities									
Plantation Industries	30.96	29.49	28.74	34.52	37.80	40.61	43.30	38.45	7.49
Others	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Agriculture & Alld. Activities	30.96	29.49	28.74	34.52	37.80	40.61	43.30	38.45	7.49
Industrial Concerns									
Mining & Quarrying	35.67	34.51	37.94	44.48	43.98	54.28	58.46	52.46	16.79
Chemicals	24.87	21.72	40.05	46.91	46.83	49.55	54.91	52.31	27.44
Textiles	131.53	133.15	132.08	156.38	153.41	166.28	180.66	160.87	29.34
Iron & Steel	22.02	22.53	25.56	35.07	40.68	44.37	47.28	46.49	24.47
Gen. Engineering & Elec. Engineering	17.83	19.19	20.75	25.27	25.07	27.61	32.18	31.17	13.34
Paper & Paper Products	10.00	9.57	8.91	10.12	10.93	11.68	14.67	13.56	3.56
Construction & Construction Material	24.79	22.53	23.11	28.16	27.39	31.72	33.82	30.71	5.92
Sugar	10.63	10.71	23 35	27.41	27.50	29.54	32.41	30.73	20.10
Public Utilities	30.56	31.48	31.87	38.53	38.41	49.55	54.74	48.71	18.15
Other Industries	162.33	161.80	170.80	206.14	217.18	232.96	263.38	239.22	76.89
Total Industrial Concerns	470.23	467.19	514.42	618.47	631.38	697.54	772.53	706.23	236.00
Commerce, Trade & Finance									
Transport	50.07	52.20	53.82	61.36	59.16	64.37	68.54	61.10	12.03
Managerial Services	30.46	33.44	35.09	41.48	41.84	46.11	49.48	43.43	12.97
Banks	39.45	33.90	29.29	37.18	33.73	35.21	37.08	31.91	—7.54
Insurance	11.40	10.87	10.87	13.61	11.90	11.92	13.04	11.60	0.20
Other Concerns	68.10	72.97	68.80	81.20	79.04	84.04	97.10	95.54	27.44
Total Commerce, Trade & Finance	199.48	203.38	197.87	234.83	225.67	241.65	265.24	244.58	45.10
GRAND TOTAL	700.67	700.06	741.03	887.82	894.85	979.80	1081.07	989.26	288.59

Sources of Finance for Indian Companies

THE Reserve Bank of India has attempted an analysis of the balance sheets of both the public and private limited companies during the last nine years. Since the coverage in the case of private limited companies in inadequate (30 per cent of the paid-up capital) and figures are available for 1956 and 1957 only, this analysis is restricted to public limited companies (excluding banking, insurance and government companies). For the years 1950-54, details are available for 750 companies; for the period 1955-57 for 1001 companies and for 1958, 775 companies. Despite this fluctuating volume of coverage during different periods, it is possible to link the series and deduce some interesting conclusions relating to the behaviour of finance for Indian companies.

What is the share of external finance as compared to the capital ploughed back out of the reserves of the corporate sector? The expression "external finance" here includes paid-up capital, borrowings, trade dues and other current liabilities. Resources from within the system are those of depreciation reserve, capital reserve, taxation reserve and other miscellaneous reserves. It will be seen from Table I alongside that the percentage share of new external finance in each of the years from 1951-58 has steadily gone up. After the recession of 1952, the percentage of external finance started picking up and its share rose gradually from 8.6 in 1952 to 72.4 in 1957. In 1958 again, because of slackness in business activity, the share of external finance once again registered a slight downturn. The conclusion is irrestistible that except for periods of low economic activity, such as was witnessed in 1952, bulk of the expansion takes place through external sources, though the internal sources do not play a mean role.

TABLE I

SOURCE OF NEW FINANCE OF PUBLIC LIMITED COMPANIES

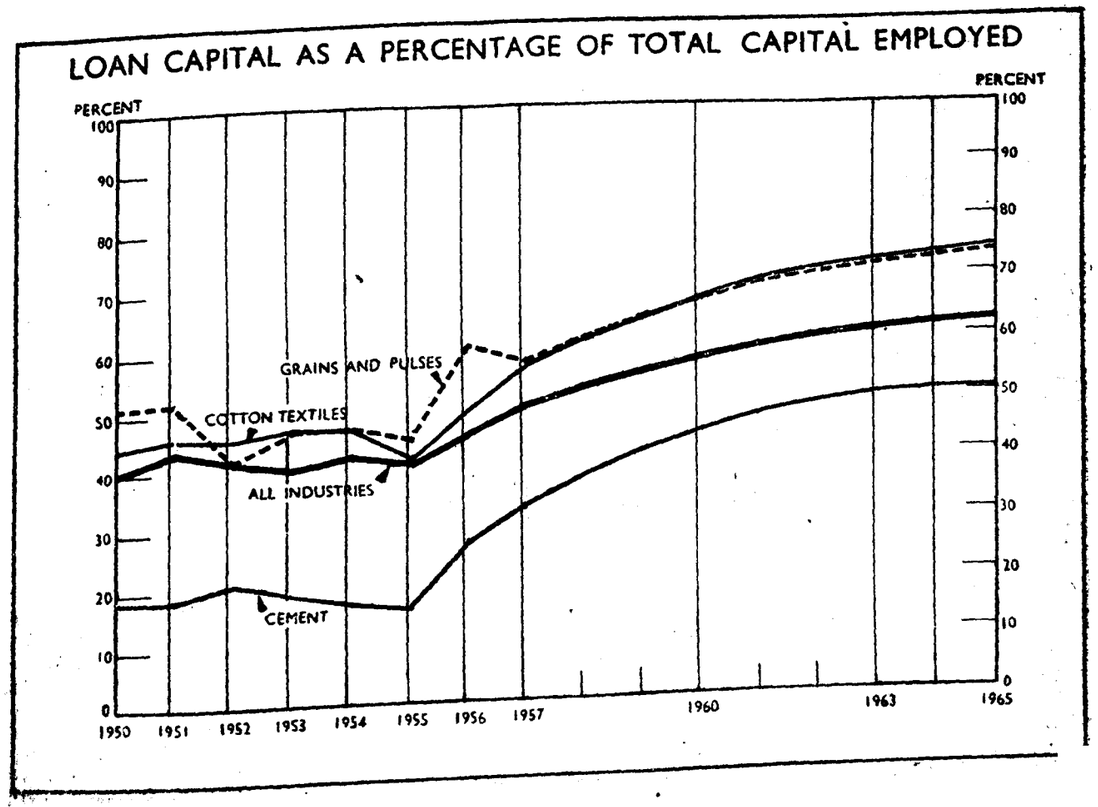
(In percentages)

Year	External*	Internal*
1951	46.7	53.3
1952	8.6	91.4
1953	15.5	84.5
1954	48.7	51.3
1955	44.0	56.0
1956	63.0	37.0
1957	72.4	27.6
1958	53.5	46.5

* External Sources: Paid-up Capital, Borrowings, Trade Dues, Current and Non-current Liabilities.

** Internal Source: Depreciation Reserves, Taxation Reserves, Capital Reserve and other Reserves.

Amongst the external sources of finance, the two major components, namely, paid-up capital and borrowings, have been competing with each other. It has been witnessed that the share of loan capital (borrowings) has ruled at about 40 per cent of the total capital employed between the years 1950 to 1955 (capital employed being defined as the sum total of paid-up capital plus loan capital). Since 1956, however, a greater reliance on loan capital has been witnessed. It is seen that in 1956, the percentage of loan capital to total capital employed (as defined above) rose to 45.2 per cent and still higher to 49.2 per cent in 1957. Estimates for 1958 show slight improvement in this ratio over 1957. What is



significant is that two major groups, namely, (a) metals, chemicals, etc., and (b) food stuffs, textiles, etc. indicate much larger share of borrowings than disclosed by the overall average. In the case of metals, chemicals, etc., borrowings constituted as much as 61.5 per cent of the total capital in 1958. A very strong commercial factor which has operated since 1956 is the comparative cheapness of the borrowed capital in relation to the paid-up capital. In fact, the net rate of return on paid-up capital is significantly higher than the rate at which interest is to be paid on the borrowings. Projections of this percentage have been attempted by the Economic Intelligence unit of the Indian Institute of Public Opinion in a provocative article published in the "Quarterly Economic Report," of the Indian Institute of Public Opinion in October, 1959. It has been shown in that study that there is every likelihood of this dependence on loan capital to continue to increase. As demonstrated in the graph on the preceding page, this ratio is expected to rise to 60 per cent by 1965. In other words, five years from now, borrowings are likely to constitute three-fifths of the total external finance.

LOAN CAPITAL AS PERCENTAGE OF TOTAL † CAPITAL EMPLOYED FOR PUBLIC LIMITED COMPANIES

	1950	1951	1952	1953	1954	1955	1956	1957	1958
Plantations	17.8	19.2	28.8	19.0	11.9	12.7	15.4	19.0	21.7
Mining and quarrying	28.6	35.8	34.8	38.6	38.5	27.8	27.5	29.6	33.2
Foodstuffs, textiles, leather, etc.	44.3	48.5	44.8	43.4	44.8	43.3	49.2	52.4	51.4
Metals, chemicals, etc.	37.1	39.2	40.5	41.1	44.8	42.6	48.9	54.9	61.5
Other Industries	40.8	41.1	39.6	37.6	42.2	36.5	40.9	44.5	44.0
All industries	39.6	42.5	41.2	39.9	42.1	40.2	45.2	49.2	49.5

*Loan Capital=Borrowings †Capital Employed=Borrowings+Paid-up Capital

Note:—The ratios have been computed for the year-end figures.

THE PATTERN OF NEW INVESTMENT: 1956-58

From the figures put out by the Reserve Bank analysis of 1001 companies, an attempt has been made here to determine the percentage share of the new net fixed assets between the consumer goods industries and the non-consumer goods industries. Consumer goods industries include textiles, sugar, vegetable oil, matches, tea, coffee and paper, while all the others are grouped as non-consumer goods industries. It will be seen from Table III below that the share of new net fixed assets in the case of non-consumer goods works out about double of the share of consumer goods. For example, in 1956, the non-consumer goods industry had net fixed assets at 67.9 per cent of the total. In the year 1958, however, there was a slight improvement in the share of consumer goods; its percentage share, which had fallen to 27.1 per cent in 1957, rose to 35.2 in 1958. On the average, it may be stated that in all these three years the non-consumer goods industries continued to draw a major share of the new net fixed assets in the corporate sector.

TABLE III
SHARE OF CONSUMER AND NON-CONSUMER GOODS COMPANIES IN NEW NET FIXED ASSETS

(In percentages)

	1956	1957	1958
Consumer goods companies	32.1	27.1	35.2
Non-Consumer goods companies	67.9	72.9	64.8

It may be recalled here that the analysis relates to non-government companies alone. It is a well known fact that the investments in the public sector have been mostly directed to the producer goods industries. If all the public sector companies were also taken into account, the percentage share of consumer goods industries would diminish further. Thus, the inability of the consumer goods industries to attract new capital resulted in a meagre rise in the production of consumer goods. Whereas the General Index of Industrial Production (Base 1951=100) registered a gain of 16.8 points between 1956 and 1959, the index for consumer goods industries advanced by 5.7 points only. The breakdown of the General Index of Industrial Production as set out in Table IV below shows that between 1956 and 1959, the non-consumer goods registered a rise which was almost eight times that of the consumer goods. This highlights the necessity of encouraging investments in consumer goods industries if th inflationary impact of the rising development expei diture is to be contained.

TABLE IV
TWO MAJOR COMPONENTS OF THE GENERA INDEX OF INDUSTRIAL PRODUCTION

Base: 1951=100

	Weight	1956	1959 (Jan.-Oct.)	Varia-tion in 1959 over 1956	Vari: tion in 195 over 1959
Consumer goods production	72.6	128.6	134.3	5.7	4.4
Non-consumer goods production	27.4	141.2	189.7	48.5	34.3
General Industrial production	100.0	132.6	149.4	16.8	12.7

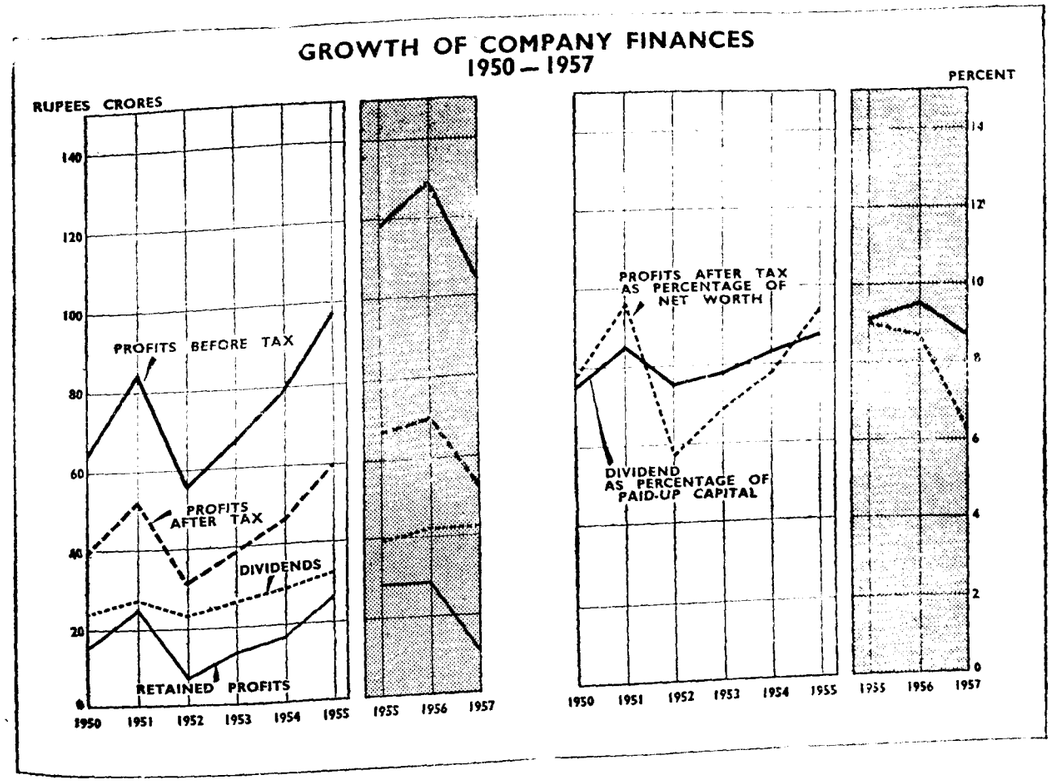
Company Taxation

IN recent years, new company floatations and capital formation have been largely helped by investments by corporate institutions and by investment companies. Savings by individuals have become scarce and capital formation has to rely more and more on investments by the corporate sector. It is, therefore, important that nothing should be done by way of taxation which will militate against investments by corporations. But what has actually happened is that taxes on companies have piled up. By the accounting year 1958-59 companies were in all subject to seven different types of direct taxes. Firstly, the companies paid income-tax at the rate of 30 per cent plus 1.5 per cent surcharge (giving a total rate of 31.5 per cent) of their assessed annual profits. But a part of the income-tax paid by companies was refundable to their shareholders. When companies declared dividends out of their taxed profits the shareholders received credit in their personal income-tax assessments for the income-tax paid by companies. Secondly, companies paid non-refundable corporate-tax at the rate of 20 per cent of their annual assessed profits. Thirdly, companies paid the excess dividend tax. Dividends paid by companies amounting to between 6 per cent and 10 per cent of their paid-up capital were taxed at the rate of 10 per cent; dividends between 10 per cent and 18 per cent of the paid-up capital at the rate of 20 per cent and dividends over 18 per cent of the paid-up capital at the rate of 30 per cent. Fourthly companies had to pay at the rate of ½ per cent of their net wealth in excess of Rs. 5 lakhs.

In addition to four taxes, companies were subject of three special taxes — the capital gains tax, the super-tax for non-distribution of profits under section 23A of the Indian Income-tax Act, and the bonus issue tax. These taxes were payable only under certain circumstances. The cumulative effect of all these taxes was that more than half of the profits of the companies were taken away by way of taxation and very little remained to finance replacement of fixed assets. It was also observed that this scheme of company taxation caused certain severe and almost insoluble administrative problems connected with the grossing of dividends. Various representations were made by the trade bodies to simplify this structure of company taxation. Hence the Finance Minister, Mr. Morarji Desai in order to remove some of these grievances made some substantial changes in 1959 in the scheme of direct taxes of companies. The purpose was to maintain the gross revenues of the Government and yet simplify the working and administration of company taxation. Under the new scheme, while the procedure for grossing up of dividends as well as the wealth tax and dividend tax have been abolished, the income-tax and corporation-tax are to be collected at 20 per cent and 25 per cent respectively, a total of 45 per cent.

Although administratively speaking, the new scheme is a great improvement, on the old, studies have revealed that the burden of tax under the new scheme has the unintended effect of increase in the burden of tax on certain companies. The main criticism of the new scheme of company taxation relates to the proposed rate of taxation. A recent study made by Mr Russi Tarporevala, shows that companies earning high rates of profits in relation to their paid-up capital will be affected less adversely by the new scheme (or may in some rare cases even benefit slightly) than companies earning lower rates of profits on their paid-up capital. Secondly, companies distributing a smaller proportion of their annual profits as dividends will be affected less adversely (or in a few cases may even benefit) as compared with companies distributing a larger proportion of their annual profits. These two general propositions follow from the abolition of the excess dividends tax. Again companies which did not pay wealth-tax as they were exempted from it — like banks, shipping companies and insurance companies — will be adversely affected. And finally, companies which had large reserves in relation to their paid-up capital will be benefit than companies with no reserves or small re affected less adversely (and in a few cases) may even serves. This follows fro.n the abolition of the Wealth-tax. Other conclusions reached by the study are: holders of tax-free preference shares will suffer a cut in their gross dividends amounting to 2.1 per cent. The burden of house tax will be enhanced under the new scheme to the detriment of companies and their shareholders.

The position now has not been much changed in the 1960 Budget except for minor concessions to companies here and there. The notable of the concessions is that tax holiday has been extended for a further period of five years under Section 15C of the Income-tax Act for New Industrial Undertakings. Another concession with regard to company taxation is in respect of Section 23A. It may be recalled that this Section prescribes a minimum distribution of profits by closely controlled corporations. Among other things, the Section requires investment companies to distri-



bute cent per cent of their profits. This is now changed to 90 per cent by the Finance Bill 1960 — a welcome change since investment companies are a source of capital supply and any plough-back of their profits will, therefore, be of advantage to the corporate sector. For inter-company investments, a rebate of only 5 per cent in super-tax has been granted for Indian companies as against 10 per cent for foreign companies and that too only for investments in companies formed and registered on or after April 1, 1959. Apart from the fact that differential rebates are anomalous, it is felt the percentage should have been increased, especially because of the new system of company taxation under which each company will be obliged to pay straightaway on its investment income.

The most irksome tax, i.e. tax on bonus shares, however, continues to remain, although there is no justification for its retention after the abolition of the wealth-tax and particularly the excess dividend tax. It may be pointed out that the tax was not favoured by the Taxation Enquiry Commission. The Royal Commission on the Taxation of Profits and Income in U.K. observed that in the issue of bonus shares no benefit accrues to the shareholder in the nature of income. The yield from the tax also does not justify its existence.

The Working of Penalties 1956-59

IT is now about a decade since the Bhabha Committee was appointed in October 1950 to inquire into the rehaul of the Company Law. The various stages and ups and downs through which the process of the reform of Company Law has gone are not matters of immediate relevance here. But one thing that needs to be emphasised is that the subject of reform has been discussed threadbare and it would be safe to presume that the Companies Act as it emerged in 1956 embodied the greatest possible measure of amendments in all directions. Considering the extensive amendments incorporated in the Act, a reasonable period of time ought to have been allowed to elapse before the Companies Act 1956 was amended. But the demand for amendment emanated from the Department of Company Law Administration with such a tone of urgency that the Amendment Bill is now again on the legislative anvil. This Bill contains provisions which are far out of proportion to the short period of test through which the Act has gone. A pressing demand has been made to make the provisions relating to investigations stringent. The annual reports of the Department of Company Law Administration have thrown their weight on the side of the school of thought which believes that the legislative screw needs to be tightened.

The statistical position of prosecutions of companies since the Companies Act was brought into force in 1956, gives clear proof that the provisions in this behalf are being used in a remarkably growing number of companies and with good effect. During the three years from 1956-57 to 1958-59 the total number of companies prosecuted reached the figure of 5,110. A break-up year by year shows a progressive increase and in particular a substantial increase in 1958-59. Convictions were obtained in 2,131 cases, while acquittals were as low as 374. Prosecutions which were withdrawn or otherwise disposed of were of the order of 969 including 563 cases which were condoned. As many as 1,642 cases of prosecutions were pending in the law courts at the end of 1958-59. This array of figures should convince one of the efficacy of the Companies Act 1956 and the healthy tone which the sanction of prosecutions is bound to impart to the management of companies in course of time.

But it is clear from the latest report of the Department of Company Law Administration that it is dissatisfied with the quantum of the fines imposed. It has cited some cases where the fine has been as low as Rs. 5. But the significant fact about the quantum of fines is not its low level in a few cases but the average of Rs. 90 per conviction over the period of the three years. A closer scrutiny would show that the average fine increased from Rs. 50 per convicted case to Rs. 70 in 1957-58 and to Rs. 112 in 1958-59. The number of convictions has gone on increasing rapidly in each successive year. The majority of the prosecutions arise from failure to hold the annual general meetings, non-filing of annual returns or of balance sheets or of statements of profit and loss account or non-submission of accounts by liquidator. The last year's report expresses its acute resentment against the interpretation put by the trial courts on the provisions of law and in particular it makes pointed mention of the fact that some courts have held the view that the liability for filing balance sheets and statements of profit and loss account does not arise until annual general meetings are held.

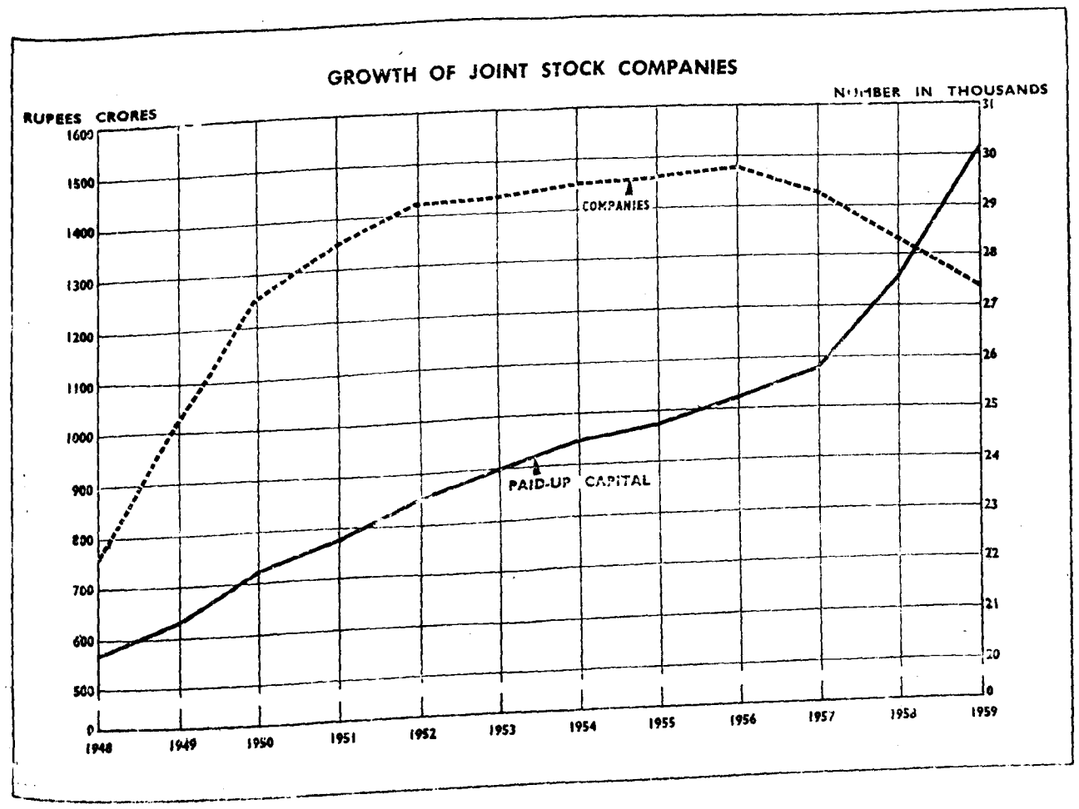
From these trends the Department of Company Law Administration draws conclusions with which it would be difficult to agree. The Department may have its own view of the gravity of these offences. But, in the last resort, whether the offences are grave or light must be left to the determination of the law courts. Analysing what it considers light fines imposed by the courts, the Department says in its latest report that they are "generally found to be light presumably because the economic importance of ensuring strict compliance with the provisions of the Act was not yet fully appreciated in many 'learned circles.'" "Learned circles" is undoubtedly a euphemism for the law courts. This reference to the judiciary is slighting. The Department holds the view vehemently that non-compliance with the provisions of law must be punished with a deterrent sentence. To this end it has gone to the length of instructing the Registrars of Companies to impress upon the courts, while presenting their applications, the gravity of the offences and, by implication, the necessity of deterrent sentences. It is not known whether these instructions are actually carried out by the Registrars. The prosecuting police authority in a criminal case might as well impress upon the magistrate the desirability of passing a deterrent sentence even before the accused is convicted. That the Department should have adopted this course is certainly surprising. A prosecutor's function is to lay the evidence before the court and let it take its course at its hands. A prosecutor transgresses his limits when he assume the role of a persecutor.

Investigations into the affairs of company managements come in a category which is of a graver nature than prosecutions for ordinary breaches of provisions of law. It is in the sphere of investigations that the Department of Company Law Administration has pressed its demand with the Visvanatha Shastri Committee for stringent powers to accomplish speedy and successful investigations. Many of these demands have been accepted by the Committee and included in the Amending Bill now before Parliament. The Registrar of Companies will be empowered to call for and inspect books of account or documents of a company. That will enable him to make out a strong case, based on exhaustive evidence, when he moves the Central Government for the appointment of inspectors. The Department's grievance to the effect that companies many a time escape investigations into questionable inter-company loans, advances, or investments of a fraudulent character has been accepted and the loophole is being plugged. Powers are going to be conferred on inspectors to examine the books of a company, in addition to its officers or agents, wherever their examination is necessary for the investigation. Likewise, production of books of account and documents before the inspectors will be made obligatory. Wherever it is apprehended that documentary evidence of an incriminating nature is likely to be destroyed or concealed, registrars and inspectors will be empowered to cease them after obtaining prior orders from a Magistrate for such seizures. The proposed amendments sufficiently show that the executive authority is being armed with effective powers to carry out thorough investigations.

Even so, it appears that the Department of Company Law Administration has no patience with the machinery of law and it would have speedy and deterrent action everywhere. It is unfortunate that the Department should take such a completely one-sided view. Its major outlook is sufficiently indicated in the Chapter on "Company Investigations" in its latest report. Referring to the inadequacy of trained experts and accountants and auditors, to carry out the investigations, it says: "There were many practical difficulties ... to probe into the affairs of companies and to marshal the facts unravelling the dexterious techniques employed to camouflage the dubious financial transactions entered into by dishonest company management." It surpasses comprehension why a short extract like this should be loaded with so many sarcastic superlatives. The Department has come up against a few cases in which proceedings were suspended for long periods because the companies under investigation succeeded in obtaining injunctions from law courts restraining the inspectors from carrying out the investigations. Adverting to these cases, the Report says: "The problem requires urgent and careful consideration so that the law may not be brought into contempt by the dubious and dilatory tactics of those who indulge in practices which are prima facie objectionable." In pressing a demand for expeditious procedures and far-reaching powers for the executive, the Department of Company Law Administration does not seem to have taken into consideration the other side of the picture. That other side is that such powers and procedures are likely to place an effective instrument of harassment in the hands of some unscrupulous officials. On the whole the current approach strikes a fair balance; there need not be more pressure applied than is currently being operated.

All this vehemence against company managements likely to be brought under the clutches of investigation seems considerably weakened by the trends in investigations since the enforcement of the Companies Act, 1956. During the three years ended March 1959, a total of 84 cases were received for the consideration of the appointment of inspectors. Their annual number decreased spectacularly from 47 in 1956-57 to 17 in 1958-59. The number of cases in which inspectors were appointed was 14 for the three years and here again the number decreased from 9 in the first year to 3 in the third year for which reports have been issued. In as many as 65 cases the appointment of inspectors was adjudged to be unnecessary. Only five cases were pending consideration at the end of 1958-59 and in another five cases reports were due for submission from inspectors. The total number of reports submitted by the inspectors in the three years was 25 out of which prosecutions could not be launched in 12 cases, in 3 cases the first information report was lodged before the police, 3 cases were referred to the Bose Commission of Enquiry, 1 case was being examined by the Government and prosecutions were instituted in 6 cases.

These trends give sufficient indication of the salutary effect which is being produced by the machinery for investigations that has been brought into force in pursuance of the Companies Act. The diminishing trend of cases falling under investigations should encourage belief in the efficacy of the law having an admixture of the deterrent as well as reformative potential. No complicated piece of legislation can expect greater praise than that, on the whole, it has been operated with moderation, good sense and efficacy.



GROWTH PATTERN OF SELECTED PUBLIC LIMITED COMPANIES: 1951-55

(Lakhs of rupee

	1951	1952	1953	1954	1955	Total
SOURCES OF FUNDS						
I. **Paid-up Capital** (excluding capitalised reserves)	7,05	3,30	5,76	3,62	11,35	31,08
II. **Borrowings**						
(a) From Banks	23,32	—12,37	—6,37	14,17	7,71	26,46
(b) Mortgages	39	3,54	7,40	6,21	7,04	24,58
(c) Debentures	1,88	—1,64	34	2,15	4,00	6,73
(d) Due to Trade	9,07	—2,17	—1,43	3,74	7,55	16,20
(e) Others	1,78	3,36	61	—4,33	6,18	16,28
TOTAL	36,44	—9,79	52	30,60	32,48	90,25
III. **Depreciation Reserves**	24,96	24,20	24,46	28,35	26,56	128,53
IV. **Taxation Reserves**	13,35	—4,96	2,90	8,27	14,84	34,40
V. **Savings**						
(a) Capitalised Reserves	3,83	2,29	14,27	5,44	2,43	28,26
(b) General Reserves	7,47	6,20	—3,90	4,08	7,29	21,14
(c) Development Reserves	7,01	4,18	5,07	5,20	8,68	30,14
(d) Other Reserves	6,36	4,99	93	1,20	13,42	26,91
(e) Balance of Profit	3,12	—7.41	—2,07	—76	3,01	—4,11
TOTAL	27,79	10,25	14,30	15,16	34,84	102,34
VI. **E.P.T. Refunds**	3,43	4,78	64	33	8	9,26
VII. **Miscellaneous**†	11,07	4,48	75	14,70	15,94	46,94
GRAND TOTAL	124.09	32,26	49,33	101,03	136,09	442,80
USES OF FUNDS						
I. **Gross Fixed Assets Formation**						
(a) Land	1,86	1,08	1,91	2,05	3,03	9,93
(b) Buildings	6,36	8,35	8,27	10,61	10,44	44,03
(c) Plant and Machinery	21,83	28,42	33,80	46,29	60,24	190,58
(d) Others	2,52	7,96	4,47	4,51	6,90	26,36
TOTAL	32,57	45,81	48,45	63,46	80,61	270,90
II. **Inventory** ..						
(a) Raw Materials	21,35	—18,22	—7,45	46	12,34	8,48
(b) Finished goods and work-in-progress	31,35	19	—5,31	10,04	4,83	41,10
(c) Stores	6,72	71	—1,17	—68	5,03	10,61
(d) Others	99	—74	—7	42	1,13	1,73
TOTAL	60,41	—18,06	—14,00	10,24	23,33	61,92
III. **Lendings**						
(a) Tax Advances	6,71	2,32	2,75	45	7,88	20,11
(b) Book Debts	14,81	—3,81	4,09	9,96	8,06	33,11
(c) Advance against goods	2,95	—3,27	—54	1,11	1,50	1,75
(d) Others	2,75	3,67	74	6,07	1,41	14,64
TOTAL	27,22	—1.09	7.04	17,59	18,85	69,61
IV. **Investments**						
(a) Government Securities	—2,07	1,31	1,26	2,49	53	3,52
(b) Semi-Government Securities	—9	9	—10	—1	1	—10
(c) Industrial Securities	2,67	1,65	2,97	3,42	3,91	14,62
(d) Miscellaneous Non-current Assets*	1,94	2,68	—1,45	—1,10	2,41	4,48
TOTAL	2,45	5,73	2,68	4,80	6,86	22,52
V. **Increase in Monetary Resources**	1,44	—13	5,16	4,94	6,44	17,85
GRAND TOTAL	124,09	32,26	49,33	101,03	136,09	442,80

† Change in miscellaneous liabilities, adjusted for changes in miscellaneous current assets and intangible assets.

* Mainly investments in subsidiary companies.

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Indo-Yugoslav Co-operation

CONTENTS

	Page		Page
India and Yugoslavia: 1960	i	Certain Characteristics of the Recent Economic Development of Yugoslavia	vii
A New Chapter	ii	India's Trade with Yugoslavia	viii
Yugoslav-Indian Economic Relations	ii	The Standard of Living	ix
Yugoslavia's Agricultural Development	iv	Shorter Notes	x
Decentralisation and Workers' Control	v	Statistics	xi

India and Yugoslavia: 1960

"THE Eastern Economist" has the privilege this week of bringing out, in association with leading authorities in the Federal Republic of Yugoslavia, a Blue Supplement designed to describe and to appraise the growth in Indo-Yugoslavian association, particularly in the economic sphere. This Blue Supplement has a topical, as well as a continuing, character: Yugoslavia has impinged in the last twelve months on the minds of leading Indian economic observers as a country with tremendous lessons to teach in the practice of economic development. There is at the moment a powerful delegation from Yugoslavia in this country and the visit this week of Yugoslavia's Foreign Minister, His Excellency Mr. Koca Popovic, provides a new opportunity.

Here are two countries with no bar in their thinking, notwithstanding the fact that in many respects their political philosophies and social structures are markedly different. In part, this is the result of a happy appreciation in the political sphere under which India and Yugoslavia have acquired a special place in what is often described as "neutralist" opinion. With remarkable imagination, Marshal Tito in Yugoslavia and Jawaharlal Nehru in our own country have seen the common outlook, far ahead of the pattern of economic association which now promises to weld deeper bonds of friendship. The fact that there is no bar of any kind—in spite of the fact that Yugoslavia is sometimes described as a "Communist" country — arises from a common adventure in the philosophy of ideas. Yugoslav pragmatism in economic matters has a vital place in it. India has not been so adventurous. Yugoslavia provides a splendid prototype in a process of accelerated development, and this is, perhaps, its greatest recommendation. Nothing succeeds so well even in economic matters as success itself.

In the articles which follow, distinguished Yugoslav writers have set out some of their own views on their own economy and on Yugoslav-Indian economic relations. Thus Mr. Milos Lalovic, Minister Plenipotentiary in the State Secretariat for Foreign Affairs of Yugoslavia, writes on Yugoslav-Indian Economic Relations, Mr. Leo Rip speaks of Certain Characteristics of Economic Development during recent years which highlight the changing development. The reduction of agriculture as a percentage of national income from 34 per cent in 1953 to 28.7 per cent in 1959 has been consistent with a remarkably dynamic development in the volume of Yugoslav agriculture. Perhaps in this field we have more to learn than in any other for our agriculture has failed dramatically to secure similar results.

Essentially, the lesson to be learnt might be summarised by saying that the imagination of Yugoslav administrators has been directed to a two-fold operation; firstly, the application of technological change to accelerate productivity in agriculture, industry and elsewhere, and secondly, to set these changes in the context of social changes with which alone the technological changes will strike root and develop continuously, based on incentives for the people. The paradox keeps on emerging at every stage that for this process of creating incentives the Yugoslavs have decentralised both their administration and their economy and have thus developed the happiest of all means between "democratic" planning and efficient—and even capitalistic —methods of production. Yugoslavia has also demonstrated that once the process of technological change finds this congenial soil, the process can become continuous, inevitably generating the take-off which is the key to the processes of self-generating economic growth.

"The Eastern Economist" takes this opportunity of acknowledging the great co-operation it has received from friends in Yugoslavia as well as from His Excellency Dr. Dusan Kveder, Yugoslavia's Ambassador in New Delhi. It also thanks Dr. Kveder for a foreword to this Blue Supplement.

A New Chapter

By H. E. DR. DUSAN KVEDER,
Ambassador in India of the Federal Republic of Yugoslavia

I SHOULD like first of all to thank the Editor of "The Eastern Economist" for his initiative in setting aside this Supplement to offer the Indian reading public an insight into the state of and prospects for Yugoslav-Indian economic relations and to explain certain aspects of Yugoslavia's economic development.

So far, the volume of trade between our two countries has not been satisfactory. But the fact is that in a relatively short time, that is, during the past three years, that volume has doubled. This gives us reason to be optimistic.

It seems that the beginning of 1960 will symbolise the opening of a new chapter in the economic relations between India and Yugoslavia. As the result of successful negotiations in January this year, several instruments were signed which offer new prospects, enlarge the existing scope and introduce new forms which will foster more fruitful long-range economic co-operation to the benefit of both parties. Thus, after a certain lag, economic relations will be given a chance to catch up with the excellent political relations existing between our two friendly countries.

What is the basis for such economic relations? I would say first of all a similar point of view on what such relations should be like. Dedicated alike to the policy of active, peaceful co-existence, India and Yugoslavia are endeavouring to join in the international division of labour and all forms of international co-operation, based on equality, which contribute to their economic advancement and accelerate the development of their productive forces.

Next, both our countries have chosen to develop their economies in their own way through planning which also makes planned international co-operation possible. Yugoslavia, having mobilised its socialist forces, has tided over its inherited backwardness by solving the economic problems of several epochs in a very short period of time. Relying for the most part on its own forces and receiving a small but valuable amount of economic aid from abroad, and often faced with difficulties coming from outside, during recent years Yugoslavia has achieved results which place it ahead of all others in the tempo of economic development. Only sixteen years ago a backward Balkan land producing raw materials and foodstuffs, it is now one of the industrially developed countries. With its annual rate of growth for exports at 12.8 per cent and for imports at 12.2 per cent (for the last few years) Yugoslavia is becoming an increasingly vigorous world trade partner.

In the development of its economic potential and the struggle to put an end to the backwardness inherited from colonialism, India is progressing rapidly. Her achievements of the first two Five-Year Plans are significant. The Third Five-Year Plan, the fulfilment of which will require a nation-wide effort and assistance from friendly countries, will no doubt bring a decisive victory over backwardness and make possible more rapid economic development in the future.

Yugoslavia is watching this process with deep sympathy and sincere appreciation. Desirous of contributing something in keeping with its possibilities, it recently placed at India's disposal credit of $40 million for the purchase of machinery and ships. This may not be much for India, but it is not a small thing for Yugoslavia if calculated per capita. The application of scientific methods of planning in the development of both countries will create a sounder basis for long-range economic co-operation. Yugoslavia's socialist economy, not faced with the dangerous cyclical oscillations of the capitalist market, introduces elements of safety into the planning of trade with its partners. This is all the more true if there is planning on boh sides. Yugoslav industries can supply India with a considerable number of goods needed for industrialisation. Several large projects under the Second Five-Year Plan, the execution of which has been entrusted to Yugoslav enterprises, confirm this. On the other hand, there is a growing demand in Yugoslavia for Indian export articles, both traditional and new. More frequent contacts between the commercial representatives of our two countries and more publicity in trade journals will help us to get to know each other's needs and possibilities. But even this does not exhaust the opportunities for co-operation.

Each of our countries is going its own way of economic and social development. Many problems along the way are similar although there are others that are altogether different. That is why I feel that even broader and more intensified exchange of experience is essential and that it can be of invaluable aid to both sides.

Yugoslav economists, sociologists and political leaders are following attentively the development of Panchayats, Community Development and planning in India. Experts and political leaders in India have been showing more and more interest in the original way in which Yugoslavia has found solutions to the problems of organising agricultural production and village life, decentralisation, development of the system of social self-management, workers' self-management, fostering of initiative and promotion of productivity of labour. Exchange of experience on an even broader scale will bring our two nations closer together. In this connection, the role of economic journals and the press in general becomes important and responsible. It is for this reason that I welcome the initiative shown by "The Eastern Economist".

Yugoslav-Indian Economic Relations

By MILOS LALOVIC,
Minister Plenipotentiary in the State Secretariat for Foreign Affairs of Yugoslavia

ECONOMIC relations between Yugoslavia and India developed effectively in recent years. The mutual economic interests of the two countries, however, demand that the development of economic co-operation should be a stimulus to develop even broader and more comprehensive political, cultural and other links. For that reason, it becomes clear that new economic instruments should expand the existing basis so as to make possible a far more intensive and wider economic activity and co-operation.

This was made necessary by the favourable and steadily expanding volume of trade in recent years, and also by the fact that Yugoslav enterprises undertook to construct certain big capital projects in India. While the assortment of goods which are imported to meet the needs of the Yugoslav market is being extended, there is a corresponding increase of Yugoslav exports to India. In addition to usual industrial products, our exports to India now include ships, railway equipment (switches, rails, etc.), bridges, equipment for the thermo-electric power plant at Barauni in Bihar which will have an output of 30,000 kilowatts, etc. Yugoslav enterprises are also constructing the Durgapur-Calcutta gas pipeline (with installations). The project will be completed next year. All this calls for a more intensive and closer scientific and technological co-operation between the two countries.

THREE-YEAR TRADE AND PAYMENTS AGREEMENT

These diverse and expanded economic activities, as well as the existence of mutual desires and interests, and real possibilities for an even more comprehensive and broader economic co-operation, have made it imperatively necessary to open negotiations between Yugoslavia and India on the different aspects of such co-operation. A Yugoslav economic delegation visited India in January this year, and held talks with representatives of the Indian Government to review in detail the existing possibilities, and upon completion of the talks appropriate instruments were signed by the two delegations. These instruments and their provisions should enable our future economic co-operation to be raised to the highest possible level and to be developed smoothly without causing any difficulties of a formal nature. The outstanding outcome of these talks was that a new three-year trade and payments agreement, an agreement on deliveries on credit of capital goods and equipment to India, and an agreement on scientific and technological co-operation, were concluded. Further, an additional instrument made provisions for negotiations on long-term economic co-operation, which will be concretised after completion of preliminary discussions and detailed studies of the existing possibilities in that particular sphere.

Under the provisions of the new three-year trade and payments agreement it will be possible to carry out an exchange of goods on a considerably higher level than hitherto and it will continue to sustain the tempo of its growth. The lists of commodities attached to the agreement provide for a substantial increase of the two-way traffic in 1960, and in particular exports will include a wide range of new industrial products of Yugoslavia and India. A special Article of the agreement provides for the export and import of these goods which are not included in the lists of commodities but which have good marketing prospects either in one or the other country. The lists of commodities will be fixed at the end of each year for the ensuing one-year period, adding new products to the existing lists. In their agreement, the two Governments have expressed readiness to encourage and promote exchanges of goods by means of all measures in their power which are likely to contribute to that aim. Commercial and trade organisations will now be in a position to use diverse forms of mutual association with a view to securing a steady flow of products of both countries to their respective markets.

The payments provisions of the new Agreement do not differ much from those laid down under the previous protocol. The only difference is that in future all payments, both for commodities and for non-commodity operations, will be effected in non-transferable Indian rupees, whereas previously the greater part of non-commodity payments were effected in convertible currency only. The system of rupee payments in bilateral agreements has been adopted as a result of the determination of the two Governments to raise their current exchanges of goods, by balancing their trade at a much higher level than hitherto. The agreement includes also other clauses which are expected to contribute to a successful development and steady increase of our mutual trade.

YUGOSLAV CREDIT TO INDIA

The credit agreement with India, concluded during the negotiations, represents a response on the part of the Yugoslav Government to a request by the Indian Government to place at its disposal a certain amount of money which the Indian Government would use to purchase capital goods and equipment from Yugoslavia to meet the needs of its Third Five-Year Plan for economic development. For that purpose, a credit line of the order of $40 million has been granted to India, out of this credit, $10 million will be used to purchase ships in Yugoslavia. The conditions under which this credit has been granted are identical with those under which Yugoslavia granted credits to other countries of Asia and Africa. The credit will be repaid over a period of eight years following the last delivery of goods for each individual project. The exact terms of deliveries and payments will be fixed for each individual project by the enterprises participating in the contracts. These individual agreements will be concluded with a stipulation of payment in Indian rupees, and, in addition to usual and indispensable conditions, will also include a parity clause. The rate of interest has been fixed at the low figure of 3 per cent per annum and it will be computed in six-monthly instalments, that is twice a year.

Payments of the principal and interest in Indian rupees will be credited to a special account of the Yugobank to be opened and maintained in the Reserve Bank of India. These deposits will be used to purchase Indian goods under the provisions of the Agreement on Trade and Payments between the two countries which is in force at the time when payments are made. Credit repayment will be guaranteed by the Indian Government which will issue special guarantees for each individual deal. If a Yugoslav enterprise which is manufacturing capital goods, is importing certain commodities, it may, under the provisions of the agreement make arrangements with the Indian enterprise concerned, when concluding the deal, for part of the payment to be made in convertible currency when it becomes due for payment. The prices of equipment are to be fixed on the basis of world market prices, and other conditions of selling goods between interested parties. The two Governments will endeavour to secure early conclusion of contracts provided for by this Agreement, within three years at the outside. The Agreement will come into force after its ratification by both countries.

In the world today, long-term credits are a well-known and well established practice. All countries which are anxious to secure for themselves a lasting increase of exports of industrial equipment and capital goods, are granting such credits. The industrially developed countries are simply competing with each other in granting not always very favourable credits and loans to countries which need help to promote their development. But the two countries which are most prominent in offering financial aid—the United States and the Soviet Union—often grant high credits to different countries for political considerations. Yugoslavia's credit are motivated by a desire to extend the area of co-operation and they are provided on easy terms.

The credit which Yugoslavia has granted to India will serve usefully the interests of both countries. It is a purely economic credit, and will help India to speed up the tempo of its development and simultanously it will help Yugoslavia to increase her industrial

exports. The agreement therefore represents an additional form of co-operation which will contribute to a further development of closer economic relations and co-operation between Yugoslavia and India.

SCIENTIFIC AND TECHNOLOGICAL CO-OPERATION

The present as well as future development of economic relations in various spheres, particularly in industry, makes it necessary to settle the question of scientific and technological co-operation. It is for that reason that the agreement on such co-operation which has now been concluded will not only settle the outstanding problems in this particular sphere, but also help to satisfy a whole range of other concrete requirements of scientific and technological assistance on the basis of reciprocal benefits.

Under the provisions of a special document, the two Governments have agreed to facilitate the execution of programmes of co-operation by appropriate policies. There are potentialities of expanding the exchanges of goods and purchases of various products on a long-term basis, under the conditions of expansion of productive capacity. There are also possibilities for establishing closer co-operation between different branches of the economy besides industry. For that reason, this instrument provides for preliminary studies to explore all the existing possibilities in that direction, so as to make it possible for future agreements to be concluded between the two Governments providing for general lines and forms of a long-term co-operative endeavour.

All these agreements and the recently held negotiations with India are calculated to lay the foundation of vigorous and expanding economic relations between the two countries. The actual realisation of the objects behind the agreements will help to forge stronger trade links and useful contacts and to study and explore more thoroughly the possibilities of benefits to both countries. The foundations of abiding co-operation and progress in mutual assistance have been firmly laid.

Yugoslavia's Agricultural Development

THERE are few countries in the world from which India can learn so much, especially in matters pertaining to agricultural development, as Yugoslavia. This is not because both the countries have set before them the same goal — the goal to build up Socialist society as a means to raise the standard of living of their masses, or because the agrarian economy of Yugoslavia only a few years ago was as backward as in this country or even due to the fact that nearly three-fourths of her population is dependent on this primary economic activity as in India, but owing to the remarkable progress she has made on this front during the short span of the past four years. The tremendous achievements that Yugoslavia has recorded in the agricultural sphere since 1956 are worthy of emulation by all the under-developed countries; her spectacular successes in this field in 1959 have, in fact, evoked many discussions and comments in expert circles abroad.

The rapid strides which the Yugoslav agrarian economy has made in the recent past is evident from the following table:

INDICES OF AGRICULTURAL PRODUCTION

(Base 1951-55 = 100)

	1956	1957	1958 (Estimate)
Agriculture ..	**97**	**141**	**(122)**
Crop production ..	**92**	**134**	**122**
Crop farming ..	99	163	120
Fruit growing ..	45	86	97
Viticulture ..	73	102	133
Cultivation of meadows ..	133	105	89
Stock breeding ..	**112**	**125**	**(135)**
Cattle breeding ..	113	139	(143)
Pig breeding ..	108	114	(139)
Sheep breeding ..	92	97	(99)
Poultry breeding ..	142	147	(153)
Bee-keeping ..	69	97	99
Domestic processing ..	**62**	**95**	**(118)**

The 1959 production figures are still more impressive. Farm output last year staged an unprecedented leap in Yugoslavia's annals, surpassing not only the previous peak of the 1957 bumper year, but necessitating an upward revision of the targets fixed for 1961. Compared to 1957, wheat and rye output in 1959 rose by 28 per cent and that of maize, sugar beet and sunflower seed by 20 per cent, 11.3 per cent and 35 per cent. The 1957-59 average farm production has been higher by 36 per cent than the 1951-55 average, despite the fact that 1958 was an exceptionally dry year for agriculture. Grains output in 1959 (wheat 4.1 million tons and maize 6.8 million tons) was higher by about 86 per cent compared to the average production during the five years from 1951 to 1955. With only a modest planned increase of 1.4 per cent over last year's level, this year's production is expected to exceed the original 1961 targets by as much as 13 per cent. The Yugoslavs will soon be realising their dream to become again important net exporters of agricultural products and foodstuffs. Wheat exports be effected this year itself.

LIVESTOCK FARMING SECTOR

Equally spectacular has been the increase in Yugoslavia's production in the livestock farming sector. Compared to 1947-56 ten-year average, the livestock production in 1957, 1958 and 1959 has been higher by 27 per cent, 33 per cent and 42 per cent (estimated) respectively. Last year's success in this sector should be considered all the more significant in view of the severe draught. The outlook for the current year can best be gauged from the achievements in stock-rearing last year. The stock-rearing branches of the agricultural organisations are said to have yielded last year 205,000 heads of fat cattle and 1,310,000 white pigs against only 93,000 and 600,000 respectively in the previous year. The only branches of agriculture which have not shown such impressive results are poultry farming, horticulture and viticulture, though the progress in these fields too has not been far from satisfactory.

What has brought about this spurt in farm output in Yugoslavia? The 1959 spectacular success might have been partially due to the exceptionally favourable weather, but the main causes for it have to be looked for elsewhere. Three factors are primarily responsible for this great impulse in Yugoslavia's agriculture economy. They are: (1) the massive technological change that has taken place during the past five

six years, (2) the imaginative entrepreneurship that has been instrumental in bringing about this technological change and (3) the pragmatic approach to the problem, leading to co-operation between the Socialist agricultural organisations and individual farmers.

TECHNOLOGICAL CHANGE

The massive technological change in Yugoslav agriculture has manifested itself in the application, on an increasing scale, of the well-known recipes — mechanisation, use of fertilizers, introduction of quality seeds and advancement of agricultural services. The extent of mechanisation in the recent past can be gauged from the fact that the number of tractors used by big farms and General Agricultural Co-operatives has risen from about 1,600 in 1955 to 26,500 in 1959. The increase in the last two years alone has been of the order of nearly 11,800 tractors. The use of the other farm machinery has also grown at an equally fast rate; against no attaching implements in commission only about a decade back, there are on an average four to five — in some cases even six to eight — such implements attached to every tractor today. On some farms pre-sowing and sowing operations now are performed with the aid of "aggregates". The consumption of artificial fertilizers has also followed a similar trend; against 762,000 tons of chemical fertilizers used in 1957, Yugoslavia consumed 1,200,000 tons in 1959. The introduction of improved varieties of seeds has been fostered by not only research in the country itself, but also by the import of hybrid wheat and maize seeds from Italy and U.S.A., which are said to have yielded about 50 per cent more than the previous output. An idea of what heavy investment has been effected in fixed and working assets of farm organisations to improve the technical basis of production since 1956 can be had from the fact that total investment in agriculture and allied activities has risen from 35.2 billion dinars (100 dinars = 2 rupees) in 1956 to 55.7 billion dinars in 1957 and 76.5 billion dinars in 1958. It is estimated that investments in agriculture, irrigation and drainage projects etc., reached approximately 104 billion dinars in 1959 — nearly 36 per cent more than in the previous year. The result has been an all-round increase in yields per hectare; wheat yield has improved from 11.1 metric quintals to 15.8 metric quintals and that of maize from 13.5 metric quintals to 21.4 metric quintals.

This massive technological change has, of course, been facilitated by the formation of agricultural co-operatives where individual farmers have pooled their lands to make the holdings large. But it will be fallacious to assume that pooling of resources into agricultural co-operatives alone has been the catalytic agent in boosting farm output in Yugoslavia. The technological change has been fostered to a considerable extent by "the establishment of more favourable ratio between the prices of agricultural and industrial products and the introduction of a more satisfactory taxation system."

Behind this "miracle" also lies the hand of the far-sighted and imaginative entrepreneurship, an apt instance of which is provided by the feverish pragmatism of the young manager of a farm of 34,000 acres near Belgrade. He, through initiating some dramatic changes in crop pattern, in livestock and by introduction of mechanised process, achieved in three years an increase of nearly 40 per cent in production. Technical progress and passion for productivity is the distinguishing mark of the new crop of young managers who, unhampered by the bureaucratic interference and control, run the big agricultural farms in Yugoslavia on purely business lines.

Much of the pragmatism in Yugoslavia's economy, especially in the agricultural field, has been imparted by the gradual shift from the doctrinnaire pursuit of the Socialist dogmas. Yugoslavia during the recent past has freed her economy from centralisation and bureaucratic control. Though Yugoslavia calls itself a Socialist State, yet more free enterprise can be found there than in many of the Capitalist countries. The Socialist agricultural organisations in Yugoslavia, in particular, lend a willing hand to individual farmers in raising their output, even though they may not be members of any co-operative.

LESSON FOR INDIA

The progress achieved by Yugoslavia on the agricultural front should be an object of envy by India which too is facing the formidable task of building up a sound agricultural base for her economy. Indian agriculture today may be said to be in a state in which Yugoslav agriculture was in early fifties. It was a period in which Yugoslavia was experimenting with the various means to raise her farm output. We, in India, today are doing the same thing. Concerted efforts are planned to be made to raise our agricultural output by 28.6 per cent by 1965-66. We can profit much from the experience of Yugoslavia. The pragmatic approach of our Food and Agriculture Minister, Mr. S. K. Patil, can go a long way in boosting our farm production, provided we unloose here entrepreneurship on the Yugoslav scale, especially in the execution of the "package programme" of agricultural development in selected districts in each State.

Decentralisation and Workers' Control

ONE of the key factors which have contributed to the rapid growth of the industrial sector of the Yugoslav economy is the bold and imaginative policy of decentralisation which has been vigorously pursued in recent years. The State initiates industrial enterprises in consonance with the objectives of the Five-Year Plans. But curious as it may appear to many, the public sector of the economy does not exist in Yugoslavia in the sense in which the term is universally understood and acknowledged in our country.

Yugoslavia has shown a singular genius for achieving economic progress by putting her faith in pragmatism as the most effective way of getting things done. State ownership traditionally implies control of the bureaucracy in the management of industry. This control in its turn is based on centralisation in the hands of the State. Yugoslavia, however, has made a thoroughly unconventional approach by the deliberate introduction of the policy of decentralisation in the management of industry no less than of agriculture.

Although, in the last resort, the enterprise derives its strength for financial resources from the State, the management of industrial enterprises is being rapidly transferred to workers who organize it through workers' councils and management boards. This policy of decentralization has succeeded in a remarkable degree in Yugoslavia because workers, entrusted with the heavy burden of successful management, have always looked for the right type of leadership. Leadership to guide the workers' councils and management boards in industries is synonymous with entrepreneurship of a high order. Whether industry belongs to a socialist, mixed or capitalist economy, the manager has a strategic part to play.

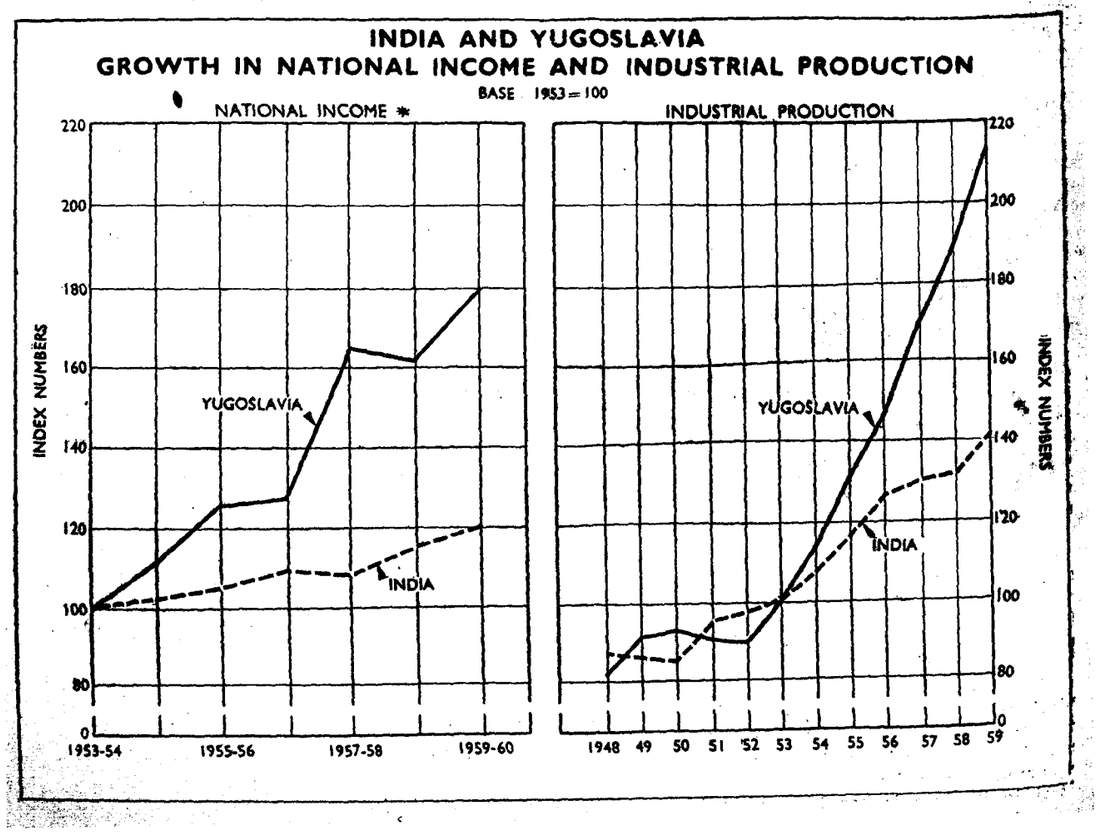
This unorthodox approach in a country which is wedded to socialism has very valuable lessons to impart. The search for entrepreneurship has revealed that there exists ample scope for discovering latent talent. Many of the successful managers of Yugoslav enterprises are drawn from ordinary ranks, where such talent would not apparently be believed to be found. Next after this search comes a new passion for a sustained movement for higher productivity which has been assisted in a great degree by a deep faith in the utility and indispensability of incorporating new techniques of production. Entrepreneurship in Yugoslav industry is derived from the younger generation which explains why there exists such great enthusiasm for giving a modern content to industry at every step.

Yugoslavia readily recognized the practical principle that the most effective way to secure harmony in the working of industry is to enlist workers' willing co-operation. Their co-operation could be easily won if they were given a direct hand in the major policy decisions. Because policy-making and its implementation in the management of industries is entrusted to workers, production goes on unhindered by friction or discontent. India, with her mixed pattern of economy, may not find the Yugoslav pattern of management applicable to her industry wholesale. But she has an important moral to draw from the harmony in industry created by workers' participation in management.

Purists in socialist dogma have often discounted the value of monetary incentives to raise standards of productivity. But happily their pessimism has not been heeded even in Communist countries, particularly Russia. It is noteworthy that monetary incentives are assigned a high place in the Yugoslav pattern of decentralized management of industry. There are no ceilings placed either on regular remuneration of workers or on money incentives that are provided for extra earnings by means of extra productive effort. It is significant that the entrepreneur's skill is rewarded by a higher remuneration and once his remuneration is fixed according to merit it does not lie in the mouth of the fraternity of workers in the unit to question it. The manager stands or falls with his efficiency performance or the lack of it. But no dogma and no abstract principle can be invoked to assail the higher remuneration awarded to him on the basis of higher responsibility in management.

One of the reasons which have made it possible for Yugoslav industry to capture a rapidly increasing share of national income is the marked improvement in productivity. This in turn is sustained, among other causes, by the system of payment of incentive bonus. The annual bonus is determined by the workers' councils and is linked to output as well as profits. It is again the workers' councils which determine how much of the surplus available for distribution should be allotted to capital formation and take similar financial decisions. Elsewhere in this Blue Supplement in the Shorter Notes will be found the description of a new technique introduced in Yugoslav industry to stimulate productivity. Its features are very interesting inasmuch as credit for higher performance is traced to individual departments of an enterprise and there in turn to individual workers. It takes the form of supplementary payments for better services rendered.

The chief moral to be drawn from Yugoslavia's successful experiment of decentralisation is that pragmatism is the highway to economic progress, that organisation of human resources is as important as that of other resources of the economy and that monetary incentives bring out the maximum contribution from workers at all levels. These incentives, together with trust placed in labour by giving it a voice in policy decisions, accelerate the efficient working of an enterprise.



Certain Characteristics of the Recent Economic Development of Yugoslavia

By LEO RIP,
State Councellor, Federal Institute for Economic Planning

THE national income of Yugoslavia rose much more rapidly during the past three years than foreseen in the Perspective Plan of Economic Development of the country. As against the 9.1 per cent average annual increase of national income during the period 1957-61 provided for under the plan, national income actually rose, during 1957-59, by 12.4 per cent annually. This significant economic growth is due to the simultaneous increase of production in all fields of the economy.

The structure of production has been altered concurrently with the growth of national income. This change is reflected in the growth of the proportion of industry, or decrease of the proportion of agriculture, in total national income.

SECTORIAL DISTRIBUTION OF NATIONAL INCOME

In percentages

Sector		1953	1959
Total national income	..	100	100
Industry	..	37.8	42.9
Agriculture	..	34.0	28.7
Other Activities	..	28.2	28.4

The great increase of economic activities has made it possible to provide employment to a large number of persons, thus absorbing the natural growth of the economically active population. Concurrently with the average annual growth of the economically active population by approximately 100,000 persons, the social sector of the economy provided, on the average, employment for approximately 150,000 new persons annually during the 1957-59 period. As a result of this it was possible to ensure the transfer of considerable contingents of insufficiently utilized labour force from agriculture to non-agricultural activities. The tendency of the continuous transfer of labour from rural areas to non-agricultural activities, which has been particularly marked during the last few years, has effected considerable alterations in the social-economic structure of the population. The proportion of the agricultural population was reduced from 60.6 per cent in 1953 to 51.7 per cent in 1959, while the percentage of the non-agricultural population rose simultaneously from 39.4 to 48.3.

There is no doubt that the consequent process of urbanization, contributed to an important growth of national income. The insufficiently utilized labour force in agriculture, when transferred to non-agricultural activities, has ensured—in spite of a lack of industrial skills—a growth of national income by the mere fact that work in non-agricultural activities is, as a rule, more productive than work in agriculture, as well as due to the fact that personnel employed in non-agricultural activities is used more intensively than labour employed in agriculture.

INCREASE IN PRODUCTIVITY

Thanks to the growth of national income, a considerable increase of labour productivity has been realized during the recent years, in spite of the simultaneous high volume of employment. During the last three years productivity has risen, on the average, by 11.7 per cent annually. It is characteristic in this respect that labour productivity has risen particularly in agriculture. During the above period labour productivity in agriculture rose by 15.3 per cent annually. This considerable growth of labour productivity is explained by a sizable growth of agricultural production on the one hand and a reduction of the number of persons employed in agriculture on the other.

The per capita national income increased during the last three years by 41.3 per cent; this has simultaneously made it possible to increase real consumption by 38.3 per cent. In view of the fact that income has manifested a tendency towards a more rapid growth than real consumption, the share of personal consumption in the total national income diminished from 57.6 per cent, in 1956, to 56.1 in 1959.

The growth of personal income of the population has given a powerful impetus to the increase of production, leading simultaneously to a significant alteration of the structure of consumption. The change of the social-economic structure of the population, i.e. the rapid rate of urbanization, has had a corresponding impact upon the change of structure of consumption. Whereas, in 1956, expenditure for food absorbed 48.5 per cent of average family budgets and industrial products 32.2 per cent, it is estimated that the share of expenditure for food in family budgets will be reduced, in 1960, to 42.1 per cent, while the share of industrial products will increase to 49 per cent.

Although a high level of capital investments has been maintained parallel with personal consumption, stability in commodity-money relationships has been on the whole ensured during the years under consideration. The sizable growth of all types of consumption has not affected the level of prices as the market was adequately supplied both with capital and consumer goods. The index of prices rose in the 1956-59 period by approximately 5 points, while the index of living costs increased simultaneously by 6 points.

INVESTMENT BREAK-UP

Whereas in the 1953-56 period the share of gross investments in the gross national product was 29.7 per cent, it is estimated that gross investments absorbed in 1959, 28.5 per cent of the gross national product. The average annual rate of growth of capital investments during the last three years amounted to over 14 per cent. As against the recent period which was dominated by investments in the economy, the share of social service investments (housing, communal services, education, health) in total investments has increased to a considerable extent during the period under consideration. The process of increase of floor space per inhabitant in the towns and industrial settlements began in 1958 owing to the important increase of investments in housing and community development and the increased share of social service investments in total investments.

The structure of economic capital investments has undergone significant changes concurrently with the structure of total investments. In harmony with the need to accelerate the development of agriculture, investments in this branch of the economy have been greatly increased, in the same way investments in

transport, trade and catering services have also grown, while the share of industry in total economic investments has decreased. The share of agriculture in economic investments (fixed assets) increased from 4.3 per cent in 1952 to 16 per cent in 1959, while the share of industry in economic investments decreased from 70.9 to 44 per cent. After having decreased or stood still for a number of years, the absolute amount of funds invested in the industry hardly reached, in 1959, the level of investments in industry of 7-8 years ago, in spite of the fact that the volume of industrial production has, in the meantime more than doubled. An uninterrupted high rate of growth of industrial production has been ensured over a number of years, despite the relatively modest share of industry in economic investments, as a result of fuller utilization of existing capacities, increase of labour productivity as well as an ever greater increase in the import of production goods and growth of agricultural production, i.e. of raw materials of agricultural origin. It is estimated that the utilization of capacities in industry has grown from 73, in 1952, to 84 per cent in 1958.

CAPITAL - OUTPUT RATIO

The capital-output ratio has improved, thanks to fuller utilization of productive capacities and alteration of the structure of investments, which is reflected among other things in greater orientation towards the modernization and rationalization of existing plants. The capital-output ratio for the social sector of the economy was reduced from 2.71, in the 1953-58 period, to 2.53 in 1959. The aforementioned reasons have also contributed towards the reduction of average capital investment for the creation of a new job from 2.1 million dinars, in 1954-57, to 1.9 million dinars in 1959.

The utilization of determined amounts of international funds has ensured a proportionately large volume of investments. A net amount of approximately 100 million dollars was obtained from international sources in 1959. The net sum of international funds obtained in 1959, computed in internal prices at the average import rate of exchange, shows that international funds amounted to less than 12 per cent of total investments, as against 24 per cent in the 1954-58 period. The aforementioned ratios point to the fact that the share of international funds in total investments has decreased significantly.

The very dynamic growth of agricultural production realized during the recent years deserves special attention. Increased investments, particularly in mechanization, use of chemicals, introduction of quality seeds of wheat and advancement of agricultural services have given a strong impulse to the growth of agricultural production. At the same time the constant extension of co-operation between scialist agricultural organizations and individual preducers has promoted agricultural prduction to a large extent. Finally, the growth of production has been also stimulated by the establishment of a more favourable ratio between the prices of agricultural and industrial products and by the introduction of a more satisfactory taxation system.

AGRICULTURAL GROWTH

The average volume of agricultural production increased, in the 1957-59 perid, by 36 per cent as compared with the average volume of production in the 1951-55 period. At the same time the production of the most important crops per hectare increased in the case of wheat from 11.1 to 15.8 metric quintals and in the case of maize from 13.5 to 21.4 metric quintals. During the record harvest of 1959 the production of grains exceeded by 86 per cent the average production of the 1951-55 period. The increased production of grains and fodder and the simultaneous increase of heads of cattle have laid down the foundations of greater advancement in the field of livestock breeding this year. Thanks to this rapid growth of agricultural production, Yugoslavia will again become an important net exporter of agricultural and food products. As against the average annual net import of wheat of almost one million tons in the preceding years, Yugoslavia's net export of grains will amount to one million tons this year. On the basis of the expected reduction of food imports and increased income from the export of agricultural products, it will be possible to increase considerably the import of capital goods as well as consummer goods and ensure, at the same time, the reductoin of the balance of payments deficit.

The liberalization and democratization of the economic system—implemented through the further development of the institutions of workers' and social management, on the one hand, and the ever freer play of the market mechanism, on the other—have liberated Yugoslavia's creative forces. The spectacular economic development of the past several years has created favourable conditions for the attainment of the basic aims of the Five-Year Plan of Economic Development in four instead of five years, and has pointed to the possibility of a further rapid economic growth of the country.

India's Trade with Yugoslavia

THE Yugoslav economy has passed through a dynamic phase in recent years. During the last three years in particular, national income has risen at an average rate of 12.4 per cent per annum. The upsurge in the economy has been due mainly to the sustained growth of industrial production. The index of industrial production, with 1956 as base, indicated a rise of 47 per cent in 1959. The rate of annual increment thus works out to about 13.5 per cent. This has naturally resulted in increasing the share of industry in national income. While before World War II industrial production formed only one-fourth of the national income, it has now increased to 43 per cent of the total. This dynamic growth in industry has hastened the expansion of foreign trade. In the last four years 1956 to 1959 exports from Yugoslavia increased by nearly 50 per cent. The share of industrial goods in total exports has risen much faster than the overall rate of growth in exports. In value terms, industrial exports in 1956 constituted 67 per cent of the total exports. In 1959 the share of industrial exports rose to 77 per cent.

FASTER GROWTH

India's trade with Yugoslavia has grown much faster, in percentage terms, than the rate of expansion in Yugoslav foreign trade as a whole. This is due to the fact that India's trade with Yugoslavia ruled at a very low level till 1955. The table below demonstrates this fact clearly. The value of India's imports rose from Rs. 8 lakhs in 1952 to Rs. 244 lakhs in 1959. The real break came in 1956 when there was a sudden spurt in the volume of imports. The export figures are also encouraging. The value of exports in 1952 was Rs. 62 lakhs, but it rose to Rs. 175 lakhs in 1959. It seems that during the period 1953 to 1954 India's exports to Yugoslavia ruled very low but later on picked up again. The overall balance of trade, however, continues to be

unfavourable to India as shown in the table. This is due to the pressure of increasing volume of capital imports by the Indian Union during the last seven years.

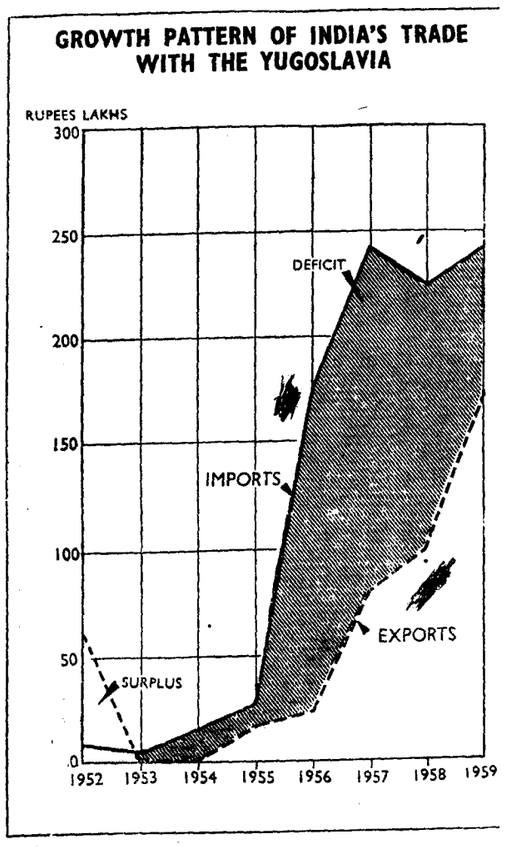
GROWTH OF INDIA'S TRADE WITH YUGOSLAVIA

(Rs. lakhs)

Year	Imports	Exports	Balance of Trade
1952 ..	8	62	+54
1953 ..	5	2	—3
1954 ..	16	1	—15
1955 ..	28	17	—11
1956 ..	177	24	—1,53
1957 ..	243	79	—1,64
1958 ..	225	99	—1,26
1959 ..	244	175	—69

The composition of India's trade with Yugoslavia shows a clear pattern in which base metals, non-metallic mineral manufactures, machinery and transport equipment loom large on the list of India's imports. On the export side, the most important items are tea, raw coffee, metalliferous ore, metal scrap, and textile fabrics. While these "broad" groups do not show the wide variety of goods exchanged between the two countries, the table in the statistical section lists the detailed composition of trade. The table spells out clearly the sources of growth in Indo-Yugoslav trade. Amongst the base metals, which stand on top in the list of imports, mention may be made of iron and steel, copper and aluminium which constitute the bulk of India's imports from Yugoslavia. Not less important are the steam boilers, diesel and steam locomotives, tractors, cranes, etc., which, when added up, take the second rank in the import list. On the other hand, tea and coffee continue to be the leaders in the export list.

Another interesting feature of the Indo-Yugoslav trade is the large number of articles which have appeared on the trade list, but which were not part of the mutual trade agreement. The new ite on the import list are chemical elements and compoun wood, lumber and cork, paper, paper board and man factures thereof, machinery other than electric, text yarn, beverages and miscellaneous manufactured ar cles, while feeding stuff for animals, textile fibres (r manufactured into yarn or fabrics), mineral fuels, lub cants, hide, skins and fur skins, appear on the exp list. When the new agreement is drawn up in Janua 1962 all these items and, perhaps many more will ha to be included.



The Standard of Living

A SIGNIFICANT feature of the Five-Year Plans of Yugoslavia, which distinguishes them from the Five-Year Plans of the iron curtain countries is the relative emphasis placed on levelling up the standard of living of the masses of the people. The economies of the iron curtain countries are aiming at concentration of resources on the development of basic and heavy industries — and some of them on production of armaments on an unprecedented scale — thereby sparing very limited resources which could be utilized in producing consumer goods and services to raise the people's standard of living. Yugoslavia's comparative stress on targets of higher standard of living and spreading the development of capital intensive heavy industries over a relatively longer time is calculated to reduce the cost of accelerated development in terms of human suffering and sacrifices.

Elsewhere in this Blue Supplement, the article on "Certain Characteristics of the Recent Economic Development in Yugoslavia" gives in a brief compass an assessment of the achievement of the current Five-Year Plan — 1957 to 1961 — in statistical terms. A consp cuous conclusion which emerges from that assessme is that the change-over from agriculture to industry taking place at a rate much faster than what was fi envisaged when this plan was prepared. The importar of this trend arises from the fact that it hastens t process of the urbanization of the population by reas of the fact that expansion of industry attracts mig tion to big cities and the towns. The very conditic of urban life necessitate an inevitable change in tl standard of living because of the shift that comes abo towards a wide range of amenities which reflect a qual tative improvement in the living standards.

The wherewithal for a higher volume of consum tion of goods and services is conditioned by the sta of personal earnings. In the Five-Year Plan, 1957-(the target of real wages and salaries of those employ in the public sector of the economy was fixed at 40 p cent above 1956. Actually this target will be overfu gled, if the achievement of the first three years is correct guide, as it should be. During 1957-59 the i

crease in real wages and salaries of persons employed in State-owned enterprises, public services and Government bodies was of the order of 28.3 per cent. The current plan originally laid down that the real volume of personal consumption should increase over the five-year period by 42 per cent as compared to the position in 1956. Actually during 1957-59 the volume of consumption went up by 38.4 per cent which is equivalent to an achievement of 90 per cent of the target prescribed for five years.

Another relevant factor which needs to be taken into account here is the increase in the savings effected by income-arners. Between 1956 and 1959 the total volume of savings of the population increased more than three times. At present savings amount to 10 per cent of the annual fund of wages and salaries of the employed population as compared to 5 per cent in 1956. This significant trend establishes the fact that the purchasnig power in the hands of the population is increasing in real terms at a substantial rate, which leaves a larger margin of savings after making allowance for a higher standard of consumption. Obviously, the increase in real purchasing power has been rendered possible because of a massive increase in agricultural and industrial production.

In one respect, however, the standard of living discloses a strain produced by rapid urbanisation in the wake of the fast growth of industry. The number of family flats constructed in the cities and industrial centres during 1957-59 was 92,000 or an annual average of a little below 31,000. The Five-Year Plan, 1957-61, envisages an annual average of 40,000 flats. This average was realised only in 1959. In the remaining two years building activity will have to be stepped up sharply if the target in the plan is to be achieved. Even so, it is recognised that housing accommodation would be available only at increasing rates of rents, partly because of relative insufficiency of flats and partly because of further outlay on repairs and reconstruction.

The qualitative improvement in the people's standard of living, particularly in the urban sector, is to be seen from the increasing emphasis on the enjoyment of durable consuumer goods. In this context it needs to be noted that expenditure on food has been reduced from 48 per cent of the total in 1956 to 42 per cent in 1959. This is a vital aspect of the shift in the pattern of consumption. The following table gives an idea of the steady change-over to a larger proportion of durable consumer goods:

		1956	1959
Radio sets	...	701,000	1,350,000
TV sets	...	—	14,000
Automobiles (privately owned)		3,664	16,000
Motor-Cycles	...	19,200	110,000
Refrigerators	..	10,000	82,000
Electric cookers	...	18,000	140,000

Yugoslav planners are by no means complacent over this achievement in the standard of living and in self-criticism they state that the targets realized are modest. In respect of social services, like education and health, the progress should be faster than what it actually is. But a nation which had first to devote its resources to wiping out the legacy of backwardness is under an obligation to devise an order of priorities in development in which social outlay has necessarily a lower allocation.

Shorter Notes

PORT CONSTRUCTION: POMGRAD'S SUCCESS

YUGOSLAVIA of late has made a mark in the construction of ports. The achievements of Yugoslav industry in this field in Syria and Ethiopia are indeed outstanding. The first steps in this direction were taken by the marine contracting enterprise 'Pomgrad' which concluded a contract with the Government of Syria for the construction of a port near the town of Latakia. Of great importance to Syria, the construction of this port was successfully completed in 1958. This gave Syria a harbour basin of 53 hectares with over 800 metres of operational coast. A break-water, a kilometer and a half long, was also built for the protection of the port. So satisfied was the Syrian Government with the performance of Pomgrad that it immediately offerred a new contract for the construction of a naval base "Minet el Benda" in the vicinity of Latakia. Pomgrad's co-operation did not end at that. After Syria's unification with Egypt on the formation of the United Arab Republic there arose a need for a new port at Tartus on the coast of Syria, some 70 kilometers south of Latakia. The contract again was concluded with Pomgrad now, of course, by the United Arab Republic. The cost for the construction of this port is anticipated to be about nine million dollars. The project provides for a break-water nearly four kilometers long and an operational coast of some 600 meters.

It again goes to the credit of Pomgrad that the enterprise is building a port at Asab on the Red sea for the Government of Ethiopia. The Yugoslav workmen and technicians have pushed through the work in accordance with the operational plan. When completed, this port which is located on the most economical route of communication with the capital of Adis Ababa, will be of great importance to the further economic development of Ethiopia. It is expected to be opened to traffic in 1961.

SUPPLEMENTARY PAY

THOUGH the principle of linking of wages to production and productivity is very much appreciated in India, it has already been put into effect, with great success in Yugoslavia in over 2,200 different enterprises, among which are 200 industrial, 1,200 trade and catering enterprises, and the rest on agricultural estates and co-operative farms. In effect this means that individual workers who work better and make larger than average contribution to production receive large rewards in the form of higher pay.

According to a recent scheme of additional remuneration, the profits, after providing for taxes, levies, and other social contributions, are left at the complete disposal of the working staff and are distributed among the employees in the form of supplementary individual pay. It is significant to note that this supplementary pay is not divided equally; but is distributed according to the proportion of the contribution to production of each given department and individual workers in the department.

As the remuneration, according to the new method, varies from department to department and from one employee to another, the new scheme demands a systematic and organized method of accounting which really means keeping of daily records of production results of each department and each worker, as well as the closest possible co-operation between the management, commercial, designing, and production sectors and departments. In brief, the introduction of this scheme has resulted not only in improvement of quality and increased production but in substantial reduction of the cost of production per unit as well.

BUILDING PROJECTS IN ASIAN AND AFRICAN COUNTRIES

TO help promote the development of Asian and African countries, Yugoslavia has been playing quite a vital role. With the supply of complete plants many projects in these countries have been started or completed in recent years by the Yugoslav equipment manufacturing industry. Work, for instance, has been undertaken by the Yugoslav enterprises for the construction of a thermo-power station at Barauni in Bihar. The plants and equipment are being supplied by the enterprise Termoelektro from Belgrade, Rade Koncar from Zagreb and Jugoterbina from Karlovac.

This thermo-power station, which is one of the most important projects of the State of Bihar will have a capacity of 30,000 kilowatts after the completion of the first phase and about 45,000 kilowatts after its final completion in 1962.

Work on gas pipelines some 160 kilometers long began in India in February 1960. These will link Durgapur with Calcutta. The enterprises, Rade Koncar, Metalna, Jedinstvro and the Factory of Steam Boilers will take part in the construction and mounting of gas pipelines, gas refinery equipment, pressure regulators and gas leakage control. The value of these projects will amount to some $7 million and the gas pipelines will be put into operation in 1961.

In 1959, some 15,000 tons of bridge constructions were delivered to India from Yugoslavia and work now has been completed on more than 20 railway bridges.

In Pakistan within three years the hydro-power plant Chichoki Malijan was completed and now work has recently begun on the hydro-power plant Gujranwala.

A plant of metal structures was delivered by Yugoslavia to Sudan last year and preparations are underway for the construction of a leather factory there. The Belgrade enterprise 'Energo-projekt' has undertaken to draft plans for the irrigation of Prome Valley in Burma, including several dams and an irrigation canal for some 60,000 hectares of land.

ELECTRIC ENGINEERING INDUSTRY

EVERY survey of the overall Yugoslav post-war industrial development immediately reveals a spectacular rise of the electronic industry. Production in this branch was very small before the war. The development of this sector of the Yugoslavia's industry is vividly illustrated by the following comparative figures for 1939 and 1958:

Article	(In tons*) 1939	1958
Rotary Engines	44	4903
Power Transformers	1	5838
Lead Cables	65	25502
Other insulated power Conductors	572	7928
Storage Batteries	115	2666
Counters	Nil	238052
Telephone Sets	Nil	30601
Radio Sets	Nil	258830
Strong Current Bulbs	2522	12164
Thermal Apparatus	48	4420

* In the case of rotary engines 1 ton = 97.73 Kw.

But the conversion equivalents of tons in respect of other items in the above table are not readily available.

NEW GRINDER INVENTED

THE assembly line for manufacture of a new feed grinder is shortly to begin. During tests this grinder ground 5,000 kilogrammes of seed maize in one hour, which is 3 to 4 times more than the best Yugoslav-made and foreign machines of this kind known in Yugoslavia. The grinder has been constructed by a Yugoslav engineer. The manufacture of this grinder is less expensive than that of other similar ones, and its power consumption is half that of other grinders. In addition to grain and roughage, it can grind salt, chalk, plastics. Owing to this it is also useable in other industrial branches.

NEW INDUSTRIAL PROJECTS

THE construction of about 60 major industrial projects is to begin during the coming years in the Republic of Macedonia, the southern part of Yugoslavia. According to plan which, in main lines, already been adopted, 30 electric power plants and other electric power projects, six big chemical fatcories, six textile mills, and a number of mines and some other industrial projects are to be built or opened. Complete technical documentation has already been prepared for most of these projects. These projects will cost several hundred billion dinars. This extensive programme of further industrialisation in Macedonia is part of Yugoslavia's general policy according to which the Yugoslav community specially endeavours to step up the development of its backward areas. For instance, Macedonia, Montenegro, Bosnia and Herzegovina are being developed at a faster rate than the industrially advanced republics of Croatia and Slovenia.

COMPOSITION OF INDIA'S FOREIGN TRADE WITH YUGOSLAVIA

Commodity	Unit	Jan.-Sept. 1959 Quantity (In 000s)	Value (Rs. 000)
IMPORTS			
Agreement Articles	Cwts.	20	5,09
Calcium carbide	Value	—	9
Polyvinyl chloride and plastic materials	"	—	72
Pharmaceutical products and serums	"	—	0.24
Sheet and plate glass, glass wool and glassware excluding tumblers	Tons	3	36,38
Iron and steel pipes and tubes and fittings thereof, iron and steel ingots, blooms, billets and slabs, iron and steel heavy structurals etc.	"	4	51,32
Steel sheets and plates, angles, channels, beams, wire and wire ropes	"	0.05	56
Iron and steel screws, bolts, rivets and nails	Value	—	3,00
Rolling stock, tipping wagons, rails, switches, crossings and accessories	Cwts.	2	4,39
Copper rods, pipes, sheets and wires	"	32	49,99
Aluminium bars, plates, sheets, pipes, sections, wires and wire ropes	"	—	1
Non-ferrous alloys and manufactures	"		

(Continued on next page)

COMPOSITION OF INDIA'S FOREIGN TRADE WITH YUGOSLAVIA

Commodity	Unit	Jan.-Sept. 1959	
		Quantity (In 000s)	Value (Rs. 000
IMPORTS			
Hardware, ironmongery and tools	Value	—	37
Steam boilers, diesel and steam locomotives and tractors	,,	—	9,69
Textile machinery and accessories	,,	—	92
Electrical instruments, apparatus and appliances including electric meters and electric tools	,,	—	1,65
Electromedical, veterinary and dentistry apparatus and investments	,,	—	15
Metal working and workshop machinery and tools	,,	—	5,04
Wood working machinery and tools	,,	—	90
Cranes—floating, industrial, ports, hand-operated and transporters and elevators	,,	—	9,73
Total of agreement articles	Value	—	1,80,47
Non-agreement articles			
Cereals and cereal preparations	Value	—	0.07
Beverages	,,	—	3
Wood, lumber and cork	,,	—	38
Animal and vegetable crude materials, inedible	,,	—	20
Chemical elements and compounds	,,	—	5,75
Paper, paper board and manufactures thereof	Cwts.	0.25	10
Textile yarn, fabrics, made-up articles and related products	Value	—	45
Machinery other than electric	,,	—	97
Miscellaneous manufactured articles	,,	—	83
Postal packages	,,	—	0.27
Returned goods and special transactions	,,	—	26
Total of non-agreement articles	Value	—	8,95
Total of imports	Value	—	1,89,42
EXPORTS			
Agreement articles			
Iron ore	Tons	55	27,87
Manganese ore	,,	5	8,71
Mica	Cwts.	0.018	20
Shellac	,,	0.20	23
Tea	Lbs.	66	1,56
Coffee raw	Cwts.	14	27,70
Spices including pepper	,,	3	4,32
Raw goat skins and sheep skins (dressed)	,,	0.12	40
Tanned hides and skins (buffaloes and others)	,,	6	[illegible]
Cordage and ropes of vegetable fibre including coir and coir products	,,	—	[illegible]
Textiles, cotton and woollen	Value	—	4
Provisions and oilmans stores except tinned milk and milk products and sago rice	,,	—	86
Hardware	,,	—	2
Total of agreement articles	Value	—	93,85
Non-agreement articles			
Coffee, tea, cocoa, spices and manufactures thereof	Value	—	0.0
Feeding stuff for animals (not including unmilled cereals)	Tons	3	10,2
Hides, skins and fur skins undressed	Cwts.	—	0.0
Wood, lumber and cork	Value	—	0.1
Textile fibres (not manufactured into yarn, thread or fabrics) and waste	,,	—	[illegible]
Animal and vegetable crude materials, inedible	,,	—	0.[illegible]
Mineral fuels, lubricants and related materials	,,	—	1,[illegible]
Miscellaneous manufactured articles	,,	—	[illegible]
Postal packages	,,	—	[illegible]
Returned goods and special transactions	,,	—	[illegible]
Other non-agreement articles	,,	—	[illegible]
Total of non-agreement articles	Value	—	15.
Total of exports	Value	—	1,07,2[illegible]

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