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The Economic Weekly

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Ten Years

THE Economic Weekly is now ten years old. 'Light Without Heat' was the modest caption for the editorial in its first issue which came out on New Year's day, 1949. It has endeavoured to follow this motto all these years with what success, it is for others to say. What it has set out to do, it did not know, for certain. It viewed its task vaguely as that of bringing to bear on the problems of the day the findings of disinterested thought and study of various people working in their respective fields. The impetus for bringing out the paper came from the realisation that the character of our economic problems had changed and that, whether we liked it or not, we were in for a mixed economy which could not be run successfully unless, more and more people applied their minds to the disinterested study of the economic problems of the day. This was too big an ambition perhaps, to help to create enlightened public opinion on subjects on which we are hardly ever led by reason or light. But that is how the paper viewed its task as the following excerpts from the first editorial would suggest:

"The existence of an independent weekly to deal primarily with economic problems of the country, and then, with the broad political ones in so far as they issue out of the former, is a dour need. At present economic discussion in India suffers from grievous defects. Its paucity is deplorable. On the eve of Industrial Revolution, each nation of the West, led by England, produced enormous literature in the shape of pamphlets and reports on which master minds built their systems and gave lead. The impact of the new economic order in India threw up our first batch of economists; and they succeeded in making their partial but honest analysis popular on the political platform.

"Since then our economic development has gone ahead; the character of Indo-British relations has changed... That such momentous developments have not been adequately reflected in Indian thought on the subject is an unfortunate but noticeable fact. The objective situation has fairly ripened but beyond a general awareness, prodded by the high cost of living, nothing of significance has emerged. Even the discussion on sterling balances has proceeded more on the basis of political denial of a normal right than on economic grounds.

"Public control, State management, nationalisation, managerial revolution; such words and more are bandied about without responsibility to their connotations and mutual differences. A verbal masma hangs like a pall over our progressive thought. Wishes are great drives, but economic thinking is surely more than wishfulfilment.

"And yet Indian intellect does not seem to have diminished in the course of our national struggle. True that the accent has been on the transfer of political power. Equally true that our traditional metaphysical angle got the support of a moral view of means to achieve political ends. It may also be held that Gandhiji's understanding of the material-rural core was brushed aside by parliamentarianism, leaving the detritus of nostalgic villagism and anarchistic decentralism to a few who called themselves Gandhian economists. May be that our scholars could not work off the unreality they had imbibed in London or Cambridge and would not understand the realities of the evolving situation. Still, it is hard to believe that the paucity of genuine economic discussion is solely traceable to the general features of Indian

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intellect or to a deterioration in the mental quality of those who presumably possess it. Men and women there still are in the country who can, if given data, think about the country."

The welcome extended to this humble venture, the generous and unstinted help that poured in, far exceeded the wildest hopes of its sponsors and has enabled the paper to survive all these years, particularly help from those who have genuine interest in the disinterested study of economic and social problems. 'The Economic Weekly' has many friends at home and

abroad, and it is only by a shameless exploitation of such friends that this Adam Smith type of private enterprise has struggled and survived in a world of big business in which the organs of the press have either to conform to the prevailing pattern or go to the wall. It was also the secret belief of the sponsors, never loudly proclaimed, that a paper which serves a public function should also be able to pay its way and that Gandhiji was fundamentally right in thinking that no such publication deserved to be subsidised. This dictum, even in the case of publications under-

taken by Gandhiji himself, was true, only in terms of financial subsidy. The amount of labour of love of all manner of people, of friends at home and abroad, which has kept 'The Economic Weekly' going these ten years, cannot be recounted. Those who have stood by it and helped the paper to grow would not even like their names to appear in print. Ten years is a long time in the life of an individual and if the paper has actually served some purpose and deserves to live, it has to be put on a more secure foundation and sound business footing.

Onward to the Breach

A working journalist writes:

ONCE again the wage carrot is being dangled tantalizingly before the working journalist and this in the form of the Working Journalists Wage Committee's tentative proposals for the purpose of inviting comments "from persons interested". Once again, it may be expected, there will be heated controversy over the proposals and it will be surprising if the recommendations as presented are passed as they are in final form. The Working Journalists Wage Committee, it would seem, has given substantial thought to many thorny questions, but, as it present, the nature of the final recommendations, after all the sifting and weighing of the comments is undergone, remains largely a matter of guess-work.

The recommendations of the Working Journalists Wage Committee however, should not be taken in vacuum. For there are, certainly, more things to the running of a newspaper or a journal than are evident even in the findings of the Committee. Take, for instance, the Annual Report of the Registrar of Newspapers for India, 1957, as good a report as has come out from the Ministry of Information and Broadcasting. This Report is revealing inasmuch as it throws light on the basic functioning of newspapers. It states, among other things, that of the 3,987 papers enumerated, 42.4 per cent are individually-owned, 21.1 per cent of papers are owned by religious or cooperative societies and organisations, quite a high percentage. Joint stock companies control 9.7 per cent of the publications, firms and partnerships 8.7 per cent and

educational institutions 7.6 per cent. And government enterprise in the sphere of publication accounts for a percentage of 5.5—by no means negligible.

A question that arises here is whether what the Wage Committee recommends is applicable to those employed by State governments. This is a ticklish issue. The Union government, for instance, which hires a large number of journalists for putting out various magazines surely should not be considered apart from other employers. Then again, why should rich societies or organisations that have the wherewithal to pay be put within the strait jacket of the Wage Committee's recommendations? Considering that more than one fifth of the 3,987 papers tabulated by the Government Registrar are owned by societies or associations, some at least of which presumably do not have to depend on the newspaper revenues for their functioning, it would seem unfair to the working journalist to be deprived of his legitimate dues commensurate with his talents purely as a result of the Wage Committee's recommendations.

To cite but one imaginary instance: Take a Class D newspaper with a gross revenue of, say, Rs 5 lakhs, that one may presume is run by a rich society with adequate funds. The society which is aiming to sell a certain viewpoint may want to hire an assistant editor of standing; the Wage Committee recommends the grade of Rs 200-15-350-25-450 which would be unfair to the working journalist and is entirely out of keeping with the paying ability of the organisation concerned. Surely this

is a matter that needs some attention? Why should wages be fixed strictly in terms of the average gross revenues of the three years preceding 1957?

In this particular instance of an imaginary case—and may it be stated that it is not impossible to point parallel cases in real life—the working journalist is at a decided disadvantage vis a vis the Committee's recommendations. One would think that the Committee would have thought many times before imposing this needless burden on the working journalist, but evidently, this aspect of correlating an organisation's paying ability with the professional ability of the working journalist has not been sufficiently worked out.

The recommendation regarding "re-classification" leaves much to be desired too. It is inconceivable that the Wage Committee is itself satisfied with its own work. Paragraph 20 says: "It should be open to either the employer or the employee to seek re-classification of the newspaper or news agency on the basis of the average revenues of every two years commencing from the year 1958, the financial year 1958-59 or the nearest corresponding accounting year of the establishment as the case may be".

On the face of it, the recommendation is sound enough. It appears to be fair both to the employer and the employee. But living as we do in these times of adjustment and journalistic instability, it is impossible to say with any certitude, how the fortunes of newspapers will be affected over a period of years. The Registrar's report gives but a hint of how matters stand in regard to

circulation. While English papers have showed an increase of 0.9 per cent, Hindi publications declined by 8.8 per cent, Marathi publications by 17 per cent, Gujarati by 12.9 per cent; Punjabi publications in the north saw a cut of 16.1 per cent in their circulation and Tamil publications in the south an appreciable 10.3 per cent. Even if newspaper gross revenue is not directly linked with circulation figures, it is safe to presume that the time will come when the equation will be enforced and then—where does the working journalist stand? Is he to go to court every two years to fight a losing battle? And what is to prevent a publisher from deliberately establishing a case for re-classification, even if the gains that he may make are illusory?

Then, there is, among others, the question of remunerations to editors and assistant editors. Though the aura round the haloed head of an editor may be occasionally blinding, one sees no reason why he should be treated differently from assistant editors some of whom, in any given organisation, might be just as good, if not better, than the editor himself. While, undoubtedly, the editor leads the team and has therefore added responsibilities, it should not be forgotten that he enjoys certain privileges which come with the designation. What should be the appropriate lag in the remunerations of two individuals, who may have similar standing in terms of newspaper experience, but one of whom is elevated to the editorship while the other has to be the deputy? And why should the fate of Associated Editors, Resident Editors, Joint Editors and Deputy Editors be dismissed in such a lackadaisical fashion as the Wage Committee has done?

There is yet another field in which the Wage Committee might have cast its eye: and that is the remuneration paid to correspondents stationed in foreign countries. Though, it may be stated that this should be a matter purely of negotiations between the correspondent concerned and the employer, some general rules of guidance could conceivably have been laid down in this regard. The Indian press is becoming increasingly conscious of the need to send Indian correspondents abroad and indeed some of the major newspapers have already a string of correspondents

in various international capitals. These correspondents are "home-based" and have a basic job at home to which they are entitled a fixed salary. But often enough, the pay they get while abroad is not sufficient to meet their needs, but employers tend to comfort them with the suggestion that what is not met in terms of dollars or pound sterling is compensated by glamour!

One aspect of daily publishing which some working journalists at least, would want the Wage Committee to give further thought on, is the seventh day edition of a daily, that often goes "under a different name."

The Committee in its recommendations says that "all dailies, including the seventh-day edition of a daily, by whatever name called, published by a newspaper establishment in the same language from the same centre should be taken together and treated as if they formed one unit and the revenues of all such papers put together should be deemed to be the revenue of such unit".

What are the facts about some of these 'seventh-day' editions of

dailies? Some of these 'seventh-day' editions are more paying to a publisher than, say, a daily, which may reach fewer people and may have less advertisement. In at least some known instances, the 'seventh-day' edition had a separate "editor" who is entrusted with the responsibility, but not the designation, of an editor. It passes one's understanding why this invidious treatment of an individual should be continued and why he should not be given both the designation and a commensurate salary. The Wage Committee, no doubt, has tried to take the least problematic line in setting standards of classifying dailies, but the invidious practice of publishers to name one person as a super-editor of a host of publications while getting work from assistant or even associate editors is not to be given encouragement. This may be outside the scope of the Wage Committee, but has relevance to the question on hand. Editorial work cannot easily be measured in terms of ergs or production units, but in fairness to the seventh day edition of a paper, the "editor" who is in charge of it should be put in a special category.

Wider Convertibility

THE proposal for full convertibility sterling, which means convertibility into dollars, once regarded as essential for restoring to the City of London its pre-eminence as the international financial centre, has passed through many phases. It was actually put into practice, very prematurely and very unwisely, as early as 1947 but only for a few days. Britain emerged from the ill-fated experiment much shaken and determined never again to succumb to wily persuasions or powerful pressures for restoring full and free convertibility except at her own time and on her own deliberate decision. She refused to be trapped into any such misadventure during the post-Korean boom and the talk of "dash towards convertibility" at the time did not lead to anything. Instead of being rushed, Britain has proceeded cautiously, and proceeded step by step, to widen the area of convertibility needed for improving trade and for restoring the international markets in commodities

and gold, for which London had traditionally been the centre.

The unification of different kinds of sterling held by non-dollar-non-sterling countries into one transferable sterling in March, 1954 was the biggest single step since the misadventure of full convertibility to widen the areas of transaction in sterling. And when the Exchange Equalisation Account began systematically to intervene in the free market for transferable sterling from January 1955, transferable sterling became de facto convertible, being supported at less than 2% below official rate.

The latest step makes the de facto position de jure. Transferable sterling has therefore now been made convertible at the official rate. As any unilateral measure towards convertibility would put too much strain on sterling, this step has been taken as a part of a collective project towards convertibility by the major European countries. The American account,

the registered account and the transferable sterling—all these have now been merged into an external account sterling. Similarly, Western Germany, Belgium, Italy, France, Norway, Sweden, Finland and Denmark have declared their currencies convertible for the non-residents.

This extended measure of convertibility reflects the competitive strength of the European and the

Scandinavian economies. The move would increase confidence in their currencies and the other countries would now be more willing to hold their balances as well as make their transactions in sterling. To this extent, sterling will be strengthened and Britain's invisible earnings will improve. But what are the prospects of extending convertibility to the sterling area countries? The demand is now bound

to grow. After all, it is rather awkward that residents in the sterling area should be deprived of a privilege which is now freely enjoyed by non-resident holders of sterling. Though restrictions on convertibility are no longer very odious nor widely advertised, most sterling area countries, and India among them, still maintain fairly rigid restrictions on dollar imports and dollar expenditure generally.

Weekly Notes

Fund Quotas

THE Governors of the International Monetary Fund had asked the Executive Directors at the Delhi meeting to consider the desirability of increasing the Fund's resources. The Executive Directors have now come to the decision that the Fund resources are inadequate; the world trade since 1944 has nearly doubled, and dollar prices have increased by at least 50 per cent, while the foreign exchange resources of the countries outside the United States have increased by only 50 per cent and the Fund quotas, with minor exceptions, have remained at the amounts determined in 1944. Under the circumstances, the Executive Directors feel that the Fund quotas should be increased by 50 per cent and that the quotas of Western Germany, Japan and Canada should be increased by more than 50 per cent as their original quotas were much too low.

The Governors of the I M F will vote on this proposal by February 2, 1959 and the increases will take effect only if member countries having 75 per cent of the total of present quotas consent to the increases in their individual quotas before September 15, 1959.

Of the increase in quota, each member will have to pay 25 per cent in gold. There will be facilities for deferred payments of gold by countries not in a position to pay immediately, but in any case full gold payment will have to be completed within a period of about four years.

If these proposals are accepted, India's quota will increase from \$400 million to \$600 million or about Rs 295 crores and she will have to pay a little less than Rs 25 crores or \$50 million in gold. The increase in the German quota will

entitle West Germany to a permanent seat on the Executive Board at the expense of India, but since KMT China is not likely to be able to increase her gold subscription, India may still remain one of the Big Five.

In the whole of the report of the Executive Directors, there is no mention of the particular payments problems of developing countries and the need for larger Fund quotas in the light of these problems. The Fund has still to understand that in the changed economic set up in the post-war period, rapid development is the problem of the age and all international institutions have to be attuned to it.

Bengal Opposes Transfer

HOW are the boundaries of a State changed? According to the Constitution, Parliament may increase or diminish the area or alter the boundaries of any State. But the Bill for the purpose can be introduced only on the recommendation of the President and it has to be referred by the President to the Legislature of the State concerned for expression of its views on it. But, when the boundary of a State is changed and its area is increased or diminished for "implementing any treaty, agreement or convention with any other country or countries", Parliament has also to pass a Bill to give effect to the change, but such legislation does not have to be referred to the Legislature of the State whose boundary or area is affected. Therefore, the views of the West Bengal Legislature on the changes of boundary provided for in the agreement reached by Pandit Nehru with Feroz Khan Noon last year do not affect the powers of Parliament to validate the agreement. This is what

the Constitution lays down. Certain things may be perfectly constitutional and may have been provided for at a time when no such eventuality was thought of by the framers of the Constitution. Is such action also politically feasible? Doubts naturally arise from the unanimity on this issue reached among all the parties in the West Bengal Legislature, including the Congress Party.

Readjustment of boundary and the exchange of territories affect vitally the people of West Bengal and yet on so important a question, even the State Government was not consulted and Dr B C Roy or rather the Congress Whip in the Legislature, has created an extremely delicate situation by allowing Congress members complete freedom to express their opinion on the subject, resulting in united opposition to the proposed transfer. The manner in which this delicate question has been handled may be cited as a classic example of how public relations should not be handled by a popular government, however unquestionable its majority may be in Parliament. According to the letter of the Constitution, the parts of the agreement which relate to interpretation or enforcement of the award according to which territories were divided between India and Pakistan do not require the legislative sanction of Parliament. It is changes that are not in implementation of the Award which alone require such validation.

The operative parts of the Agreement relating to Indo-Pakistan boundary in West Bengal and Assam fall under both these categories. The first official statement on the implementation of the Nehru-Noon Agreement presented to Parliament on November 29 by Shrimati Laxmi Menon, Deputy Minister for External Affairs, was either a studied

attempt at making simple things obscure in order to forestall a possible agitation or so hopelessly confusing an attempt at clarification that it achieved the same purpose with effortless ease. It would be unkind to say that the statement neither showed any respect to the Members of Parliament to whom it was presented nor did it show the slightest sympathy to the people whose lives and fortunes were affected by it. But it is not possible for any one to say anything more charitable about this precious document. After all, it is not very courteous to assume that Members of Parliament or the public have the skill and legal training to unravel its profound obscurities. The statement did mention, however, that legislation would be necessary to validate exchange of territory and this was later repeated by Pandit Nehru in his reply to the debate in the Rajya Sabha. The obscurity, nevertheless, was so impenetrable that leader writers are not to be blamed if they chose so damaging a caption in their comment on the whole episode as "evasive".

Exchange of enclaves is obviously desirable as being the only practical solution of an impossible situation. But it would be difficult to persuade the people of West Bengal that the resultant loss of territory estimated at 22 square miles is also a fair and necessary price that should legitimately be demanded from them.

Apart from the loss of territory which the Nehru-Noon Agreement imposed on West Bengal, public opinion in the State is extremely suspicious as to why the settlement on the Eastern border alone is effected in this manner, when the dispute on the Western border, equally longstanding, and no less acrimonious, was left unsettled. The interpretation has, naturally, been that the territory of West Bengal is expendable but not the territory of the States on the Western border. This suspicion alone will add fuel to the fire unless Government designs to explain its action and makes out a cogent case for the proposed changes. Time is running out fast, for according to Shrimati Laxmi Menon's statement, 15th of this month has been "fixed as the date for exchange of territories in certain sectors of the East Pakistan—West Bengal boundary, where demarcation has been completed in

accordance with the Radcliffe and Bagge Awards." So it has now become a question of Pandit Nehru keeping his word, but at the cost of people who have not been consulted and not even told clearly about their future fate.

Speeding Up Shipbuilding

HINDUSTAN Shipyard, the only shipbuilding concern in the country, which is in the public sector, now has as its Chairman Shri G L Mehta, who was a leading figure in Indian shipping before he joined Government. The appointment of non-officials as Chairmen of public corporations and Government-owned private limited companies has often been suggested as a necessary first step in decentralization for the more efficient conduct of such undertakings. This is among the problems for the investigation of which a Committee was appointed by the Congress Parliamentary Party some time ago. But it would be premature to read in this particular appointment any such significance though Shri G L Mehta has taken over this assignment from the Secretary General to the Government of India, Shri N R Pillai, ICS.

In his speech from the Chair, Shri Mehta was forthright in demanding a further and speedier assistance from Government and regretted the delay in the sanction for the remaining part of the second phase of the development programme. The latter includes an extension of the jetty which will not cost much foreign exchange and the construction of a dry dock which had been sanctioned by Government early in 1954, but which had to be postponed on account of foreign exchange shortage. As a result, ships built in the yard have to be sent to Calcutta for drydocking before delivery. Since shipping is a great saver and earner of foreign exchange, the construction of this dry dock at an early date is necessary

to speed up the delivery of ships as also to promote the development of ship-repair facilities at Visakapatnam.

Despite the interruption to its working from the breakdown of its 45 ton travelling crane and delay in receipt of steel in the earlier part of the year, Hindustan Shipyard appears to be getting into shape at long last. Production during the year to March 31, 1958 went up by 15 per cent and there was improvement in labour-materials ratio. Since the close of the year, two ships, the keels of which had been laid earlier have been launched and the keel for the 9,500 tons 'Lubecker' ship was laid in October. The agreement for technical assistance with the French firm of consultants, which had not worked very smoothly, was terminated in July and except for one German technician who functions in an advisory capacity, the Yard is now entirely Indian-managed.

Progress in respect of specifications and quick decisions about the selection of machinery and equipment is, however, still unsatisfactory. Shortage of materials has prevented the commissioning on schedule of the Pre-fabrication Shop which is the most important unit in the development programme. This is expected to come into operation some time early this year.

The changeover to construction of 'Lubecker' type of vessels has helped to keep the vexed problem of pricing of Hindustan ships in abeyance, as prices of nine of these vessels have been settled on the basis of prices paid to German shipbuilders. This ad hoc procedure meets the complaints of the shipping companies that the previous methods of fixing prices on the basis of British parity proved unfavourable to them. A permanent price formula would have to await the study of actual cost data of 'Lubecker' ships in relation to their prices.

CORRIGENDUM

to Advertisement

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Now that pricing, the question of specifications and balancing of plant capacity are approaching a satisfactory solution, it is time to enquire if the ship yard is actually giving the output of which it is capable. Currently, it has been turning out barely 2½ ships in a year; its capacity has been rated much higher by knowledgeable persons who have looked into it. In fact, here is reason to believe that without substantial extra investment the output of ships from the yard can be increased several times. Shri G L Mehta has undoubtedly taken up a very challenging assignment. The ability he had displayed in the past in the service of shipping in the private sector and his long experience should enable the country to get the best out of its first venture in this strategic sector of industry. With its teething troubles nearly over, the Hindustan Ship Yard should now be able to give a more tangible proof that it has made good—and that proof could only be the number of ships it turns out in a year.

Turn of the Wheel

THE wheel has turned a full cycle. President Nasser is becoming respectable again in western eyes. The quarrels of a bygone era are ostensibly forgotten and the time may not be far off when Mr John Foster Dulles can again be a welcome guest in Cairo. Every sign points in the general direction of a rapprochement between Egypt and the West. This is the significance of the current visit of the President of the World Bank, Mr Eugene Black, to the Egyptian capital. The inspired news items flowing from Washington and London can also have no other meaning. All parties concerned, evidently, are anxious to bury the hatchet and the time is now.

That Mr Black should have been chosen as the "peace-maker" has something of poetic irony about it. One recalls the infructuous negotiations between Egypt and the World Bank on the tortuous question of financing the construction of the Aswan Dam. One also recalls the hasty words then said by Mr Dulles on the subject and the reaction they evoked in the land of the Nile. Mr Black's current visit to Cairo, evidently, is the U S State Department's way of waving the white flag, of apologising for past mistakes. Once it was sought to hum-

ble Nasser. Now the plan is to humour him. Reading excerpts from the American press gives the impression that the country has been suddenly awakened to the fact that there is very little ideological affinity between Nasser and the Soviet Union. What, goes the argument, if Egypt has already accepted 400 million roubles in aid from Russia to build the Aswan Dam? Why should not the West pitch in as well?

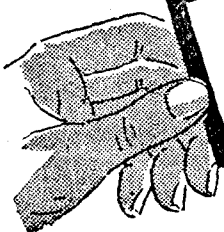
This new twist in American politics, no doubt, is dictated by the exigencies of the political situation in the Middle East and especially the turn of events in Lebanon and Iraq. The processes of change, of course, had begun well before these significant revolutions had taken place, but they were accelerated by the knowledge that if the United States did not rehash its approach to Middle Eastern politics drastically it stood to lose heavily on that front. This explains why the United States has recently agreed to supply surplus wheat to Egypt on terms favourable to the latter. This also explains a host of other acts such

as U S Army engineers clearing approaches to the Suez Canal and U S private firms offering to deepen it.

Strategic Retreat

IT is an open secret that both the United Kingdom and France have been under considerable pressure from the United States to patch up their quarrels with Nasser. On its part, the United States has softened its stand towards Nasser and has made it evident in many ways. And the tender handling of Nasser in the American press is no mere accident.

France, it may be mentioned, took the hint a long time ago by agreeing to pay an equivalent of £20 million sterling as compensation for the war damage inflicted on Port Said, as part of her financial settlement with U A R. Britain is now on her way to accept similar responsibility for her abortive attempt to destroy Arab nationalism and the details are in all probability to be worked out through the good offices of the obliging Mr Black. There will have to be a lot of adjustments



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to be worked out, on a quadripartite basis, involving the United States of America, the United Kingdom and France on the one hand and the United Arab Republic on the other. A sum of nearly £100 million of UAR sterling balances and cash credits are reportedly at present frozen in London. These will need to be unfrozen—at least in dribbles. There is the question of Egyptian seizure of British military stores in the Suez area and seizure of Shell Petroleum Company properties—though in regard to the latter, an agreement between Cairo and the Company has already been signed. And there are other outstanding problems that will need to be solved amicably if the West is ever to recover lost ground.

In some respects, General de Gaulle has gone one better than even the State Department in his attempt to rehabilitate the West in Asian African circles. Whatever the motives that led the French leader to signify his willingness to grant independence to those French colonies which demanded it, the move itself has generally been hailed as a step in the right direction. Take this in conjunction with the United States' abstention on the Algerian resolution in the United Nations and her siding with India on South Africa—for the first time—and western efforts at appeasing the wounded sentiments of Asia and Africa add up to a respectable total.

There is something of a "strategic retreat" in the fact that it is the West—and not Egypt—that has taken the initiative in taking steps to heal the wounds of the Anglo-French misadventure of 1956. The West has swallowed its pride, at least for the time being, but what is the price that it is demanding for this apparent public apology? There can be no doubt that the Black Mission will boost President Nasser's stock sky high in the Arab world. Nasser has gotten away not only with the nationalisation of the Suez Canal, the word would go round, but he now has the West seeking his hand of friendship. This is total victory, look at it anyway you like. When the Egyptian leader boldly decided to nationalise the canal company, he certainly took a big risk; his daring is today paying if not rich, at least substantial dividends. And Nasser has come to stay.

Peace and Dollars

THERE will be no doubt much hawking and humming when the final negotiations take place at last. As at the moment, Nasser, it would also seem, has the last word. More, it is quite on the cards that he may also see his one major dream fulfilled: the construction of the long-delayed Aswan Dam, a promise that Nasser made to his people. There are enough indications that the United States will be chary of saying 'no' to a request for financial help. The past is too much with it and the 1956 lesson is not going to be lightly forgotten.

When the ill-fated expedition to Suez was planned, it was patently the desire of French socialists and British Tories to deal what they hoped would be the death blow not only to Egypt, but to Arab nationalism in all its worrying facets. That two such outstanding men as France's Guy Mollet and Britain's Anthony Eden should have gone amuck was perhaps inevitable. Their failure stands as a water-shed dividing two eras, the era of belief in the invincibility of European arms and the era of hope in the inherent strength of African nationalism. The former is as dead as only the dead can be; to the latter's aliveness, Mr Black's visit to Cairo is eloquent tribute.

Speculations on the political consequences of the Black Mission are

permissible and proper. Mr Black's dollars will no doubt go to help fill the breach made by Mr Dulles's diplomacy; but is that all? What, for instance, will the renewed life given to President Nasser's ambition visage for France still embattled in Algeria. It used to be said that the Anglo-French misadventure in Suez did more to unite the Arabs and the Arab League than all the harangues of President Nasser. What undercover deals are in the offing that would undermine the League and sabotage its political arm? In other words, what is it that Mr Dulles is after?

There may be cause for serious concern in Soviet circles if the West succeeds in seducing Egypt from its neutral stand. Suggestions from Washington and London would make one believe that the Suez hatchet has been well and truly buried and that henceforth relations between Egypt and the West will be one long day of sunshine. But Nasser should be canny enough to play his cards shrewdly. By his acts he has shown that he is no mere political adventurer shuttling between two camps; certainly the fact that the West is discovering virtues in him of late should make him beware of pitfalls. Peace in the Middle East and dollars for the Aswan Dam may be a good slogan, but it is a wise politician who counts his dollars before he signs on the dotted line.

GANDHI MARG

Quarterly Journal of Gandhian Thought

OCTOBER 1958

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The Franc under Pressure

(From Our London Correspondent)

MARKET pressures against the French franc and rumours about impending devaluation are of unusual. Ever so often some vent triggers off feverish activity in the Paris gold market and a flight of short-term capital from France occurs. Because of the frequency of these episodes these rumours and currency movements seldom constitute news; the weakness of the French franc is chronic and has become a persistent phenomenon in Europe's post-war currency markets. The present plight of the French franc, however, appears to be different; there are now a number of unusual factors influencing market operations and bringing about pressures, all of which reflect the trend towards or an expectation of certain major changes in the European currency system following the collapse of the O E E C discussions for a European Free Trade Area, and the start of operations of the Common Market on January 1.

Heavy Trade Deficit

On purely balance of payments considerations, the foreign exchange market has every justification for operating in such a manner as to weaken the French franc. The French balance of payments suffers from chronic deficits. On current account the deficit has been growing at a rapid pace since 1956. The regular and large international borrowings of France have so far saved the French franc from complete collapse. For France, it is the course of foreign trade which very largely decides the shape and deficit in the current account of the balance of payments.

In 1957 the balance of trade showed a deficit of \$1,390 mn compared to \$1,186 mn in the previous year. In the second half of 1957, it will be remembered, the French authorities reimposed severe controls over imports, so nullifying such of their trade liberalisation measures which they undertook in accordance with their obligations to the O E E C. As a result since this despatch was written the French franc has been devalued. Publication was delayed as there is no issue of The Economic Weekly on December 27, 1958—Ed.

ports fell off in 1958 to about the level of the import programme laid down for that period. However, French exports suffered sharply due to the recession in world trade. In fact, exports fell short of the programme by nearly ten per cent. In these conditions, and in spite of a favourable movement in the terms of trade, the French deficit in the balance of trade, running at an annual rate of about \$1,300 mn in the first half of 1958, remains substantial.

Infructuous Measures

The August 1957 '20 per cent operation' which resulted in the outright devaluation of the franc was then regarded, at least by the French authorities, as part of the aim to secure by 1961 a fairly substantial surplus in the current account of the balance of payments, "so that external debts could be repaid and reserves reconstituted." To the market, however, the '20 per cent operation' had all the appearance of the hastily arrived at decision to stop the flight from the franc during the European currency crisis of August and September 1957. In June 1958 the system of levy and premium on imports and exports, which the twenty per cent operation involved, was abolished and on outright devaluation on the basis of a new parity of exchange was introduced.

In practice, this devaluation did not amount to as much as twenty per cent since simultaneously with the twenty per cent operation, export bonuses and countervailing duties on imports were abolished. The immediate and favourable benefits of this operation were therefore very much limited and appeared to last for only a few months. Between the third quarter of 1957 and the first quarter of 1958 French internal prices rose by almost the same extent as the twenty per cent fall in the external value of the French franc. The cost of living rose by fifteen per cent and the price of home and imported goods rose also by fifteen per cent. Imports were further lightened by an import programme, and in the case of exports, a rise in domestic prices practically nullified the benefits which would otherwise have

been expected from such a devaluation operation.

Large Scale Borrowing

The continued weakness in the French balance of trade is made considerably worse by the trade balance of the overseas French franc area. Metropolitan France is responsible for settling the deficit of her overseas Empire with all countries. In 1957 the deficit of the overseas French franc area with all non-franc countries, amounted to \$160 mn, after taking into account a \$48 mn foreign capital inflow into these overseas French territories. What in truth this implies is that to secure external balance France must not only solve her own trade deficit but achieve a sufficient surplus which would be adequate to settle the liabilities arising in the rest of the French franc area.

France opened the year 1958 with a considerably weakened currency in spite of her devaluation. The overall 1957 deficit was in practice solved by large-scale borrowings from the International Monetary Fund and from the European Payments Union and by drawing on the French gold and foreign exchange reserves. With the certain prospect of another severe foreign exchange crisis in the first half of 1958, the French Government opened up negotiations for further international credits and loans. The Government of the United States, the I M F and the E P U together agreed to grant France credits totalling \$655 mn of which some \$532 mn were available for use in 1958. These loans solved the problems of France in the immediate future. This together with the gold bought by the French authorities on the domestic market explains the rise in the gold and foreign exchange reserves in the first half of 1958 by nearly \$150 mn. In July this year the French government floated a gold loan on the Paris market which brought in gold to the value of \$170 mn. Thus, while on the one hand the trade balance in 1958 tended to remain one of substantial deficit, on the other hand France was accumulating gold and dollars through an overall increase in its burden of international indebtedness.

Devalue or Borrow

With this background the new arrangements for 1959—in particular the coming into operation of the Common Market without a parallel free trade area—augurs a new crisis for the French franc. In January, among the international loans obtained by France there was the credit granted by the E P U. This amounted to \$250 mn which was regarded as a special gold credit utilisable by France in lieu of the payment of gold for the settlement of deficits within the E P U. The important point about this was that the E P U had, in turn, an obligation to arrange a counter credit to itself to finance its credit to France. Among the countries who gave the E P U the corresponding credit was Switzerland. With Switzerland, like Britain, outside the Common Market, and thus subject to the discrimination which the Common Market would imply on their trade, the Swiss have intimated that they would withdraw from the European Payments Union and, according to the foreign exchange market circles, would allow the Swiss franc to have a floating exchange rate. If there is a parallel move towards restoring sterling convertibility, this would immediately cause not only a termination of the European Payments Union and all its credit facilities but would put the severest pressures on the French foreign exchange reserves and so enhance the prospect of another devaluation of the franc.

This is by no means all. The Common Market will itself place severe burdens on the French balance of payments. The particularly high internal price level and costs in France will sharpen the French balance of payments deficit in relation to other countries of the Common Market. This can be solved either by a severe deflation within the country, and this is regarded as impossible, or by another devaluation.

The devaluation of the franc, though its likelihood is confirmed by the state of the balance of payments and the impact of the Common Market, will affect the prestige of France and weaken the leadership in continental Europe to which it aspires. General de Gaulle is more likely to find alternatives to such a damaging policy as devaluing the franc. But at the moment, the only alternative is to seek new loans and credits.

Biggest Thermal Power Station in Europe

THE Starobeshevskaya Thermal Power Station in Soviet Russia, the biggest of its kind in Europe, came into operation on December 24 as its first 100,000 kilowatt turbo-generator began producing commercial electricity.

The new thermal power station will have 100,000 and 200,000 kw. generators, and boilers operating at super-high pressures and super-high temperatures of steam heating. With all of the generating sets

THE ECONOMIC WEEKLY

turbing, the station will produce several times as much electricity as the Dnieper Hydro-electric Power Station does.

The production processes are automated. For the first time turbo-generators and boilers are to be operated from the central switch-board. The station will be burning upto 7 train-loads of coal a day. The Donbas Power Stations are generating half of the Ukraine's electricity output. By the end of 1965 Donbas' electric power capacity will have increased about two-fold—TASS.

THE ECONOMIC WEEKLY

Book Review

Devastating Iconoclasm

K C Sen

The Affluent Society by John Kenneth Galbraith. Hamish Hamilton. London, 1958. Pp 277. Price 21s.

PROFESSOR GALBRAITH has achieved fame by the brilliant and incisive manner in which he has been employing his critical and iconoclastic skill in analysing the economic, and partly the sociological, aspects of American society. His exercises in iconoclasm—he frankly declares that destructive criticism is the first necessity in America—have exposed many fallacies underlying what he has termed the "conventional wisdom", which, he shows, was really applicable to an age of mass poverty but is no longer, in the main, applicable to the "affluent society" of modern America; for instance, the theory of the free market and competition, Ricardo's iron law, the Marxist prophecy of the increasing misery of the masses, the self-correcting law of trade cycles, the consumers' sovereignty operating in purity, the undesirability of state interference, the necessity for balanced budgets, etc.

In his "American Capitalism", published in 1952, he showed how industry in that country had ceased to be strictly competitive and was, in the main, oligopolistic, and he formulated his theory of "countervailing power" arising out of trading corporations, departmental store chains, co-operative buying organisations, etc, which have developed power as buyers to keep in check the market power of those from whom they buy.

Production Sacrosanct

In America, production has achieved the sacrosanct position of the supreme goal of all industrial activity; and to support it has arisen the "dependence effect" by which wants are artificially created by advertising, salesmanship and expansion of consumer credit. Thus production has lost "its pristine urgency" and "reflects the low marginal utility of the goods to society". At the same time, as the process of production continues to be of nearly undiminished urgency as a source of income, thus reflecting the high total utility of a livelihood to a person, income and employment are to be regarded as the basic economic concern of American life.

The preoccupation with production at any cost has resulted in certain obvious imbalances. One effect is creeping inflation, against which monetary and fiscal controls are largely ineffective and undesirable; one is in conflict with the emphasis on growth and the other is sharply at odds with the commitment to a level of output that ensures full employment and economic security. The second serious consequence of the emphasis on production is that an inadequate margin is left for defence, technical progress, social priorities, municipal services, education and other public services. What has to be spent on such objects is regarded as a burden on the community, as opposed to the desirability of investment for increase in production.

Unemployment Compensation

Two important remedies suggested by Galbraith for the correction of the present imbalance, which threatens not only social security but production itself, are a system of unemployment compensation, in addition to the current unemployment insurance, old age and survivors' insurance, etc, and a more expanded use of indirect taxes like the sales tax. As regards the first, his proposal is that unemployment compensation should be increased as unemployment increases and diminished as full employment is approached—a system designed by him as Cyclically Graduated Compensation or, more conveniently, C G C. This would break the nexus between output and economic security and eliminate the hazard of depression unemployment for the worker, and by stabilizing demand would go far to mitigate the threat of depression. The effect of C G C would be to make tolerable the unemployment which is associated with price stability.

The rationale of the sales tax is provided by the fact that the community is affluent in privately produced goods while it is poor in public services. The opposition of the liberals to this tax has made them the effective enemy of social balance. Galbraith's remark on such

opposition is that it provides an interesting example of how ideas, as they remain stereotyped in face of change, can force those who hold them into roles inconsistent with their own professions. The increased use of the sales tax, however, is not intended to be a substitute for the income tax.

Social Imbalance

Galbraith also considers it possible to take limited action to restrain the interaction of prices and wages; e g, when wage increases are held to require a price increase they might be subject to ratification by a public tribunal or one on which representatives of management, labour and the public participated.

There is no ground for the suggestion that to divert more resources to public use will be to imperil private production. The risk lies in another direction—that the reliance on private goods is by methods that threaten the stability of demand, and that social imbalance imperils the prospect for long-run economic growth. Though it is difficult to formulate a precise definition of social balance or equilibrium, when the balance is reached, after traversing a long distance from the priority given to private goods, "the opulence of our private consumption

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will no longer be in contrast with the poverty of our schools, the unloveliness and congestion of our cities, our inability to get to work without struggle, and the social disorder that is associated with imbalance".

Security and Survival

The main argument in this book has been directed to showing how extensively the present preoccupations of the affluent society of the United States—mostly all with the production of goods—are compelled by tradition and by myth. The final chapter is entitled "On Security and Survival". It refers to the Soviet Union's "breath-taking series of scientific and technical advances," and the author has drawn the moral that American failure to match this achievement was the result of failure to concentrate on the requisite resources for the desired ends: this, in its turn, is the result of the fact that the economy, and the economic theory used to rationalise its behaviour, "immobilizes all but a minor fraction of the product in private and, from the standpoint of national security, irrelevant production". The problem is that of a new attitude towards the goals of society itself. This problem would remain even if the Russians were to disappear from the world.

Incidentally, Galbraith has no faith in the safety or security which derives from an increasing arms race; if the possibility exists, he would prefer the risks of negotiation and settlement. The basic demand on America will be on its resources of ability, intelligence and education—the test being the effectiveness of the investment in men; this generalization, in a day of grandiose generalizations, Galbraith says, can be made with confidence. The final hope for survival, security and contentment rest on the nation's capacity for guiding resources to its most urgent needs: this is the next task for American society.

No Comment on Public Ownership

The book purports to be a study of the economic facts and problems of the U S A, and it is doubtful how far its conclusions can serve as a guide to other countries. Conditions in Great Britain are dissimilar; the 'Economist' has characterised the book as "perverse, muddleheaded, provincial and dangerous", and as likely to encourage delusion. The

proposed C G C would be regarded in most other countries as undesirable feather-bedding of labour. The imbalances in American society may not entirely be due to the "conventional wisdom" in the shape of outdated economic theories or ideas. Such theories may exercise a psychological effect on some people but can hardly suffice to explain the general behaviour of a whole population. A campaign for proper perspective and higher ideals for the regeneration of society, however massive, may achieve very limited success. Nor is it likely, unless the public are converted, that the government of any country will be able to carry through legislative and fiscal or monetary controls that an ideal theory may demand. There are powerful vested interests which will fiercely resist such controls.

A complicated system of taxation, as the sales tax has proved to be in this country, would be limited in its efficacy in raising the revenue for the purposes Professor Galbraith has in view. He has no comment to make on public ownership and the share it may have in shouldering the finance needed for public services, or on government-sponsored aid to underdeveloped countries as an outlet of the country's productive power for the satisfaction of human needs elsewhere. In a recent article in 'Foreign Affairs' he has found that the conditions in India are so unlike those in the U S A or the Soviet Union that it is undesirable for our country to be guided by the model of either country. But at least his penetrating analytical skill, his humanity, his passion for finding the right foundations of his nation's happiness, the devastating iconoclasm and the courage with which he lays bare the falsehoods and illusions of his contemporaries—all these deserve to be emulated by all in our country who apply their minds to economic matters.

Professor Galbraith has sounded a warning against continuance of the present economic system of his country and the outlook and attitudes that stem largely from the Keynesian system: Keynes did not foresee that what was implicit in his ideas would "soon bring us to the time when not total output but its composition would become the critical matter". In this sense this is an exercise in revolutionary criticism. The constructive and remedial parts of this book are not

strong, but this is because its chief motif, as he himself says, is not constructiveness but destructive criticism, and a stringent analysis, which are surely its sufficient justification.

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Road versus Rail Transport

The Swedish Experience

G Isaac

THE question, whether the technical evolution of road transport has made rail transport obsolete, is a difficult one, but it deserves investigation, and a final judgement, because many important consequences flow from the conclusions of such an appraisal. To conclude that railway transport is obsolete, or even that it is likely to become obsolescent in the foreseeable future, would imply that the large expenditures on railway expansion in the Second Five Year Plan—which amount to nearly a quarter of the total planned expenditure—may have been misdirected. It may be that the country is being saddled with enormous investments in financially unremunerative and technically obsolete machinery. It would also imply that the negligible allocations for road transport, and the innumerable restrictions on its expansion, are holding back technical and economic development in a sector of the greatest national importance. In brief, the final judgement on the question would decide whether or not there has been a major misdirection of resources involving the sacrifice of many opportunities to create employment and increase national wealth.

In what follows, the Swedish experience is marshalled to throw light on this problem. It is not suggested that this evidence is sufficient to support a definitive conclusion by itself, but it may very well indicate one.

Three measurements are used:

(1) The weight of goods carried, or the number of passengers carried.

(2) The work done, calculated by multiplying the weight of goods, or the number of passengers, by the distance carried.

(3) The monetary worth of these services expressed in Swedish Kroner. (111 Swedish Kroner = 100 Indian Rupees)

The Railway Age

The first Swedish railway began operation in 1856. The next fifty years may be rightly described as 'The Railway Age', in which rail-

ways maintained undisputed supremacy, expanded rapidly, and established themselves in the nation's economy. The Railway Age came to an end with the first world war, as competition from the roads began. Expansion still continued, though at a sharply reduced rate. In 1938 the railway mileage reached its maximum length, 16,886 kilometers, and then began a long, slow decline. In 1956 the length of line was 16,117 km. The second world war provided the railways with a powerful impetus which has still not completely been dissipated.

The Swedish Railways are today among the most modern and efficient in the world. Almost half the line is electrified and this accounts for nearly 85 per cent of the traffic. In 1956, steam traction accounted for only 8.6 per cent of the total train kilometers worked. This is of considerable importance. The Indian railway programme is primarily

based on coal-fired steam traction, which is comparatively inefficient. Coal fired steam traction has been displaced all over the world by diesel and electric traction.

Competition from Road Transport

Road transport expanded steadily after the first world war interrupted only by the depression of the thirties, and with a major dislocation during the second world war, when its capacity was largely absorbed by military purposes. The distribution of civilian internal passenger traffic among the various forms of transport in 1950 is shown in Table I.

The powerfully competitive position vis a vis the railways achieved by road transport is obvious. But what is significant for our purposes is the startling rate of change over the next five years which is indicated by Table II.

Table I—Internal Passenger Traffic in Sweden 1950

	Work in billions of Person km	Worth in millions of Kroner	Work percentage	Worth percentage
Railways	6.6	374	39	21
Trams	1.3	92	8	5
Road vehicles of which	8.0	1,160	48	67
Bus & taxi	3.2	460	19	26
Motor cycles	0.8	100	4	6
Boats	0.15	14	1	0.8
Air	0.02	4	0.1	0.2
Total	16.7	1,744	100	100

Source: 'Svenskt Transport Vasende'. Carl Wilhelm Petri
Industriens Utredningsinstitut, Stockholm, 1952.

Table II—Changes in Internal Passenger Traffic in Sweden 1950-1955

	Work in billions of Person km		Millions of passengers		Worth in millions of Kroner	
	1950	1955	1950	1955	1950	1955
Railways	6.6	6.2	150	122	339	416
Trams	1.3	1.3	328	297	92	138
Bus	2.6	3.0	450	510	250	390
Personal Cars	5.4	14.0	540	1,400	910	1,600
Motor Cycles	0.6	0.9	150	180	100	180
Boats	0.2	0.1	15	10	14	15
Air	0.02	0.04	0.05	0.1	4	10
Total	16.7	25.5	1,633	2,519	1,709	2,749

Source: 'Vagplan for Sverige'. Statens Offentliga Utredningar, 1958.

Table III—Internal Goods Traffic in Sweden 1949

Commodity	Railways		Road Trucks		Boats		Total		Average
	'000 tons	Mn ton km	'000 tons	Mn ton km	'000 tons	Mn ton km	'000 tons	Mn ton km	haul km
Foodstuffs	1,300	430	18,700	540	500	170	20,500	1,140	10
Agr produce	3,700	450	5,700	170	700	190	10,100	810	80
Building materials, earth & debris	2,700	690	63,600	470	2,600	550	68,900	1,710	25
Forest products	5,100	1,290	22,700	470	400	80	28,200	1,840	65
Ore & metallic products, but excl Lap Ore	7,800	1,710	9,500	140	500	360	17,800	2,210	124
Lappland Ore	10,400	1,750	—	—	—	—	10,400	1,750	168
Mineral Oil	1,000	200	2,200	70	900	320	4,100	590	141
Coal	1,900	220	5,200	50	200	70	7,300	340	45
Misc	5,800	1,370	23,100	490	600	340	29,500	2,200	75
Total	39,700	8,110	150,700	2,400	6,400	2,080	196,800	12,590	64

Source: 'Svenskt Transport Vasende'. Carl Wilhelm Petri
Industriens Utredningsinstitut. Stockholm 1952.

Table IV—Changes in Internal Goods Traffic in Sweden 1950—1956

	Tonnage Lifted (mn)		Transport Work (mn ton km)		Average Haul (km)		Transport Worth (mn Kroner)	
	1950	1956	1950	1956	1950	1956	1950	1956
Road trucks	167	290	2700	5760	16	20	1150	2400
Railways	41	46	8600	11000	209	239	510	930
Boats	8	8	2500	2700	324	324	60	80
Towing in canals	9	9	700	700	80	80	13	20
Timber floating	9	10	1200	1500	130	150	50	70
Total	234	363	15700	21600	—	—	1783	3500

Source: 'Bilism i Sverige' Automobilindustriforening. Stockholm, 1952.

Table V—Taxes Paid by the Railways and by Road Transport (Mn Kroner)

Year	Railways	Roads (vehicle & petrol tax)
1950	1.4	471.9
1951	1.8	411.2
1952	2.5	519.7
1953	1.6	602.4
1954	1.8	818.8
1955	2.5	1,042.5
1956	2.5	1,017.5

Sources:

For Railway figures, 'Sveriges Jarnvagar'. SOS Stockholm, 1957.

For Road figures, 'Riksräkenskapsverket', quoted in 'Bilism i Sverige'. (Road figures refer to financial year.)

Table VI—Deficit on the Swedish Railways* 1950—1956 (Mn Kroner)

Year	Deficit
1950	1.8
1951	11.6
1952	39.0
1953	50.5
1954	52.4
1955	50.8
1956	58.6

Source: 'Sveriges Jarnvagar'. SOS Stockholm, 1957.

*State owned and Private

Table VII—Employment in Industries Related to Road Transport (Numbers)

	1950	1956
Road vehicle manufacture	7,100	14,000
Road building	4,200	5,000
Motor vehicle trade	6,900	10,000
Petrol & Lubricants	9,700	12,000
Total	27,000	41,000

Source: For 1950: 'Svenskt Transport Vasende'. Petri.
For 1955: 'Svensk Vag Forening'. Stockholm.

Table VIII—Axle Pressure Limits

VOLVO TITAN L 395
Scania Vabis Regent L 7148



Axle Pressure Limits (tons)

	5	6	7	8
Capacity that can be utilized	3.0	4.2	5.4	6.0
Wasted capacity	3.0	1.8	0.6	0
Wasted capacity as %	50	30	10	0

VOLVO TITAN LF 398
Scania Vabis LS 7150



Twin Axle Pressure Limits (tons)

	8	10	12	14.5
Capacity that can be utilized	4.5	6.7	8.9	11.0
Capacity that is wasted	6.5	4.3	2.1	0
Wasted capacity as %	59	39	20	0

Source: F von Heideken. A B 'Svenska Cellulosa Svenska Vagforeningens Tidskrift'. No 5. 1955.

By 1955, road transport had achieved an almost dominating position in the movement of passengers. Road vehicles carried almost eighteen times as many people as did the railways, and the value of their services was almost five times that provided by the railways.

Large Share of Ore Traffic

Turning now to goods traffic, the second world war, and the period immediately following it, saw many restrictions on the civilian use of road transport vehicles. Nevertheless, by 1949 goods trucks on the roads had acquired a considerable share of the total traffic. This is shown in Table III. It underlines the predominance of railways on long distance traffic. In tonnage, the railways lifted only a fraction of the goods lifted by road transport vehicles. Because their average haul was longer, the actual work done by the railways was considerably greater than the work done by road transport vehicles. The second point to note is the extent to which the railway performance is built on a single commodity, Lappland ore, which accounts for almost a quarter of the total tonnage lifted by the railways. The traffic which is located in the barren and sparsely populated Northern stretches of Sweden, is an effective monopoly operated by the Government-owned mines and the Government-owned railways.

Special Factors

These two sectors represent the stronghold of the railways. In what follows it will be suggested that the railway hold over long distance traffic is due to no technical factors of significance, but due to the unsatisfactory condition of the roads. As the comprehensive plan for expanding and improving the roads, detailed in 'Vagplan for Sverige' (Statens Offentliga Utredningar 1958) is implemented, the railways will be seriously challenged in this vital sector. As far as ore is concerned there is already a powerful movement towards road transport, and in the case of new mines that come into operation, a high and increasing proportion will rely primarily on road transport.

For the moment, however, we shall trace the changes that had taken place in the situation already described by 1956. It will be seen from Table IV that both forms of

transport registered increases, but the roads registered far higher rates of expansion than did the railways.

The railways owed their performance to a number of special factors, among which, perhaps, the most important was State policy. The import of railway rolling stock was, for example, free of customs duties, and the railways were exempted from the investment taxes of 1951 and 1952. It may be said that the railways owed their continued existence to the fact that they hardly paid any tax at all. (See Table V).

In spite of these concessions the railways operated at a deficit. After calculating interest charges on fixed capital at 3.32 per cent, the rate applicable to Government long term borrowing, the deficits in the rail-

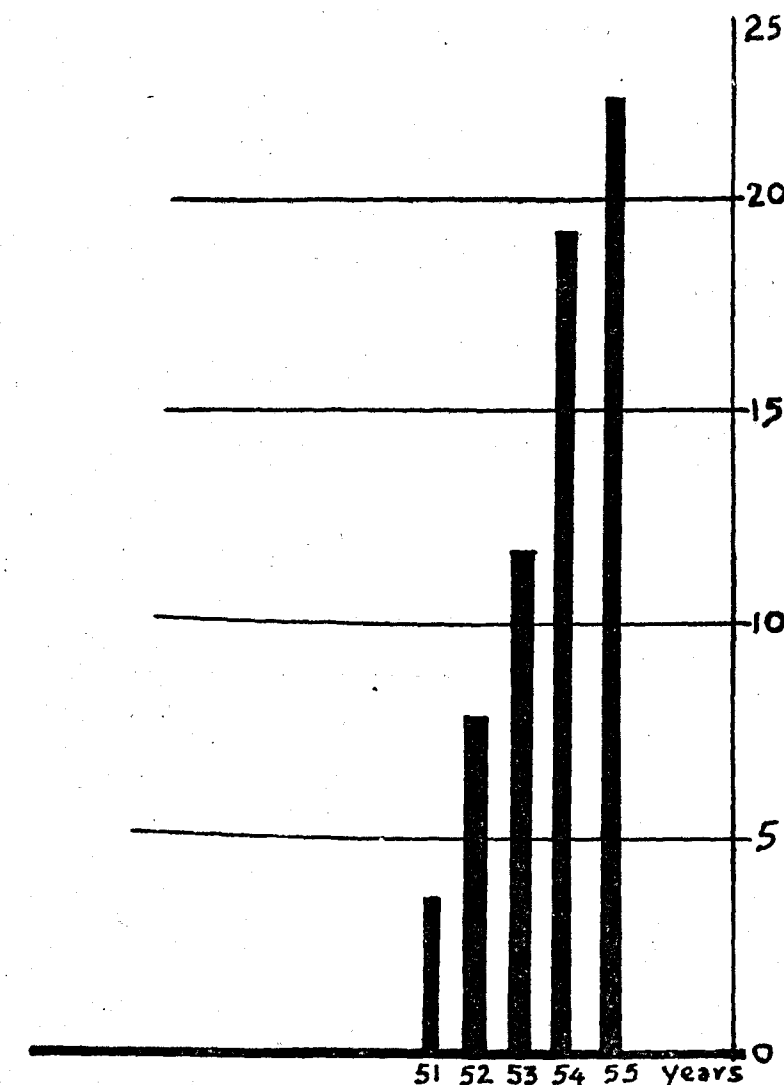
way accounts were as shown in Table VI.

Larger Employment in Road Transport

As far as employment is concerned, the railways which in 1920 employed 62,000 men, thirty-six years later employed 66,000 men, while road transport which was a negligible employer in the twenties, employed 150,000 men in 1950. By 1956 this had increased to 191,000 men. There was also a powerful expansion in the number employed in ancillary industries during this period. See Table VII.

It would have seemed that in India, the enormous employment potential of road transport would have decided planners to give it a

CHART I Transport Volume (Mn ton km)



Source: B Gabrielsson of Bolldon, A B, in 'Svenska Vagforeningen Tidskrift'. No 5. 1955

The dress of the people...

Costumes, whether they are for occasions or for daily wear, vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

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rather larger share of resources, than in fact was allocated to it. That no such concession was made is explained by maintaining (1) that road transport is technically unsuitable for carrying such materials as iron ore and coal, (2) that it is unsuitable for long distance traffic, and (3) that the costs of road transport are essentially, for technical reasons, higher than the costs of rail transport. The Swedish experience throws interesting light on these contentions.

Ore Transport

The case of Lappland ore, referred to earlier, would tend to confirm the accepted ideas of the Indian Planning Commission, but the experience of the private-owned mining companies, where competition is more evident, is, interestingly, different. In the case of newly opened mines there is a tendency to move the entire production on road vehicles. Unfortunately no overall statistical information is available, but Chart 1 (p 15) illustrates the increased use of road transport in one of the largest Swedish ore companies. The company, Bolidon A B, also uses railway lines for its old mines, and even a conveyor belt. In 1955, of its total ore transport work of 80 million ton km, the railway accounted for 45 per cent, the conveyor belt for 30 per cent and road trucks for the remaining 25 per cent amounting to 20 million ton km. The significant point is that since 1945, the volume handled by the conveyor belt and the railway has remained unchanged, but the quantity handled by roads has increased phenomenally. Incidentally, the longest haul undertaken by the company is in the region of 65 km. The other large Swedish ore companies, Stora Kopparbergs Bergslags and Sandvikens Jernverk, are

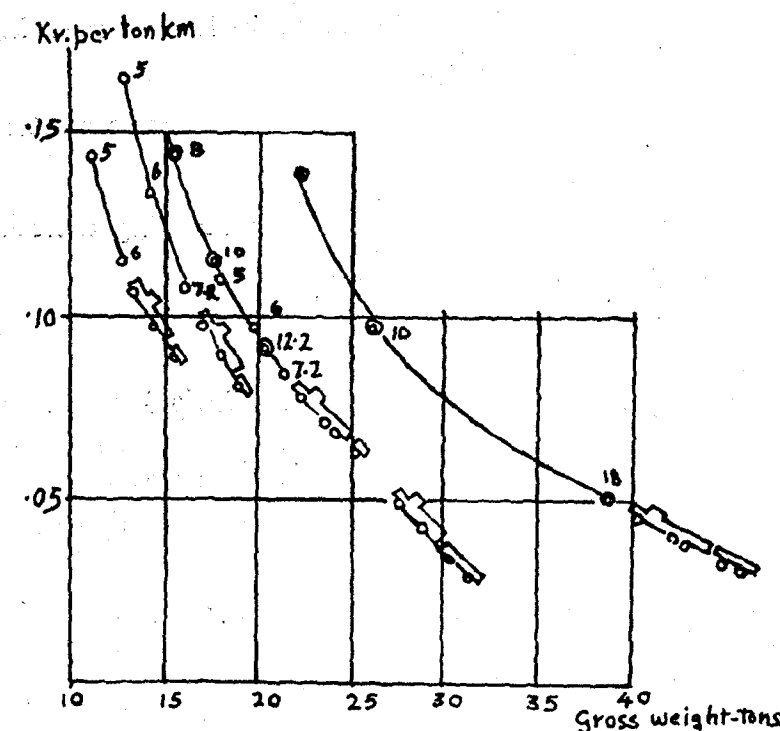
said to be adopting similar practices.

In 'Svenska Vagforeningens Tidskrift', No 5, 1955, B Gabriellson, Director of Bolidon A B, details the technical factors responsible for this change. He points out, that after an ore field has been proved, it takes between five and ten years for production to be established on a commercial scale. During this period large amounts of earth have to be removed, buildings and sheds erected, machinery brought into position etc. All this is usually done

on roads, to and over the site. When production starts, one has consequently the choice of either building an entirely new transport means, i.e., a railway, or of reinforcing an already existing means, and carrying the ore on it. A railway line is a very heavy piece of investment, that is recovered only after many years of continuous high production. Very few mines are large or rich enough to guarantee this. In fact for most new Swedish mines the cost of a railway line would exceed the cost of all other equip-

CHART II

Cost per ton km for Road Transport And Its Relation to Road Restrictions
5-6-7.2 single axle pressure; 6-10-12.2-18 twin axle pressure
The Lowest Point on Each Curve Gives Gross Weight Corresponding to Maximum Load



Source: F von Heideken, Svenska Cellulosa, A B in 'Svenska Vagforeningens Tidskrift', No. 5, 1955.

Table IX—Rolling Stock on Swedish Railways*

	1914	1925	1935	1945	1950	1956
Passenger coaches	4,048	4,333	3,998	4,331	4,723	5,018
Goods wagons	54,413	59,535	50,035	52,748	53,470	56,167
Length of line-km	13,829	15,981	16,772	16,711	16,640	16,117

Source: 'Sveriges Jarnvagar', S O S, Stockholm, 1957.

*Both State and private.

Table X—Road Vehicles on the Swedish Roads

	1914	1925	1935	1945	1950	1956
Passenger cars	—	59,000	109,000	50,000	252,000	735,000
Buses	—	1,300	3,900	4,000	7,500	8,300
Goods trucks	—	19,000	46,000	42,000	85,000	112,300

Source: 'Central Bilregistret', Quoted in 'Bilismen i Sverige' Sveriges Automobilindustriforening, Stockholm

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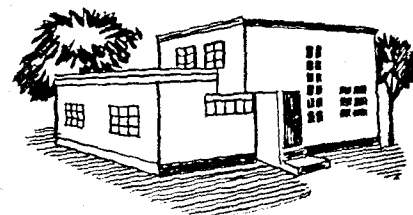
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DA-58/344

ment required for working it, and if there were no alternative to building railway lines to new pit heads, mining would become uneconomic. Gabrielsson concludes his study by expressing his anticipation of a sharply expanding trend in the future in the rate of ore transport by road.

Vehicle Utilisation

The crucial factors in determining the costs of road transport are limitations on vehicle utilization imposed by the road authorities. These concern permissible single axle pressure, twin axle pressure, and total weight. How these restrictions affect vehicle utilization is illustrated in the case of some well known Swedish trucks in Table VIII.

Restrictions regarding single axle pressure and twin axle pressure are, incidentally, calculated from the condition of the road surface. Restrictions regarding total vehicle weight are primarily reflections of the carrying capacity of bridges. The cost of carriage generally falls as the total vehicle weight rises, because the proportion of utilized weight in the loaded vehicle increases as its size increases, while the expenses for maintenance, fuel and staff rise much more slowly. The relation between limits on single axle pressure, twin axle pressure, and total weight are admirably summarized in Chart II (p 17). It illustrates the remarkably low costs that can be achieved on good roads by intelligent combinations of vehicles and trailers, but it also illustrates how sharply costs can be raised by restrictions on the roads. A bridge with a limit of 15 tons, for example, would prevent all vehicle combinations except the two most expensive, i.e., a two axled truck, with a single axle trailer.

The graph indicates, that where single axle pressures of over 6 tons, twin axle pressures of over 10 tons and gross vehicle weights of over 40 tons are permitted, it is possible to operate at costs between 0.05 and 0.10 Kroner per ton mile. In the case of ore, the evolution of a number of special type trucks promise even further cost reductions. (See B Gabrielsson in 'Svenska Vagforeningens Tidskrift', No 5. 1955.)

The economies of the heavy vehicle combinations are reflected in the actual figures. In the period

1945 to 1953, trucks in the 5-6 ton category increased three times, the number of even heavier vehicles increased 5 times. In the light of current discussions in India on the possibility of using trailers, it is interesting to note that the impressive increases marked up by road transport in Sweden were much assisted by the use of trailers. The number of trailers increased from 16,210 in 1950 to 25,514 units in 1957.

It is rather difficult to isolate and analyse the precise cost relationships between road and railway transport that underlie these developments. As far as the cost of carriage on the railways are concerned, Petri in his researches, referred to earlier, mentions a figure of 0.06 Kroner per ton km (see p 15, 'Svenskt Transport Vasende') but this refers to 1950. Since then there has been a very general inflation in the country. The present figure may be assumed to be in the region of between 0.07 and 0.09 Kr per ton km. This is confirmed by information available on the Lapland ore traffic. In 1956 this traffic amounted to 2,209 million ton km, and brought in an income of 154.9 million Kroner. (Source: 'Sveriges Järnvagar', Stockholm 1957.) This gives an average cost of carriage of 0.07 Kr per ton km. This may be considered an extremely conservative figure. The traffic is highly mechanized, almost completely homogenous, and represents perhaps the most efficient sector of the railways' operation. It would seem that where a road system provides for a high degree of vehicle utilization, road transport can, and does compete, with railway transport in terms of ton km costs.

The point is of crucial importance. The allocation between, road and rail transport in India's Five Year Plans was significantly influenced by calculations made by a study group, which compared the Railway cost of between 20 and 40 ples per ton mile with a figure of 70 ples per ton mile for road transport, a figure calculated from the financial results of State operated road vehicles. Subsequently this cost difference has been treated as if it were a reflection of an adamant technical railway superiority, instead of what it in fact is—the result of heavy taxation and legal restraints on road vehicle utilization, neglected roads, and preferential

treatment for State-owned railways.

To return to Sweden, the low costs referred to earlier obtain only on very limited stretches of the Swedish roads. Only 30 per cent of the existing national main roads will take single axle pressures of over 6 tons, and of the country's 9,000 bridges, only 20 per cent will take vehicles with gross weights of over 10 tons. But current plans intend a much enlarged road network by 1975, with a uniform single axle standard of 10 tons, twin axle standard of 18 tons, and a uniform standard for bridges—of 22 tons twin axle pressure. It is calculated that the first stage of this plan, between now and 1967, which will cost 14,000 million Kroner, can be financed out of present road taxes—without any increase in their rates!

It will, of course, be advanced against the arguments detailed or suggested here that the Swedish experience is in some ways unique, and that the conclusions suggested by it are not applicable to Indian conditions. In fact Sweden does not represent any disproportionate development of road transport. It is true that in the number of personal cars per 1,000 inhabitants, it has recently achieved the highest figure in Europe, but in terms of road trucks per 1,000 inhabitants Sweden is still behind Australia, Canada, the United States, Great Britain, France, Norway and Germany.

The fundamental argument for using scarce resources for developing road transport, vehicle manufacture, and for building roads rather than railways is however rather more broadly based than the arguments so far advanced have suggested. Road transport industry is involved in every field of development. In particular it is concerned with three sectors of vital importance, and this constitutes an overwhelming argument for giving road transport a higher priority in national planning than it has enjoyed to date. First, road vehicle manufacture is the basis for aircraft production. In Sweden S A A B turn out supersonic jet aircraft and motor vehicles with equal facility. The industry also manufactures tractors—of crucial significance in agricultural production—and, finally, it manufactures the vehicles on which military power, and the mobility of personnel, artillery and supplies depend.

Census Economic Classification — I

M Ramakrishna

THE 1961 census is in the offing and it is desirable that some of the economic and social aspects of the census be reconsidered in the light of changed circumstances and requirements. The data obtained from the census is the only source of detailed information on distribution and the various socio-economic aspects of the population. Therefore the collection and compilation of census data have unique importance from both methodological and procedural points of view. Economic classification which is discussed below is only one among the aspects of the census which deserve close attention, but it has very special importance in the context of national income estimation from the point of view of economic planning. The need for reliable information on sector-wise labour force has long been felt in national income computations and this is perhaps true in regard to national planning also to some extent.

An attempt has been made here to review briefly the concepts and procedure in the last three censuses in India, viz, that of 1931, 1941 and 1951, relating to information on economic characteristics of the population and to follow it up by indicating a possible alternative procedure and tabulation which, it is felt, would be more useful particularly from the point of view of national income estimation. It might also be stated at the outset that no attempt has been made to give comprehensive and detailed suggestions which would be far beyond the scope of this paper. Only brief indications have been made on a new approach which we consider would be useful. It would certainly be necessary to examine the problem in greater detail subsequent to these preliminary considerations when actual requirement and practical feasibility of collection, compilation and presentation would have to be simultaneously reviewed to come to a workable solution.

The census, it may broadly be stated, has all along been concerned

with two economic characteristics of each and every individual, viz, (i) economic status and (ii) means of livelihood, though the scope and interpretation of these terms have been changing from census to census. These two characteristics are considered separately below followed by a brief discussion on a combined scheme of classification and presentation.

Economic Status

It was in the 1931 census that a three-fold classification of economic status was introduced for the first time (economic status was considered in relation to the household and as such really meant household economic status), the three classes being termed as (i) earners, (ii) working dependants and (iii) non-working dependants. Here, working dependant was defined as one "who assisted in the work of the family and contributed to its support without actually earning wages".

In the 1941 census, again a three-fold classification of household economic status (h e s) was made but with an entirely different approach. In the words of the Census Commissioner, the approach was "deliberately from the dependant point of view, the word 'earner' being extremely difficult of explanation or definition to the enumerator." Hence, in this census, of the three classes of h e s two were termed wholly dependant and partly dependant and no term was used for the third class. The word 'earner' was completely dropped from the 1941 census. A wholly dependant person was defined as one who had "no income in cash or kind" and partly dependant was defined as one "who contributes in cash or kind towards the support of the household without being definitely capable of supporting himself".

No material alteration to the 1941 census classification of h e s was made in 1951 census. The three classes were termed (i) self-supporting, (ii) earning dependant and (iii) non-earning dependant. Self-supporting person was one "who is in receipt of an income and that income is sufficient at least for his own maintenance". All others were considered as dependants in the sense that they had to depend on

others for their maintenance. A dependant who secures a regular income, no matter how small, but not sufficient to maintain himself was termed 'earning dependant', the concept of the term earner having reappeared. All other dependants, i.e., those who have no regular income, were termed "non-earning dependants".

Comparing the classifications and concepts in the three classes it can be noted that similarity of classification and concept existed only between the 1941 and 1951 censuses, even though the terms used for the three h e s classes were quite different. Close agreement could be seen between (i) partly dependant of 1941 and earning dependant of 1951, (ii) wholly dependant of 1941 and non-earning dependant of 1951 and (iii) the third class of 1941 and self-supporting persons of 1951. The 'earners' of 1931 to some extent covered 'self-supporting persons' and 'earning dependants' of 1951.

Useless Classification

Considering the requirements of N I estimation, etc, the most important information that could be expected from the census would be the total labour force or the total number of economically active persons. Hence, the basic classification required in the census can be considered that of total population into (i) economically active and (ii) others, following the UN recommendations in this respect. However, it would be desirable to consider separately from the second category above, all persons in non-gainful activities. Thus the economic status classification (not h h) may be as: (i) in gainful activity (ii) in non-gainful activity and (iii) others.

By the foregoing consideration it is implied that there is no need to have information separately in respect of self-supporting persons and earning dependants (as defined in the 1951 census). This is justifiable due to more than one reason.

First of all, it is not the level of income of income-receivers that is the criterion that distinguishes self-supporting persons from earning dependants but the ratio of individual income to that of average household expenditure and as such there is no

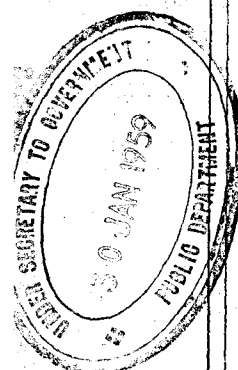
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economic significance in distinguishing between self-supporting persons and earning dependants, particularly when we consider aggregates, unless we have these aggregates separately for different levels of per capita household expenditure (even though at individual household level, it may be considered as an important information from the socio-economic point of view). Even at individual household level, a count of self-supporting persons and earning dependants loses its full significance in the absence of at least a notion of the household's per capita expenditure. Thus, it is abundantly clear that the consideration of income receivers in two classes as in the 1941 and 1951 censuses cannot serve any useful purpose. Since the level of income was not the criterion of classification, persons securing the same level of income would have been classified as both self-supporting persons and earning dependants depending on the level of per capita household expenditure, which obviously is somewhat paradoxical.

The second important point in this context is that the decision regarding the economic status of an individual is made purely on subjective considerations by the informant. Here, it would be adequate if it is stated that erroneous decisions are possible. The reasons for such errors are many and going into these would be much beyond the scope of this paper. Apart from this, there are limitations in adopting this three-fold classification which has led the National Income Committee to state in its report that "...the social system of the country according to notions in which an aged and infirm father is regarded as a self-supporting person while his grown-up sons are treated as earning dependants makes it difficult to treat earning dependants in any way different from the self-supporting persons."

A third point in this regard is that the intensity of employment also does not come into the picture in classification of household economic status. Both 'partly dependant' of 1941 and 'earning dependant' of 1951 even though economically dependant on others, are economically active from the labour time disposition point of view. Just as self-supporting persons may be fully or partly active from this point of view, these persons also may be fully or partly active and as such from this

angle also there is no justification in distinguishing between income receivers as has been done in the two censuses. However, it is not felt that there should be no attempt to categorise economically active population if such an attempt is possible by some objective criterion. Perhaps it may be possible to consider the intensity of activity as the characteristic on the basis of which economically active population can be classified. Such a classification will have, no doubt, considerable value.

Employment Status of 1951 Census

Coming back to the concept of the scope and meaning of the term economic status in the 1951 census, it may be noted that this question covered two aspects, viz, (i) household economic status and (ii) employment status. The first aspect has already been dealt with and the second aspect, viz, 'employment status' may be briefly discussed here. Employment status of persons was considered in four categories, viz, (i) employer; (ii) independent worker; (iii) employee and (iv) others, where an employer was "one who has necessarily to employ other persons in order to carry on the business from which he secures his livelihood" and an independent worker meant "a person who is not employed by any one else and who does not employ any body else in order to earn his livelihood". However, when the data were finally presented in the tables, only the first three categories were taken into consideration. In this context, it is important to note that this aspect was made applicable only to self-supporting persons engaged in gainful activity and as such the census tables giving number of employers, independent workers and employees relate only to such persons in gainful activity.

While the reason for restricting employment status to persons engaged in gainful activity only could be appreciated, it is felt that categorisation by employment status should be made applicable to all persons in gainful activity irrespective of whether the amount of income received is "considered" adequate for his maintenance or not. As it has been already discussed earlier, it is not perhaps necessary again to elaborate the need for considering all income receivers together and then classifying them on the basis of employment status.

THE ECONOMIC WEEKLY

Now, considering the question of employment status separately, it appears that classification of the total gainfully active population into employers, independent workers and employees is somewhat unrealistic, particularly in the context of the first two classes. The large number of small-scale entrepreneurs who contribute about two-thirds of our net national product has to be thought of in this connection. Most of these persons, it may confidently be stated, are those who are neither employed by any one nor do they employ anybody except in the case of cultivators who would have to resort to hiring a few hands at the time of sowing or harvesting. Hence, most of these small scale operators would come under the 1951 category of independent workers. But there are a few others, like a handloom weaver keeping an assistant or a trader engaging a helper or a taxi operator taking on a cleaner, who, according to the present system of classification, would all be considered as employers. It appears that there is no significant difference between these categories of entrepreneurs and others not resorting to taking helpers to be classified separately. Of course, there will be a few cases of rather large-scale operators hiring a number of persons to run the business which fetches their income. Hence, it would appear that the present category of 'employers' is very heterogeneous and could possibly be split into two—one of these classes indicating the large-scale employers and the other indicating mostly own-account workers, who conduct their activity with a little assistance. But it is doubtful whether such a classification would be feasible in practice, even if it were possible to lay down the manner in which the employers of 1951 are to be sub-classified, which again would be rather difficult. In this contingency there are two alternative courses for consideration—one, that of continuing the 1951 concept for employers and the other, that of counting the 1951 employers and own account workers together. These two alternatives, it should be emphasised again, are practical approaches to an ideal consideration where employers in the real sense, own account workers working with assistance and other own account workers are to be classified separately. It is our view that, of the alternatives given above, the

THE ECONOMIC WEEKLY

latter appears more in conformity with Indian conditions, since the total number of employers in the real sense of the term is negligibly small and such a number not being separately counted would be much better than giving a count of "employers" (1951) which really does not amount to anything whatsoever.

There is another factor also to be considered, viz, the case of persons engaged in household enterprises other than the entrepreneur himself. The importance and the large number of household enterprises in India need hardly be stressed. As the primary economic unit of production in agriculture, small-scale manufacture and many other sectors of production, it has on its ranks besides the entrepreneurs, a large class of workers who cannot be considered in any of the first three categories of the 1951 classification, viz, employers, own account workers and employees. The 1931 classification took into account this category of persons in the 'working dependants', but the later censuses have largely ignored their existence. In view of the importance of household entrepreneurial activities in our economy, these persons deserve being accounted separately.

(To be Concluded)

British Insulated Callender

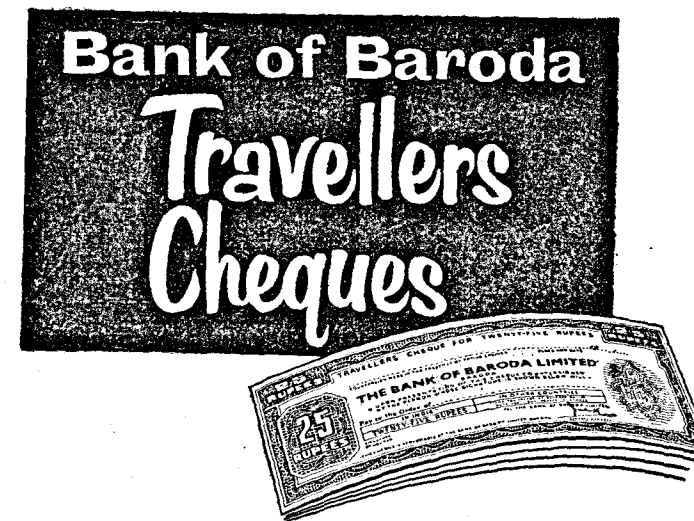
THE Railway Board has awarded a contract worth approximately £2,500,000 to the British Insulated Callender's Cables (BICC) group of companies. The contract is for the design, supply, and installation of 25,000V, 50-cycle, single-phase AC overhead equipment for electrification of track between Tatanagar and Rourkela, together with the branch from Raj-Kharsawan to Dangoaposi. The length of the track to be electrified is about 420 miles, and the route links the iron-ore fields in Bihar with the existing steel plant at Tatanagar and the new plant under construction at Rourkela.

Sixty per cent of the value of the contract will be spent in Indian currency on locally manufactured materials and local staff and labour costs.

Work on the new contract begins immediately, and is due to be completed in June 1960.

BICC, one of the world's largest organizations concerned with the manufacture and installation of cables, has already designed, supplied, and erected overhead equipment for over 500 track-miles of lines in the Bombay area. It has also supplied the power and communications cables on the 3,000V DC system in the Calcutta area.

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India Steamship Company Ltd

Speech of the Chairman, Sir Ramaswami Mudaliar

IN his speech from the chair at the annual general meeting of the shareholders of the India Steamship Co. Ltd, held on December 22, 1958, Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), said:

Gentlemen,

The Audited Accounts and Directors' Report for the period ending March 31, 1958, have been in your possession for some time. With your permission I shall take them as read.

Trading Experience

The Directors' Report shows that the freight earned during the year was Rs. 7,75,04,245/- as against Rs. 6,00,17,168/- in the previous year and Rs. 5,26,11,831/- in 1955-56. The total number of round voyages made during the year was 30.5. Both in the number of round voyages and in the amount of freight earned in the year under review, the figures exceed all previous records. The average duration of the round voyages is slightly less than in previous years. The increased earnings and the number of round voyages completed are partly due to the number of ships in service and operated during this period. Other factors which contributed to these satisfactory results will be referred to later.

The Company made a net profit of Rs. 1,21,59,779/- after setting aside Rs. 53,37,000/- for Development Rebate and Rs. 59,37,481/- for depreciation. The amount for Development Rebate has been shown separately and set aside for the purpose of expansion of the fleet in accordance with the recent legislation on the subject. This is a matter of sincere gratification to your Board, as I have no doubt it is to you.

Port Conditions

Conditions in some of the ports are still causing concern to shipping companies, though for reasons different from those which have prevailed hitherto. In my address last year I said: "I am glad to inform you that owing to the vigorous steps adopted by the port authorities and the Transport Ministry, delay in finding berths for ships has virtually been eliminated and it is possible

certainly in Bombay and Madras and even in Calcutta, subject to draft restrictions, for a steamer to find a berth on arrival." It is a matter for regret that these draft restrictions have developed so seriously that it is little satisfaction to the shipping companies to know that berths are available. In the Port of Calcutta, the river drafts have fallen so sharply that the delays are now experienced at Sandheads and ships awaiting proper drafts are held up for days before proceeding to the vacant berths. The Port of Calcutta is the most important port from the point of the volume of traffic both inwards and outwards. There are other minor disadvantages at this port arising out of the salinity of the fresh water in the river which add to the difficulties.

The Government of India is showing a commendable desire to increase exports to various countries and an equal anxiety to bring about a reduction in freights to achieve its objective. The most practical way of achieving this objective is to improve conditions of navigability in the various ports of India and I trust that the measures contemplated for the purpose will be implemented at a very early date. I referred last year to the piece rate system for dock labour in the Port of Calcutta which I hoped would be introduced soon. It is a matter for regret that a scheme which has been found satisfactory in Bombay and Madras has not yet been introduced in the Port of Calcutta where it is most needed and where healthy labour relations can be promoted by its adoption. I trust there will be no further delay in implementing the scheme.

Progress

During the year, another ship the "Indian Security" has been added to your fleet. Two more ships, the "Indian Success" and the "Indian Strength", have both been launched and the first of these is now on her maiden voyage to India. The other ship will, it is hoped, be ready for trials towards the end of the year and is expected to make the maiden

voyage early in January. During the current year, there will therefore be in the service of the Company 15 ocean going vessels and one coastal vessel. Within the last fortnight, a new vessel has been launched at Visakhapatnam—The "Indian Industry".

This is the first ship which is being built by the Hindustan Shipyard for your Company. Besides these, two ships are on order in Germany and they are expected to be delivered by the end of 1959. All these ships were contracted for according to a phased programme in 1956.

We are grateful to the Government for the financial assistance by way of loan which has been sanctioned and for the foreign exchange allotted which has enabled us to expand our fleet to this extent. We have, however, a further programme of expansion including an option with a German shipyard for the construction of two more ships in 1960 and additional ships in the following years. The foreign exchange requirements for some of these ships have been engaging the attention of both the Government and your Board and it is clear, despite the difficulties so obvious, that a solution has to be found.

Earnings and Dividend

I have referred to the profit earned by your Company during the financial year. This profit, I wish to emphasize, is to be related not to the paid up capital only but to the total capital employed including borrowed capital. On this basis, it will be realised that at the end of the year, i.e., 31st March, 1958, the total cost of the fleet was Rs. 13,40,78,416/- and, after deducting the amount written off for depreciation, the net value of your fleet was Rs. 10,19,90,379/-. I trust these figures will give a better perspective of the net profit earned by your Company and its ratio to the investment. As you are aware, the Directors recommended that the amount standing in the Share Premium Account may be capitalised and issued as fully paid up ordinary bonus shares to the shareholders in the proportion of one

share to every 10 shares held. The approval of the Controller of Capital Issues and your approval having been obtained, the recommendation has been given effect to.

It will be noted that fairly substantial amounts have been credited to the various reserves which the Company is building up. These reserves and further increase in some of them, the Directors consider as essential and as dictated by a policy of prudent stewardship of the affairs of the Company. It will be appreciated that a substantial sum is due to the Government of India on account of loans granted for the acquisition of ships. The interest on these loans has been paid as it fell due. The instalment payments are beginning to fall due and your Directors have kept this in mind and have so provided reserves as to be in a position to meet these commitments without undue difficulty. I should also like to state that it is the experience of all shipping companies that, while boom periods are comparatively rare, lean years, when the quantity of freight falls and the rates drop down sharply, are more common. International shipping is peculiarly susceptible to world conditions, economic or political, and prudence requires conservation of resources to a reasonable extent.

Foreign Shipping And Restrictive Practices

It is with regret that I refer once more to the restrictive practices that some conferences and individual lines have resorted to in preventing legitimate national shipping to develop. Year after year, in these addresses, I have referred to the unsuccessful applications for membership to various conferences which Indian lines have made. Indian lines have not been admitted to the conferences of lines trading from ports like those of Ceylon, Burma, Egypt and other ports on our direct route, to the ports of the United Kingdom or the Continent. But the Indian trade is a happy hunting field for shipping of numerous foreign countries. Neither their initial entry into the Indian trade nor the extent of shipping tonnage employed by them has any relation to the trade subsisting between India and such countries. I venture to state, with due deliberation, that the shipping lines of certain European countries are readily accorded by the conference the privilege of calling at several Indian ports irrespective of the

volume of traffic or the number of lines that are already serving these ports. A solid front of opposition is presented to a reasonable demand by the Indian lines of serving the wayside ports. When this attitude is combined with the deliberate policy of accusing Indian lines of resorting to flag discrimination on the flimsiest of flimsy grounds, an intolerable situation arises and a determined effort is needed to remedy this state of affairs.

New Routes

This brings me to the question of Indian shipping establishing itself in new routes so as to promote the trade of the country both in exports and in imports. The recent difficulty regarding foreign exchange and balance of payments has brought this question to the fore. The Ministry of Commerce and Industries, particularly through its State Trading Corporation, is anxious, and legitimately so, that the export and import trade should not be jeopardised but on the other hand considerably facilitated by Indian shipping lines entering new routes and giving direct service for such trade. It is also anxious that the shipping freights are fairly reasonable and take into account from time to time the falling values of commodities transported. It is true that conferences are not unaware of the need of revising freight rates from time to time to suit altering conditions; but it is also clear that membership in each conference of one or other of the Indian lines facilitates the better appraisal of the situation having regard to the country's needs and brings to bear on the decisions of the conference a point of view and a presentation of facts which may not always be available in their absence. It has sometimes been suggested that Indian shipping lines are at one with other non-Indian shipping lines in fixing the maximum freight rates possible. That this is an entirely mistaken notion and has no factual basis will be borne out by the record of the attempts of Indian shipping to get freight rates adjusted so as to help and promote India's trade.

I wish to controvert another impression that is prevalent in some quarters that Indian shipping companies will ply their ships only on routes that are profitable and will decline to operate on other routes. The record of these lines during the past recent years will vindicate their

claim that it is not the profitability of the route so much as the availability of the number of ships that has stood in the way of new routes and direct connection between India and other countries being established. Your Company, in addition to its normal route to the United Kingdom and the Continent, has been plying its ships to the Soviet and Rumanian ports of the Black Sea, to the Levantine ports of East Mediterranean and, will be shortly proceeding to the South American ports of the Atlantic Sea-Board. The other Shipping Company engaged in regular overseas trade—Scindias—has opened direct routes to the North American continent, to the ports of West Africa and the Mediterranean and to ports in the Black Sea. It is hardly necessary to state that our adventure into these new routes is an indication of the desire of Indian shipping companies to promote direct service to various countries and so help the trade of India.

It seems to me that every effort should be made to encourage Indian shipping to expand and companies engaged in overseas shipping to operate new direct routes from India to various parts of the world. This was exactly what was envisaged by the Shipping Policy Committee which put as a target 2 million tons to be achieved during a period from the date of the report which has long since passed. From every point of view therefore, it seems to be necessary that facilities should be given by way of loan, to build such ships as soon as possible both in Indian ship-building yards and in foreign yards. In either case, it is quite clear that foreign exchange will be necessary and it is my hope that, realising the gravity of the situation and the urgency of developing the Indian Mercantile Marine, a proper and appropriate priority will be given to the requirement of foreign exchange for building ships for Indian companies.

It is hardly necessary to repeat that a ship begins to earn foreign exchange from the date that it is handed over after trial to the company. You have seen from the Balance Sheet that the freight earned is Rs. 7,75,00,000 and a careful calculation has been made of how much this is represented by foreign exchange earnings with the result that Rs. 3 crores or 40% of the earnings is the foreign exchange content of these receipts. The other com-

panies engaged in overseas trade can show similar results and I would earnestly suggest that the time has come for considering the giving of a high priority for foreign exchange loans to Indian shipping companies.

Thanks

We are indeed indebted to the Minister of Transport, to the Secretary and officers in the Ministry and to the Director-General of Shipping and his officers for the help they have rendered to Indian shipping and for the advice they have given from time to time. They have shown a deep and abiding interest in Indian shipping and have done their best to promote the expansion of such shipping. I trust that the importance that they have attached to such expansion is shared by the Government of India as a whole. A new Mercantile Marine Act has now been passed—a purely Indian law is now effective as much to promote and foster the development of Indian shipping as to regulate and prescribe its activities. I hope that both aspects of the law will receive equal attention and that Indian shipping will be made to feel that restrictions and controls are only one phase and occasional while they are coupled with assistance and encouragement which will be constant and that both are equally for the benefit of the industry.

Tribute

The results that I have referred to, of the financial working of the Company during the year, could not have been achieved without the whole-hearted and devoted contribution which all its officers, afloat and ashore, of all ranks and its agents and brokers both in India and abroad, have made. On your behalf and on behalf of the Directors, I wish to convey our special thanks to all of them for their good and enthusiastic work throughout the year.

We have received during the year the continued and firm support of some shippers both in this country and overseas and I should like to thank them for the confidence that they have placed in our service and the recognition that they have shown of the competency of that service. Our fleet, one of the fastest in cargo service from India to the United Kingdom and Continent, if not the fastest, has established itself for its reliability and for the reasonably

careful handling of the cargo entrusted to it. It will still be our endeavour to improve further so that, comparatively new as we are to the shipping world, we shall have established a reputation second to no other shipping line, however long established it may have been. I wish to thank you, gentlemen, for your attendance at this meeting and to join with you in the hope that the Company will further progress in the years to come and have to its credit more than the financial results—the reserve of goodwill of all those connected with it, of our shippers, and I hope, of our Government too.

EXPORT OF HANDICRAFTS

EXPORTS of handicrafts earned foreign exchange worth over Rs 6.36 crores during 1957. This does not include handicrafts sent by post parcels or those purchased by foreign tourists. The figure also

excludes export of hand-loom fabrics and hand-printed cloth.

The United Kingdom led with 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 accounted for about Rs 4.19 crores. Brass and bronze-ware 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.

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Around Bombay Markets

Promising Prospects for the New Year

Thursday Evening

DALAL Street is in an uneasy mood. It has been unable to regain its equipoise after it got rudely shaken by the Congress Working Committee's draft proposals suggesting curbs on profits in the private sector. Substantial support by the Life Insurance Corporation stopped the rot but confidence is still at a low ebb. The Prime Minister's subsequent onslaught on the private sector has contributed not a little to the turn in market sentiment. And uncertainty prevails as to what fresh steps the A.I.C.C. will take at Nagpur to reassert its faith in socialism. With the Second Plan in difficulty for want of adequate resources and the Third in the making, the A.I.C.C. will naturally press for still greater austerity.

Dalal Street's reaction to the Committee's proposal for curb on profits might seem impulsive in that profits are already regulated in some of the important industries, the profit curve is down in many others and distribution of profits is controlled through taxation of dividends and bonus issues. But further tightening of profit curbs could cause a change in the basic outlook for equities. For, political and fiscal trends can produce a downward trend in equities even when the country is growing stronger economically. To say that is not to suggest that the stock market in India actually faces such a situation. Far from it. New Delhi's socialism has enough scope for the private sector and Dalal Street seems lucky in having a Finance Minister who is unlikely to do any thing which will make him unpopular with Big Business.

The year ends on a somewhat diffident note. It did not start in a very cheerful mood either. About the beginning of the year the champions of the investor's cause were still pleading with New Delhi that penal taxation and the heavy food bill had seriously affected the community's savings without which life could not return to the investment market. But the market put them in the wrong by staging a spectacular rise. Neither the stock market's present uneasy mood nor the substantial setback in prices since

about the end of September can obscure the fact that 1958 has been a very gainful year for investors. The bull market emerged despite serious strains on the economy which were dramatised in the foreign exchange crisis. Food added to the country's difficulties.

New Year Prospects

The prospects for the New Year, however, are promising. Balance of payments position has improved and foreign exchange reserves have actually begun to rise. This improvement is likely to be maintained because of the Government's export drive and the continued restriction on imports. Foreign exchange requirements of the remaining period of the Second Plan have been virtually underwritten by the World Bank and foreign creditors. The harvest is much better this season. Improved food supply will also reduce pressure on foreign exchange. Yet another factor is the marked rise in steel output in 1959 which will help to keep up the economic tempo.

With import curbs continuing and selective credit control still in force, money market will continue to be easy in 1959. The market is unlikely to experience any stringency as long as the rupee counterpart funds of P. L. 480 wheat imports deposited with the State Bank of India are not substantially drawn down. Easy money should enable the gilt-edged market to continue to show a firm trend and also help Government borrowing.

Few technical analysts have any doubt about the primary trend in equities. The setback in prices since about the end of September, although quite substantial, is only an important secondary reaction in a bull market. Speculators had discounted the future too optimistically and too soon. Hence the present retreat. Improved foreign exchange position, better harvest and easy money should help equities to maintain the primary upward trend. When will the present corrective phase end is the only question. The A.I.C.C. session might provide the answer. The February Budget would seem to be the deadline, un-

less the Finance Minister flings some unpleasant surprise on the market.

Cotton

Spot in Limelight

SEWRI has been in the news for quite some days. Spot cotton prices have recorded spectacular improvement since about the end of October. The rise per candy ranges from Rs 65 for Kalagin to around Rs 155 for Vijay. Several varieties such as 216F, Bengals, 0394, Vijay and C02 are not only quoted substantially higher than a year ago but they are difficult to obtain even at around the ceiling.

The carry-over from the previous season is large and the crop better. The textile news continues to be unencouraging and export performance of cotton is also unpromising because of the easier trend in world cotton prices. Mills too continue to make their purchases on a hand-to-mouth basis. Despite all this, spot cottons are quoted to-day substantially higher than a year ago.

The explanation for the steep rise in spot prices, however, is not difficult. Bears had gambled heavily on forecasts of a bumper crop of about 57 lakh bales and discouraging textile news. They have had to cover their sales with the downward revision of crop estimates to around 50/51 lakh bales. The rise in December delivery contracts was aggravated by the poor physical supplies, because of the considerable delay in the movement of the crop. Arrivals hitherto have continued to be much below expectations. The quality of certain varieties has also not come up to market ideas.

Mill inquiry has been largely confined to cottons used for spinning counts 22's and above and these varieties are not in comfortable supply. The carry-over is essentially of very poor quality cottons. Hence it has very little effect on prices of staple varieties. Reduced supplies of imported cottons have also helped to strengthen the spot market.

Since cottons used for spinning counts below 20's are not very eagerly sought, they remain comparatively neglected and subdued.

And since these varieties are not in short supply and are tenderable, the futures market has been unable to catch up with Sewri. Against a rise varying from Rs 65 to Rs 155 in spot prices, Jarilla March has risen only by about Rs 55 per candy since October-end and it is still quoted about Rs 20 below the price prevailing at this time last year.

Both the Forward Markets Commission and the Textile Directorate must be feeling uneasy over the rising trend in cotton prices because higher cotton prices sets at naught New Delhi's efforts to stimulate exports of cotton and cloth through various incentives. Certainly, no amount of export incentive will do until cotton prices come down substantially to around world parity.

The authorities are planning to make an on-the-spot study to find out the causes for the slow rate of arrivals which has pushed prices up. Is the crop small or has the movement been delayed by untimely rains in certain areas? It is also possible that with their holding capacity better than before growers are in no hurry to part their produce. Easier credit through co-operative societies might also have strengthened their holding power. On-the-spot study should prove instructive.

Since several varieties are already quoted at around their ceiling, prospects of a further rise in spot cotton prices are generally discounted. The expiry of the December delivery contract should also impart an easier feeling to the market. Arrivals too are likely to increase by about the middle of this month. If Sewri turns easy will Kalbadevi be able to push its way up? Doubtful. It must, however, be borne in mind that futures prices are still substantially below the comparable spot quotations.

Oilseeds

Export Outlook

THE oilseeds market is subdued. On December 31 castor May declined to Rs 136.75 per candy, which is not only a new low for the season but is only Rs 3.25 higher than the 1957-58 low of Rs 133.50. Groundnuts are also quoted only a little higher than the season's low of Rs 158.62 touched on November 13. But even at around the current levels both castor oil and groundnut oil are substantially out of world parity. Export business therefore remains at a standstill.

While the export outlook for castor oil is still rather obscure, new crop, which is estimated around 1.25 lakh tons this year against 95,000 tons in the previous season, will soon begin to move into the market. Little wonder therefore that castor futures are trying to seek lower levels. The pressure of arrivals might weigh heavily on the market unless substantial export business materialises. The Communist bloc, which has become India's important customer since 1957, seems to be the only hope at present.

With the increase in the Indian crop virtually offset by the shortfall in Brazil, world supply position in 1959 is unlikely to show any material change. Crops in the other producing areas are said to be slightly better but world consumption is also gradually rising. The U.S. off-take in 1959 is expected to show considerable improvement over the previous year because of increased industrial activity.

Fears that India will not find it easy to market her castor oil abroad can be greatly exaggerated. Price is the only problem. World supply and demand position seems more favourable for the consumers than for the producing countries.

Sentiment in groundnuts at present is being guided by the flow of arrivals, conjectures about a further export quota for expellers and an export incentive scheme for groundnut oil. The unencouraging export outlook for groundnut oil has become still more obscure because of the possibility of increased competition from the French territories after the recent Franc devaluation. The operation of the Common Market scheme from January and the currency reform in the Argentine are the other "bear" factors.

Domestic influences are against any serious decline in groundnut and groundnut oil prices. The crop this season is 1-1/2 to 2 lakh tons larger but the carry-over at the end of the last season was virtually nil which pushed groundnut prices to a record high level for many years. Consumption is steadily rising with growing population. Some positive incentives would be necessary to make export of oil possible.

Groundnut oilcakes alone have been faring well abroad. Extractions are freely licensed while the export of expellers is allowed on a quota basis. But manufacturers

of extractions are few, hardly 13. This explains why expellers with 6 to 7 per cent. of oil are quoted about Rs 100 per ton cheaper than extractions. That the solvent extraction industry should be encouraged will be readily conceded but there is no reason why the "rent" element in the profit earned by exporting extractions should not be taxed.

The entire export quota for groundnut expellers is already said to have been utilised and a fresh release is eagerly awaited. The delay in the announcement of a fresh quota is harmful because export will become difficult after the winter abroad. If export is to be permitted now is the time to do so.

Money

No Basic Change

THE steady rise in the inter-bank call money rate to around 3-1/2 per cent even among the Exchange and big Indian banks does not point to any basic change in the outlook for money. Banks have been in the market for their normal annual "window-dressing". Partly, the rise in money rates is due to the seasonal improvement in the trade demand for funds.

Banks' position is still very comfortable. The advance-deposit ratio of scheduled banks on December 19 stood as low as 54.67 per cent against 62.71 per cent a year ago. And last year, too, the busy season bore all the characteristics of a slack season. Investments in Government Securities as percentage of total liabilities tell the same story. The figure stands as high as 40.86 against 31.88 a year ago.

Advances will probably rise further with the progress of the busy season but the money market is unlikely to experience anything like stringency. Money conditions can be expected to remain fairly comfortable as long as there are no important drawings on the rupee counterpart of P.L.480 funds deposited with the State Bank of India. These funds are currently estimated around Rs 250 crores.

Foreign exchange reserves continue to rise. The increase during the week to December 26 is rather small at Rs 20 lakhs against Rs 4.02 crores in the preceding week. But it is the trend that is heartening. Export drive and import curbs will help to maintain the improved trend in foreign exchange reserves.

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1589.42	1589.06	1555.18	1506.79
2. Rupee Coin	136.59	136.36	138.26	133.06
3. Deposits				
Central				
Government's	55.38	58.04	59.60	53.54
Other				
Governments'	17.22	18.82	24.15	13.01
Banks'	80.92	77.92	88.17	70.69
Others'	116.69	116.57	116.89	113.70
4. Foreign Securities	164.68	164.68	164.68	275.23
5. Balances held abroad	24.17	23.97	15.95	22.42
6. Rupee Securities	1184.79	1184.76	1174.73	997.26
7. Investments	277.03	279.64	292.44	245.12
8. Loans and advances to Governments	23.97	22.66	21.92	35.02
9. Other loans and advances	65.37	65.89	54.38	60.04
Scheduled Banks				
1. Demand liabilities (net)	687.16	685.32	699.80	694.54
2. Time Liabilities (net)	886.11	887.35	889.37	658.60
3. Cash	112.33	109.55	140.13	107.41
4. Borrowings from Reserve Bank of which against Usance Bills	10.80	9.77	1.36	22.66
	0.82	0.67	0.70	19.81
5. Advances & Bills (inland & foreign) discounted of which State Bank's	860.05	849.76	831.14	843.54
	167.00	168.45	161.53	165.95
6. Invest. in Govt. Sec. of which State Bank's	642.79	647.71	629.38	431.45
	286.71	285.43	285.75	183.65
Cheque Clearance	149.39	185.66	174.28	143.49

† For Reserve Bank and Cheque Clearance Week ended 26-12-58 Scheduled Banks Week ended 19-12-58.

Bombay Money Rates (per cent per annum)

	19-12-58	12-12-58	21-11-58	20-12-57
Call Money				
From banks	2 1/4	2 1/4	1 1/8	2 1/4-4 1/8
From public	3 1/4	3 1/4	1 1/8-3 1/8	3 1/4-4 1/8
Three Months	2 1/4-4 1/8	2 1/4-4 1/8	2 1/8-4 1/8	2 1/8-4 1/8
Six Months	2-4	2-4	2-4 1/2	2-4 1/8

Bombay Bullion (In Rupees and nP)

	18-12-58	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	113.25	113.19	114.37	108.65
Forward	113.31	113.31	114.19	108.28
Silver (per 100 tolas)				
Spot	193.03	192.12	190.19	184.94
Forward	193.34	193.00	190.37	185.31

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

Group and Sub-Group	WEEK		ENDED	
	13-12-58	6-12-58	16-11-58	14-12-57
Food Articles	113.7	114.2	118.0	104.4
Cereals	105.3	105.9	111.0	99.0
Pulses	110.8	111.6	111.5	79.8
Fruits & Veg.	116.6	118.7	119.9	103.3
Milk and Ghee	104.5	104.4	104.3	99.3
Edible Oils	118.2	119.4	122.6	126.1
Fish, Eggs & Meat	106.0	104.8	107.7	97.8
Sugar & Gur	120.5	120.4	128.1	108.0
Others	154.5	154.7	161.5	133.5
Liquor and Tobacco	95.5	95.7	96.6	98.1
Tobacco	93.9	94.1	95.1	96.6
Fuel, Power, Light & Lubricants	115.1	115.1	115.0	115.0
Industrial Raw Materials	112.4	112.5	111.9	115.6
Fibres	104.4	104.9	102.0	115.4
Oilseeds	123.0	122.5	124.1	119.4
Minerals	107.3	107.3	107.3	107.1
Others	108.3	108.7	107.9	109.0
Manufactures	108.4	108.6	108.7	107.7
Intermediate Products	109.9	109.9	109.6	105.9
Finished Products	108.1	108.4	108.6	108.0
Textiles	102.2	102.6	103.2	106.1
Cotton	111.2	111.2	111.2	115.4
Jute	84.9	86.4	88.7	94.4
Woollen	105.9	105.9	105.9	101.6
Silk & Rayon	90.2	90.2	90.2	81.8
Metal Products	143.1	143.1	143.1	143.4
Chemicals	110.6	110.4	110.6	98.7
Oilcakes	142.9	144.5	142.1	119.8
Machinery and Trans Equipment	104.3	104.3	104.3	102.3
Others	114.1	114.1	113.6	111.4
All Commodities	111.6	112.0	113.8	107.3

FOREIGN TRADE OF INDIA

(Merchandise Value, Rs lakhs)

Year/Month	Imports	Exports*	+ or -
1956	808.73	613.46	- 195.27
1957	1,025.82	642.85	- 382.97
1956			
Oct	70.47	54.33	- 16.14
Nov	69.96	57.47	- 12.49
Dec	69.36	57.95	- 11.89
1957			
Jan	78.00	55.27	- 22.73
Feb	70.60	54.44	- 16.16
Mar	79.41	53.94	- 25.47
Apr	89.40	47.85	- 41.55
May	85.38	52.83	- 32.55
June	86.23	48.34	- 37.89
July	81.13	55.79	- 25.34
Aug	80.98	60.25	- 20.73
Sept	83.29	61.55	- 21.74
Oct	73.07	53.64	- 19.43
Nov	78.18	59.02	- 19.16
Dec	66.58	54.59	- 11.99
1958			
Jan	66.05	55.27	- 10.78
Feb	66.21	54.44	- 11.77
Mar	70.56	46.73	- 23.83
Apr	60.00	41.73	- 18.27
May	63.24	44.71	- 18.53
June	63.93	28.12	- 35.81
July	66.79	54.31	- 12.48
Aug	55.92	49.91	- 6.01
Sept	58.60	59.02	+ 42
Oct	56.99	56.10	- 89

* Including re-exports

Source: D C I S, Calcutta

INDUSTRIAL PRODUCTION

(Monthly Average or Calendar Months)

	Cotton cloth (mn yds)	Woolen & worsted fabrics (mn yds)	Veg oil products (000 tons)	Matches (000 cases)	Soap (000 tons)	Razor blades (lakhs)	Sewing machines (000)	Hurricane lanterns (000)	Elec lamps (mn)	Elec fans (000)	Radio receivers (000)	Domestic refrigerators (nos)	Thermos flasks (000 doz)	Type writers (nos)
1955	424.5	1.2	21.7	51.3	8.2	145.5	8.5	457.3	2.0	23.5	6.8	44	3.6	772
1956	442.2	1.4	21.3	51.3	9.2	221.0	10.9	431.6	2.6	28.2	12.6	63	4.0	1,118
1957	443.1	1.3	25.1	48.2	9.3	230.4	13.9	362.1	2.8	43.7	15.9	79	4.5	1,283
1958:														
Apr	407.8	1.4	26.1	47.9	9.3	313.3	17.3	265.6	2.3	52.9	17.4	94	5.0	1,013
May	421.3	1.5	27.9	58.9	9.7	287.8	18.5	330.0	2.7	56.7	15.4	91	6.3	1,351
June	388.3	1.5	24.5	53.0	9.8	166.9	17.0	281.8	2.4	48.4	17.8	106	5.0	1,418
July	419.4	1.3	25.2	58.4	11.7	326.6	18.9	326.7	2.7	55.0	18.1	125	5.6	1,213
Aug	407.9	2.5	20.8	55.5	9.9	340.8	18.5	100.0	2.5	50.3	15.8	140	6.0	1,295
Sept	411.3	2.5	23.4	58.8	—	297.1	—	—	2.5	—	—	150	6.0	—

	Cement (000 tons)	Asbestos cement sheets (000 tons)	Coal (000 tons)	Jute mfgs. (000 tons)	Cotton yarn (mn lbs)	Paper & paper board (000 tons)	Paints & varnishes (000 tons)	Sulphuric acid (000 tons)	Soda ash (000 tons)	Caustic Soda (000 tons)	Vat dyes (com. strength) (000 lbs)	Stabilised Azobis (000 lbs)	Rectified spirit (000 bulk gals)	Denatured spirit (000 bulk gals)
1955	373.9	8.7	3,184	85.6	135.9	15.4	3.3	13.8	6.4	2.9	1.0	869.4	429.7	249.1
1956	410.7	10.0	3,286	91.1	139.3	16.1	3.5	13.8	7.0	3.3	1.3	855.9	350.8	281.9
1957	466.8	13.2	3,625	85.8	148.3	17.5	3.5	16.3	7.7	3.6	1.3	844.8	424.6	289.2
1958:														
Apr	539.5	14.5	3,802	88.0	134.1	19.9	3.9	16.2	7.0	4.4	1.3	746.8	469.0	315.5
May	533.0	15.2	3,884	94.9	138.7	21.7	5.3	19.0	7.3	4.6	1.4	797.8	456.2	374.6
June	499.1	14.7	3,554	82.4	126.0	19.2	4.2	17.6	6.3	4.9	1.5	741.1	386.4	303.7
July	477.7	15.9	3,749	89.8	145.0	21.7	3.8	20.0	4.7	5.2	1.7	607.4	505.5	274.6
Aug	477.4	15.9	3,539	85.2	140.4	21.4	3.5	20.4	5.0	5.2	1.6	484.0	485.5	260.5
Sept	—	16.3	—	87.3	143.5	—	3.8	—	8.9	5.1	1.7	—	—	—

	Bleaching powder (tons)	Bichromates (tons)	Superphosphates (000 tons)	Ammonium sulphate (000 tons)	Copper sulphate (tons)	Sodium sulphide (tons)	Zinc oxide (tons)	Phenol formaldehyde powder (000 lbs)	Liver extract (000 lbs)	Vat dyes (com. strength) (000 lbs)	Stabilised Azobis (000 lbs)	Calcium carbide (tons)
1955	225	244	6.2	32.8	87	236	531	133.4	20.20	24.5	54.0	7.7
1956	388	272	6.8	32.4	165	255	426	183.8	20.47	23.3	54.9	8.1
1957	445	306	11.8	31.6	157	272	454	219.3	23.45	20.6	46.3	8.7
1958:												
Apr	539	304	12.2	31.5	166	239	433	235.2	32.20	24.8	50.1	11.3
May	498	343	14.7	30.2	152	330	509	246.3	29.78	22.9	45.8	12.4
June	304	218	13.8	28.5	149	315	480	234.0	31.43	17.4	45.0	12.7
July	594	315	17.2	30.2	191	365	364	235.0	36.67	34.9	42.4	10.3
Aug	494	296	16.9	30.3	222	337	294	248.6	24.68	20.1	46.5	11.1
Sep	569	—	—	—	—	—	520	256.0	—	49.0	51.2	12.0

	Rayon viscose (tons)	Rayon staple fibre (tons)	Rayon acetate yarn (tons)	Naphthols (000 lbs)	Aluminium (virgin) (tons)	Aluminium (sheets & circles) (tons)	Antimony (virgin) (tons)	Copper (virgin) (tons)	Lead (virgin) (tons)	Brass sheets & circles (tons)	Pig iron (000 tons)	Steel ingots and metal for castings (000 tons)	Semi-finished steel (000 tons)	Finished steel (000 tons)
1955	478	476	87	—	603	806	42	607	186	1,087	146.4	142.0	121.4	105.0
1956	608	659	118	26.9	542	874	49	636	208	1,132	150.6	144.8	123.7	111.5
1957	784	667	134	106.9	649	910	42	654	264	1,482	149.6	142.9	120.0	112.2
1958:														
Apr	993	1,116	156	107.5	663	1,009	36	682	162	1,593	168.4	157.1	125.2	111.2
May	1,087	1,162	155	79.9	711	1,194	54	696	156	1,832	128.7	100.4	85.7	87.8
June	1,168	1,147	145	37.7	682	1,086	56	665	198	1,831	155.0	134.7	117.0	97.2
July	977	1,152	159	49.9	693	1,080	45	692	288	1,830	178.3	157.6	127.8	111.0
Aug	1,197	1,243	173	64.3	707	1,080	54	680	306	1,830	183.6	176.3	142.1	109.2
Sept	1,127	1,199	129	92.6	6.9	—	40	685	362	—	—	—	—	—

	Diesel engines (vehicular) (nos)	Diesel engines (stationary) (nos)	Power driven pumps (000)	Machine tools (Rs lakhs)	Twist drills (000)	Calico looms (nos)	Ring frames (nos)	Carding engines (nos)	Are welding electrodes (lakhs ft)	Machine screws (000 gross)	Grinding wheels (000)	Ball bearings (000)	Storage batteries (000)
1955	323	852	2.9	6.20	64.9	228	72	50	100.8	53.4	119.9	67.2	19.6
1956	282	1,001	3.9	10.02	129.1	239	93	61	156.3	106.5	207.6	86.7	26.2
1957	278	1,387	5.3	20.90	188.1	239	114	85	177.3	116.8	271.1	131.4	27.0
1958:													
Apr	313	1,731	6.8	25.63	110.2	206	70	84	191.1	175.0	212.6	204.3	28.4
May	550	2,077	7.3	24.79	93.8	239	66	100	226.2	151.5	236.7	209.7	29.3
June	419	1,848	6.1	26.78	119.8	180	56	105	223.2	18.6	202.9	230.2	29.7
July	311	1,948	6.7	27.90	137.1	299	66	87	201.5	20.7	240.3	198.2	28.7
Aug	294	1,844	6.5	27.35	85.5	274	67	89	—	63.7	221.9	149.4	29.9
Sept	333	—	—	—	100.3	—	—	—	—	—	—	—	—

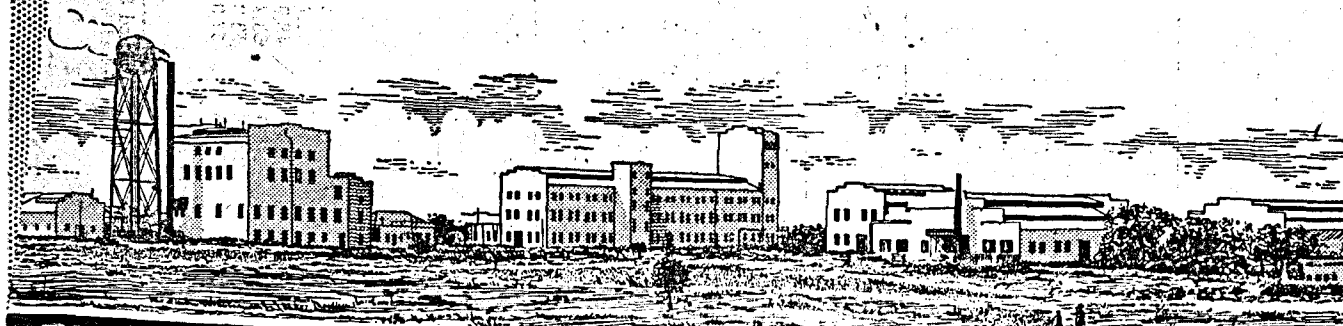
	Dry cells (lakhs)	Elec motors (000 H.P.)	Power transformers (000 KVA)	Automobiles (nos)	Trucks (petrol & diesel) (nos)	Buses (petrol & diesel) (nos)	Bicycles (000)	Rly wagons (nos)	Tyres (auto) (000)	Tyres (cycle) (000)	Tyres (tractor) (nos)	Tubes (auto) (000)	Tubes (cycle) (000)	Tubes (tractor) (nos)
1955	134.2	21.0	47.1	1,924	538	253	40.9	1,274	73.5	479.0	2,044	65.5	466.1	1,926
1956	151.2	29.9	76.6	2,678	910	284	55.3	1,335	78.2	526.7	2,564	76.5	531.1	2,560
1957	138.8	39.1	101.6	2,661	991	313	65.9	1,413	82.5	596.0	3,950	78.0	585.6	3,779
1958:														
Apr	127.8	49.5	97.0	1,616	658	264	75.7	1,124	78.1	704.0	2,193	80.9	618.3	2,378
May	140.6	50.7	82.8	1,593	748	215	85.7	1,206	85.5	763.0	2,014	81.0	689.9	2,197
June	149.1	48.9	78.4	1,744	631	223	72.2	1,187	77.3	695.1	1,843	82.1	652.2	2,188
July	147.0	63.7	100.7	1,763	474	230	60.3	758	91.7	779.1	2,262	89.1	744.5	2,392
Aug	144.8	53.3	97.7	2,550	836	372	67.8	870	85.3	712.7	2,592	87.3	711.5	2,645
Sept	146.5	57.0	—	2,471	722	442	—	—	93.8	712.1	2,355	82.8	708.8	2,381

— = not available

Source : Directorate of Industrial Statistics

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The Third Change

FROM the Hyderabad session of the All-India Congress Committee to the plenary session of the Indian National Congress, now meeting in Nagpur, there has been a series of statements, speeches, discussions and meetings to which the Agricultural Production Sub-Committee provided a link. If all these are to be taken at their face value, one would have to concede that the Congress has at long last been doing some rethinking and that the nucleus of a rural programme might emerge in the near future and a definite line of development set for the agricultural sector. That is provided, of course, that the seriousness and the sense of urgency now displayed, are maintained and gather momentum instead of disappearing after the election campaign. By stages, discussion on the problems of land holding, organisation of agriculture and rural unemployment has taken some shape which might have encouraged the hope that some day, even the Congress would find the solution which had been eluding it so long. By a happy accident for the Congress, but unfortunately for the country, elections falling due every five years happen to synchronise with the inauguration of a new Five Year Plan. It is not, therefore, possible to be sure that it is rethinking on the problems of agricultural reorganisation that has led the Congress to survey the prospects and formulate the basic pattern of the Third Plan, which it has been doing at the Nagpur session.

There are sceptics who have never believed that the Congress as a body could ever carry through a programme of land reform that would really bring about a social transformation, release the energies of the people, create the conditions for a substantial improvement in agricultural productivity and set off the chain reaction which will eventually make India a genuinely socialist country and put her on the road to self-sustained economic development. They, therefore, distrust all professions in this regard on the part of the Congress, on the sensible ground that the backbone of the Party consists of the very land-owning-trading-money lending classes whose interests clash so sharply with this desired change. It does not follow necessarily that they think that the country cannot progress at all or that it cannot have planned development. They would bypass the land problem and depend primarily on the development of organised industry and multi-purpose projects, so that a firm basis would be laid on which an industrial economy could be built which would solve the land problem by drawing into it surplus labour from land and open up avenues for more remunerative employment for the land-owning interests, thus resolving the basic conflict within Indian rural society.

Whether it is pressure of circumstances or the exigencies of the election campaign, it is not on these lines that the present professions of the Congress lie. On the contrary, something approaching a workable pattern or programme of rural development has evolved between Hyderabad and Nagpur, though the text of the resolution which gives expression to these ideas may not be taken at its face value. Of course, all the Congress leaders, led by Pandit Nehru, himself, have so often and so firmly reiterated their firm resolve to carry through land reform, liquidate all intermediary interests and impose a ceiling on landholding that one may be excused if one takes the basic premise of this resolution with a pinch of salt. That premise is that "In order to remove uncertainty regarding land reforms and to give stability to the farmer, ceilings should be fixed on existing and future holdings and legislation to

this effect, as well as for the abolition of intermediaries, should be completed in all States by the end of 1959".

If ceilings are imposed, will the conditions be created in which panchayats can function effectively, instead of remaining, as they are today, instruments of domination of a small land-owning group over the rest of village society? On panchayats and cooperatives, "both of which should have adequate powers and resources to discharge the functions allotted to them", is to

be based the organisation of the village and these "should be the spearheads of all developmental activities in the village and, more especially, should encourage intensive farming with a view to raising the per acre yield of agricultural produce."

Those who scan the Congress proceedings for some cue to forthcoming policy decisions will get poor returns for their labours. Beyond a near-firm decision to take advantage of the year's bumper crop and store up rice to the

extent of some two million tons, and a tentative proposal for re-opening the fixed question of a possible wage freeze with ceilings on dividends, there is little else which can throw light on the shape of things to come. True, the Third Plan is going to be a bigger Plan, but how are resources to be mobilized or what new organisational pattern should be tried for its successful implementation, these remain as vague as they were when the Congress first started thinking of the Third Plan.

Bombay Working Class Cost of Living

THE cost of living index for the working class in so important an industrial centre as Bombay, is not a toy for amateur statisticians to play with. It is of vital importance to millowners and other employers, as well as to the industrial workers of the city. For the employers, variations of wage cost from month to month depend on the dearness allowance fixed on the basis of this index. For the workers, the index determines how much money they are actually going to have for the month. The Bombay Working Class Cost of Living Index based on year to June 1934—at one time, the best of its kind—has acquired much dead wood and got grievously distorted in the course of a quarter of a century, over which it is supposed to measure the change in costs of living. It is surprising, therefore, that so inadequate a measure should have been allowed to remain as the determinant of wages in this city.

Neither employers individually, nor their associations have seriously bothered about it; it is even more strange that trade unions have put up with this very faulty index for so long. One could understand employers not pressing for a new index, if they stood to gain from the continuation of this antiquated relic; but, if it were so, ipso facto, the index would be unfavourable to labour and it would be natural to expect the unions to kick up a row about it and insist on its revision. This the unions have not done or at least they have not succeeded in getting it changed.

True, there was a time when revision looked imminent. That was in early 1955 when foodgrains

prices were falling, the cost of living in the other centres of the Bombay State were falling too, but the Bombay index stayed put. The Chairman of the Kohinoor Mills had made this 'misbehaviour' of the index the principal theme of his speech at the annual meeting of the company and the urgent necessity of revising the index was stressed in these columns while commenting upon his speech. ("Bombay Cost of Living Index Misbehaves," March 26, 1955.) Pointing out the many anomalies in this index, resulting from changes in consumption habits and the incorporation of false and fictitious prices, the editorial had concluded:

"As consumption habits have changed so much since household budgets were last studied, the case for a fresh family budget enquiry and the compilation of a new set of index numbers would appear to be unanswerable, particularly, when the attempt to maintain continuity lands the computers into refinements which merely distort the series as well as destroy all comparability. A fresh start, however, would inevitably raise the question of consolidating dearness allowance with basic wage, a disputed issue on which agreement would be difficult to secure. There would be no disagreement, however, that the Bombay cost of living index should be looked into; it is high time that something was done to make a more sensible use of this very well established branch of statistical studies."

The hope that something would be done, however, has been belied all these years. In the latest issue of the Labour Gazette, published by the Office of the Commissioner

of Labour, Government of Bombay, the weights and prices, to the absurdity of which pointed attention had been drawn, are all still there and four of the prices used in compiling the index, according to footnotes, are for December 1956, April 1949, September 1952 and April 1953. But which of the prices are so antiquated, one cannot know.

The point made then about the difficulties of securing an agreement on the question of consolidating dearness allowance with basic wage, if an altogether new index were to be started, has lost its sting and is no longer valid. For dearness allowance is, as a matter of course, added to basic wage for determining contributions to the provident fund and for most other purposes. The prevailing opinion, nevertheless, is for retaining the basic wage and the dearness allowance separate for reasons which are as ingenious as they are sophisticated. The fact is that the dearness allowance has now been, for many years, so much larger than the basic wage that wage differentials have wellnigh disappeared in the process. Even so, the differences in basic wages, though they may no longer affect the total wage payments to the same appreciable extent, still help to maintain the illusion of differential payments—a useful device, which partially serves the economic function of a wage differential, the importance and desirability of which cannot be denied.

At long last, however, the Government of Bombay has thought of looking into this outdated index and has appointed an Expert Committee for the purpose under the Chairmanship of Professor D T Lakda-

wala of the Economics Department, University of Bombay. The Committee is to "examine the data collected in the Family Budget Inquiry for small sample of industrial workers in Bombay City undertaken by the Commissioner of Labour and advise Government whether a new consumer price index for working class should be compiled and if so, how it should be related to the old prices". A small sample of family budgets appears to be a sensible and practical basis for revising the cost of living indices, for the latter need to be revised and revised not too infrequently, if they are to bear some relation to reality. After all, a cost of living index is an abstrac-

tion and an imperfect one at best. There is no reason why it should deteriorate into an anachronism, or be more fictitious than it need be.

Bombay was one of the earliest to institute a proper cost of living index and among the various consumer price index numbers, the Bombay index was generally taken to be one of the most reliable. If it has deteriorated so far, what of the indices for the other centres? As a matter of fact, the question of re-examining the various consumer price index numbers is urgent. Many of them are based on family budget enquiries as old as 25 years or more (Ahmedabad: year ended July 1927; Sholapur: year ended

January 1928; and Madras: year ended July 1936). The technique of their construction varies from State to State, so does the extent to which they reflect or attempt to reflect the consuming habits of the working classes. The Labour Ministry of the Government of India is going to conduct fresh family budget enquiries all over the country for rationalising the various index numbers. It is to be hoped that the study would lead to the computation of better indices for individual centres and not be used to bolster up that statistical monstrosity, the All India consumer price index number which it has spewed under pressure.

Imbalance in Economics of Oil

THE fast-growing demand for diesel oil, following the switch over of petrol trucks to diesel, almost en masse, has worsened the imbalance in the pattern of consumption of oil products which was already bad enough because of the disproportionate demand for kerosene, a long standing feature of the Indian economy. The question of balance arises, because we are now refining enough oil products to think of self-sufficiency. But it can be self-sufficiency in the aggregate and not in all individual items. So long the consumption of motor spirit had been relatively small, while that of kerosene had been large. So, self-sufficiency in refined products had never been a practical proposition and will probably never be, even if new oil resources are tapped and refining capacity is substantially increased. This is because the patterns of demand and supply do not conform and the proportion of refined products can be varied only within limits. The following is a rough break down of demand for and production of different refined products (production for one of the companies):

	Demand		Production
	1948	1957	1957
Kerosene	25	30	13
Motor Spirit	21	25	25
Diesel	16	22	14
Furnace oil	22	17	31
Others	16	16	17
	100	100	100

The hurricane lantern hanging from the bullock cart in the cover illustration of the beautifully produced brochure 'Survey of Activities

1957' which Burmah Shell has just brought out is therefore symbolic in a way, for kerosene is a crucial problem in the economics of oil at this stage of the country's development. Lest it be thought that disproportionate demand for kerosene is a sign of underdevelopment, the illustration on the back cover, a gentle warning against oversimplification, shows a high powered plane, which may well be a turbo-jet, flying on kerosene!

Long before we are able to produce all the kerosene we need, we would be producing more motor spirit than we consume and there would still be a deficit in kerosene. This means imports costing foreign exchange and the problem of finding an export market for a highly competitive product like motor spirit in an area in which most countries suffer from more or less the same trouble. In fact, at least one of our refineries has been forced to export motor spirit while the import of kerosene had recently to be cut for economising foreign exchange, raising, incidentally, a countrywide furore. (This office is going without tea today, no oil for the stove!) The long queues outside shops selling kerosene in Bombay and elsewhere may or may not be due to the avarice of dealers and panicky hoarding by consumers; the cut may or may not have been excessive—statements issued by the Government and the oil companies have been confusing—but there is no getting away from it and we have to face it, unless, well, something is done. Many things, of

course, can be suggested if the problem is viewed in isolation. Consumption of motor spirit can be vastly increased, for example, by throwing our automobile policy overboard and drastically cutting down motor vehicle taxation. And since passenger cars (before trucks changed over to diesel) consumed only 30 per cent of the motor spirit sold in India, tax on diesel can be raised and that on motor spirits reduced.

In 1957, the year covered by the 'Survey of Activities', the sale of motor spirits fell by one per cent, the exact proportion by which it had risen in the previous year while the sale of kerosene rose by 7 per cent. In fact kerosene had been going up all these years, and shot up by 58 per cent between 1948-1950. The sale of motor spirits, however, has been almost stagnant since 1955 after the jump following relaxation of restrictions in the post-war years. But even if the present automobile programme, which has increasingly to concentrate on the production of trucks instead of passenger cars, did not rule out any substantial increase in the demand for motor spirit in the near or even the near distant future, how can the disparity between motor spirits and kerosene be resolved? In the long run, the solution could be to find new uses for petrol or substitution of petrol for kerosene. In this, the oil companies can help by instituting research into the designing of lighting and heating equipment which will run on petrol instead of kerosene. But is there sufficient in-

centive for the oil companies to strive for this substitution, will the relative costs of the two products justify it? Probably, for the producers, the problem is one of great magnitude. Had it not been so, the oil companies would have exerted themselves to find a solution. Excess of motor spirits and deficiency in kerosene, however, is a sizable problem for the country in the present period of acute shortage of foreign exchange and it is likely to continue well into the third, if

not the fourth Plan.

The problem of diesel versus motor spirit, however, does not seem to belong to the same category. This may be presumed, because the monograph in question suggests that it is the lower duty on diesel which has induced trucks to switch over and so it is implied that the imbalance can be corrected by suitably changing the present structure of taxation on oil products. There is even less scope for substitution in the intermediate range of refined

products. Does that mean that the sharp increase in demand for diesel and the drop in consumption of motor spirits presents an even more formidable problem for the oil companies than the disproportionate demand for kerosene? The companies alone would know. But oil men are also philosophic, besides being resourceful. They have not forgotten that in the very early days, it was kerosene alone which sold; all the other products were more or less waste, and still the industry thrived!

Weekly Notes

Export of Oil and Expellers

NEW DELHI'S decision to release an additional export quota for groundnut expellers, 20,000 tons, to established shippers reduces the export incentive scheme for groundnut oil, announced only two days earlier, virtually to nonsense. Under the incentive scheme the export of expellers had been linked with the export of oil on the basis of one ton of cake for each ton of oil. Apparently the idea was to enable shippers of oil to make up their losses in oil export through the profitable export of oilcake. On the basis of prices prevailing here and abroad at the time of the announcement of the scheme, the export of groundnut expellers yielded a profit of about £10 per ton, while the loss on oil export amounted to around £13. That is why the incentive had generally been regarded as insufficient to promote the export of groundnut oil.

Opinion might differ, whether or not the Government should allow the export of groundnut oil. And it is only the pressing foreign exchange situation which had obliged New Delhi to allow the export of oil. But Indian oil has been priced out of world markets because of improved world supplies of edible oils. Prices of groundnut oil here continue to be high because of domestic influences. Of the 20,000 tons quota released on June 3, hardly 1,000 tons have been sold so far, and that too only in small lots to the neighbouring countries.

It was indeed after prolonged thinking that New Delhi evolved the incentive scheme for the export of groundnut oil. Unlike the export incentives in operation in other countries through multiple exchange rates, outright retention of a certain percentage of foreign exchange earnings and the right to import items

in short supply, New Delhi's scheme is different in that the exporters of oil have merely been allowed an export quota for another item in the same line, the export of which has been pretty remunerative.

While welcoming the scheme, the trade had already expressed serious doubts about its efficacy because the incentive was still insufficient to make good the loss, from oil exports. It was also feared that the limited period for which the incentive scheme had been announced might put the importers of oil and oilcake in a better bargaining position. And now that an independent export quota for expellers has been announced, it is only natural that prices abroad should come down and domestic prices move up to bring down the margin on oilcake exports still further. This is evident from the sharp decline in the premium on export licence for expellers from around Rs 120 to Rs 75 per ton.

If the Government means business, it must make up its mind on the

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Business Manager

quantum of both groundnut oil and expellers which should be allowed to be exported, after taking into account domestic requirements. This will automatically provide a basis for determining the proportion in which the quota for oilcake should be allowed against the export of oil. And after this has been done it would be in the best interest of the trade to make the export of oil free. New Delhi would also be well advised to consider the feasibility of compulsory exports of groundnut oil by exporters of extractions. Export of extraction is free and very profitable. Extraction producers are only a few. That is why expellers with 6 to 7 per cent oil content are quoted about Rs 100 per ton lower than extractions.

Batista Is Out

DR FIDEL CASTRO has won his long-drawn battle for power in the little Caribbean island of Cuba. And President Fulgencio Batista, his omnipotent regime over, has thrown in the sponge. Whether the Castro regime will be any better than his predecessor's remains largely to be seen. There are indications, however, that some of the hardships of the Batista administration will be alleviated, if not removed. An end of censorship has been announced and the freedom of the press has been "guaranteed" though the proof of the sincerity of the new government will not be evident for some more time. The provisional President Senor Manuel Urrutia has also announced that his government would not allow gambling, which under General Batista had grown into a multi-million dollar business, carried on in Havana largely by American interests, but from which a substantial cut must undoubtedly

have gone into the former dictator's private pockets. And general elections have been promised within two years.

Naturally, the new administration is intending to take action against Batista's supporters some of whom have already fled the country; the rest will probably take the knocks coming to them and bide their time. Dictators in Latin America have come and gone and the patient and the wily have survived.

The immediate task of the Castro regime, however, will be to harvest the sugar crop, which is the mainstay of the Cuban economy. Failure to harvest and ship it would mean economic disaster to Cuba which can ill afford a lean year. Cuban State coffers can hardly be full, especially after the reckless manner in which Batista threw away millions of dollars in order to buy arms and equipment from Britain, France, Italy and Czechoslovakia. Dr Fidel has reportedly ordered the boycott of British goods and insurance companies by way of reprisal, but this by itself will have no meaning in the context of Cuban economy. Presently the big worry plaguing all Cubans, whatever their political affiliations, is the fate of the current sugar crop which was expected to bring in \$ 600 to \$ 700 million, a big sum for a small nation.

With the tourist business down and unemployment up, Castro faces a hard job that will call for administrative talent of a high order. Castro, however, probably has a friend in the United States which has given every hint that it did not approve of Batista. In fact, Washington very firmly cut off arms sales to Batista last May. It is also known that Castro received illegal arms from the American mainland, though some of the gun-runners had been ostensibly caught and punished.

Should the new regime really give in to many of the unspoken demands of the long-suffering people and prove to be popular, Washington may look even more kindly on it. The fact that Castro was able to win over the support of Cubans and his own public statements are presently in his favour. Dictators, however, who are usually short-sighted are also known to have short memories. Castro has

to prove that he is an exception to the rule, if he is to get a benevolent nod from America.

Economic Commission for Africa

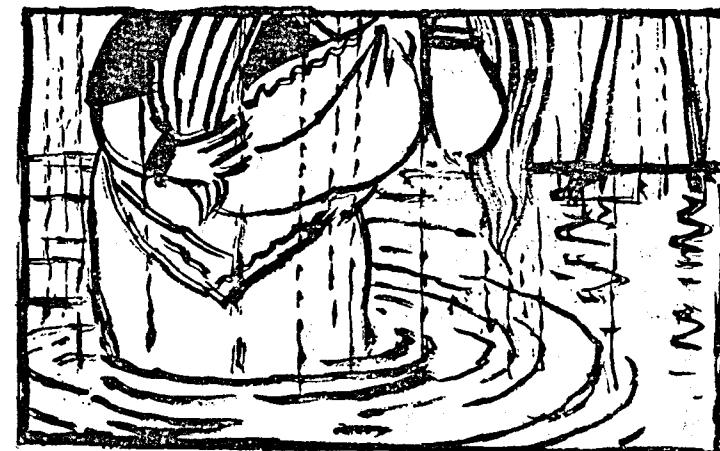
THOUGH it has taken almost a decade for Economic Commission for Africa to come into being—the idea was first mooted as far back as 1950—the

delay cannot be said to have been entirely fruitless. In the first place the U N Secretariat has now the benefit of the working of the two major economic commissions, one for Asia and another for Latin America dealing with problems of under-developed nations. In the second place, Africa, perhaps, was not quite ripe to have a commission of

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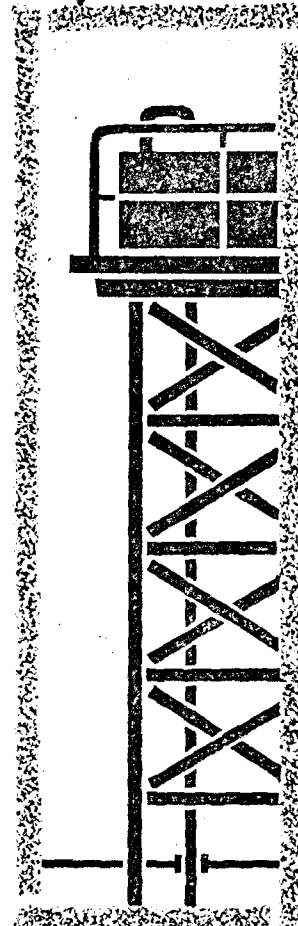
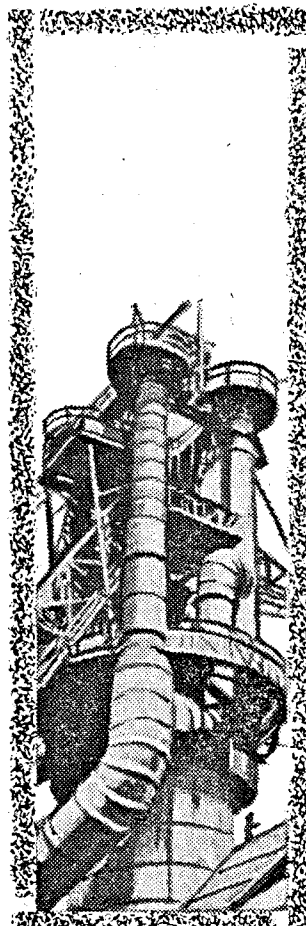
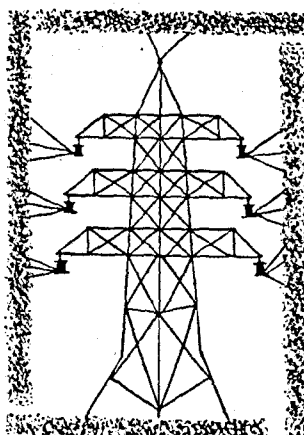
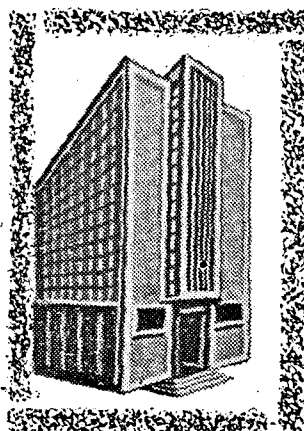
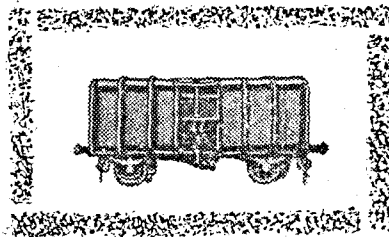
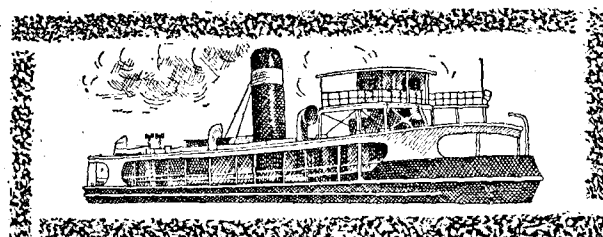
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its own. Large sections of the continent still remain under colonial rule though presently ten African nations are members of the United Nations. It is the interest of these ten nations with their own complex economic and social patterns that will need nursing, as well as the interests of these areas that are still under colonial domination.

It is important, as Mr Dag Hammarskjöld said only last week, that one thinks of the Commission as a "focal point" where the economic needs of the African people will be expressed and where action designed to meet those needs will be initiated and stimulated. Its very existence should be recognised as an opportunity for a general intensification of all programmes of economic cooperation in Africa. Africa, to use a well-worn phrase, is on the march and every bit of assistance will be needed to raise the living standards of peoples who today live in various stages of economic and social under-development. Undoubtedly the Commission's work will be backed up by the numerous U. N. specialised agencies.

The Commission, of course, cannot be directly concerned with political evolution, but inevitably the steady progress that is likely to be stimulated in the economic sphere will have its effect in the political sphere: the two are inseparable. But the Commission will have to reckon with the fact that new states emerging in the historical process will have geographic boundaries that are not always best suited to the requirements of rapid economic growth. If such growth is to take place joint endeavours will be needed among countries and territories, each with its own specific problems. In this respect, the task facing the Commission is unenviable. As Mr Hammarskjöld pertinently said in his remarks to the opening session held at Addis Ababa, change is taking place in all aspects of African life at a pace unthinkable before. Governments which now take their rightful place in international deliberations represent peoples who, in some instances, had until recent years little or no contact with the outside world beyond the association afforded by the colonial status. Indeed, some of the newly-freed nations do not yet have sufficient number of their own nationals to run their administration.

While efforts are no doubt being made to staff the Commission with Africans, it will be some time before they are successful. But the big thing about it all is that there now is a commission charged with specific tasks, among which are the gathering of information and exchange of the same. The existence of such a clearing house helps; that it is located in Ethiopia, oldest of the independent kingdoms of Africa and more truly African than many other African member-countries of the U. N. bodes well. It is especially helpful that the U. N. Special Fund is also available now, along with the experience of its staff. The Commission, in cooperation with the Special Fund, can undertake comprehensive surveys of African resources, suggest ways and means of utilising them and in general fulfil its primary purpose, that of making the African a fuller, richer human being.

... (Private) Limited

IT has been known all along that a large part of corporate activity in the country is carried on by private limited companies, but there had so far been no data available which could throw light on the working of these companies. Out of 29,000 and odd companies at work at the end of March 1956, as many as 20,000 were private, though their paid up capital was only about one-fourth of aggregate corporate capital. The Reserve Bank has been slowly expanding its coverage in the analysis of companies; the latest is the inclusion of selected private companies in the study of company finance. The Reserve Bank Bulletin for December contains a very interesting account of the working in 1955 and 1956 of 333 private limited companies which exclude financial and Government companies. The capital of these companies constitutes 30 per cent of the paid up capital of all private companies other than financial and Government companies. Most of them had a paid up capital of Rs 10 lakhs or above in 1955. A comparison of the combined balance sheet of these selected companies with that of the 1,001 public limited companies which had been analysed earlier by the Reserve Bank, brings out quite interesting results.

While paid up capital forms roughly one-third of liabilities in both cases, free reserves (excluding

taxation and depreciation reserves) forms only 10 per cent of total liabilities in the case of the selected private limited companies as against double that proportion for the 1,001 public companies. Borrowing and other external liabilities account for 52 per cent of total liabilities for private companies as against 43 per cent for public companies.

On the assets side, net fixed assets of the selected private companies constitute only 18 per cent of the total against 38 per cent in the case of the public companies; this wide divergence persists even when trading companies are excluded from both. Financial claims, that is, receivables and investments, account for about 37 per cent of total net assets in the case of private and 22 per cent in the case of public companies. Thus, more than half the liabilities of the selected private companies are external, while nearly two-fifths of their assets are held in the form of financial claims against others. Taken together with the low proportion of fixed assets, these findings tend to confirm the opinion of the Taxation Enquiry Commission that many of the so-called manufacturing companies in the private limited sector are actually engaged in financial activity.

If these results can be generalised to apply to the entire sector of private limited companies, the widely held apprehension that most economic activity in the private sector is pre-occupied with financial transactions and not genuine capital formation might be substantiated. The Bulletin article has brought out the fact that though the paid-up capital of the selected private companies formed nearly 34 per cent of the paid up capital of public companies, their gross capital formation amounted to barely 16 per cent of the corresponding figure of public companies. This is not all. It appears that the heavier taxation of company profits has encouraged private companies to distribute larger dividends and to cut down profits retained in the business. Moreover, though the total income of these 33 selected companies increased between 1955 and 1956 by nearly 17 per cent, their total net assets expanded by barely 10 per cent, and that too largely because of the rise of 13.5 per cent in inventories, which form the bulk of their assets.

Though private companies may

January 10, 1959

THE ECONOMIC WEEKLY

not be as important as their numbers would suggest, they still account for a large volume of business transactions. The excessive dependence of these companies on external finance in contrast to the internal financing by public companies is an unhealthy, if not an unsavoury,

aspect of industrial finance which has not yet received due attention. Economists have generally been too preoccupied with the managing agency system and financing of public companies to devote much attention to the task of explaining how private companies finance their

business and whether their present system of financing is really healthy. Balance sheets of private limited companies are available with State Registrars and so are their share registers. If some non-official agencies take up that study, they will be amply rewarded.

THE ECONOMIC WEEKLY

on the London End

January 10, 1959

Sterling Convertibility and European Payments

THE far-reaching changes of December 29th in the field of foreign exchange were both expected and unexpected. They were expected because the British drive towards the restoration of sterling convertibility, commencing as early as 1952, has been gathering momentum over the past year. The point of ultimate achievement appeared well at hand when the IMF, under U S sponsorship, decided to make available a large cushion of liquidity for a freer system of world payments and trade, and next, when at Montreal, Britain refused, in the teeth of combined Commonwealth pressures, for a more direct sterling area solution to their trade problems.

By contrast, the timing of the convertibility operation was unexpected. In 1958, the British economy was shown to have lost its ability to expand; production fell and unemployment rose. The British recession was seen to have its origins largely in declining exports and all this made up a situation unpropitious for the pursuit of any policy so risky and adventurous as the convertibility of sterling. It is true that the British balance of payments had improved dramatically in 1958 but it is acknowledged that this improvement was the result not of any underlying strength in the British economy, but to the sharp fall in raw material prices and thus in Britain's import costs. This improvement is, therefore, only temporary and it is too flimsy a basis on which to rest so vast and so uncontrollable an operation as sterling convertibility.

What Precipitated Final Decision

Most important to the unexpected character of the decision to restore sterling and European currency convertibility has been the unstable situation in France. The French frame has been under persistent pressure ever since the collapse of the Free Trade Area negotiations early in December and a decision to restore sterling convertibility at a moment like this would have ipso facto embarrassed the French authorities no end and so forced through what became inevitable—the devaluation of the franc. But as was to be seen, the French authorities, succumbing to this inevitability, also chose to participate in the

convertibility move and so to give the franc (to the surprise of Britain) a status of relative parity to sterling. In retrospect, it is clear that while British policy on convertibility has been under preparation for a long time, the final decision was taken in a mood of recklessness (or "bravery") in response to a series of defeats in the trade and tariff negotiations on the Free Trade Area scheme.

For the Conservative Government, the restoration of sterling to its pre-war eminence as an international currency has for long remained a fundamental objective of policy. The development of this policy and the clash of interests which this generated in intra-European payments relations were of crucial importance to the character of the December 29th convertibility operation and to the new system of European settlements which this operation has inaugurated.

Relaxation of Trade Control

In essence the term "convertibility" implies the freedom with which a non-dollar currency may be converted into U S dollars. In recent discussions of the convertibility problem, as in the December operation, two provisos have been introduced into this understanding. In the first place, the convertibility of currencies is confined to non-residents, i.e., currency held outside the country to which that currency belongs. The convertibility of such non-resident held currencies is further understood to be a purely foreign exchange market arrangement. Second, the convertibility of currencies for residents is construed not in terms of any relaxation of exchange control as such but rather as a relaxation of trade controls over the import of dollar area goods. These distinctions appear important to the trend of Britain's sterling policy since 1952.

It will be remembered that one of the conditions for the U S grant of Marshall Aid funds to West Europe was a European acceptance that economic unity among the recipient countries should be fostered and developed. The European Payments Union was one outcome of this condition. The United

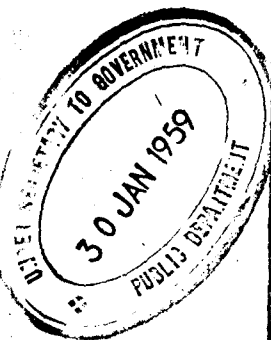
States supported the EPU as a means for promoting the economic integration of Europe and as an important step towards eliminating trade and exchange discrimination against the United States. To this end the U S contributed a capital fund of \$ 350 mn to the EPU. It is to be noted that the U S maintains a strong influence over the affairs of the EPU and has a power of veto on certain questions concerning the capital and the termination of the EPU. In practice the EPU contributed to a widening of the transferability of European currencies.

Simultaneously the countries of the EPU organised in the OEEC pursued a programme of trade liberalisation, i.e., the gradual reduction of quantitative import control. This in itself constituted, at a purely intra-European level, a movement towards the convertibility of European currencies of the resident country. But to Britain, the EPU and OEEC arrangement tended to relegate the status of sterling to a position similar to that of other European currencies and made the whole question of financial settlements in Europe dependent on gold and dollar transfer and not, as in prewar years, on sterling transfers in London.

American Pressure

There is one further point of some importance in the development of British policy. From about 1953 the Americans began pressing for a West European reduction of trade and currency restrictions against the United States, and insofar as the OEEC countries yielded to the pressure, they did so not by easing their exchange controls towards the dollar but by relaxing their import controls on dollar-origin goods. At the beginning of 1953, only 11 per cent. of OEEC imports from the United States had been freed from quantitative restrictions. By 1954, this figure was raised to 32 per cent and by 1957, to well over 65 per cent. There was thus a significant movement in Europe towards resident convertibility, i.e., the right of European residents to make purchases from the dollar area. But to match this progress in relaxing the con-

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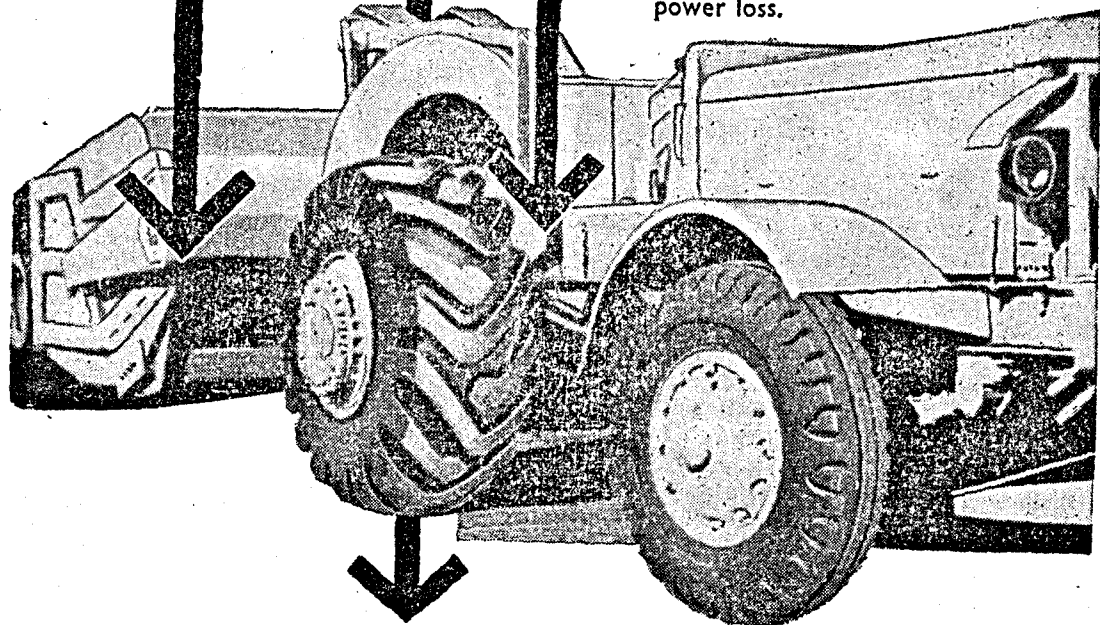


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control on imports from the dollar area, there was a corresponding hardening of the terms of settlement for current positions within the EPU compensation system. The original 40 per cent average gold settlement ratio for monthly EPU positions was raised to 50 per cent in 1954 and to 75 per cent in 1955.

In this way, the Americans were able to see a reduction in West Europe's exchange and trade discrimination against the dollar and this, in essence, formed the content of the European approach to convertibility. But to Britain this trend in European currency policies was by no means favourable. Britain was more interested in restoring the pre-war eminence of sterling and to return to a system in which the bulk of international trade would be transacted and financed in sterling and in which sterling, like the dollar, would be widely held as a convertible monetary reserve.

British Move in 1952 Unsuccessful

It was thus in view of these emerging conflicts in Anglo-European payments relations that, following the Commonwealth Economic Conference of 1952, the British Government intimated to the EPU that it was now interested in restoring the convertibility of sterling at a non-resident level and that it would expect co-operation from West Europe; in particular, it wished the members of the EPU to continue to maintain quantitative import control over dollar area goods for an indefinite period so that the experience of the 1947 convertibility crisis, when many Europeans converted their sterling holdings into dollars and lb, would be avoided. Finally, the British Government intimated that their plans for convertibility involved a return to the pre-war system in which fluctuating or floating exchange rates would rule.

At bottom, this British conception of sterling convertibility did not involve a central bank convertibility, i.e. central banks holding sterling could not sell this sterling to the Bank of England for dollars. It rather involved the return to what is regarded as "market convertibility"—a situation in which the demand and supply of sterling against the U.S. dollar would be the essential determinants of the

exchange rate and where the foreign exchange market would constitute virtually the whole of the clearing mechanism in international payments. There were other conditions which the British attached to this move: other members of the EPU should embark on the convertibility of their own currencies and that there should be large scale financial support from the United States.

Intra-European Arbitrage

The continental European countries, as well as the United States, refused to countenance the type of cooperation which Britain asked for. It was clear to them that the British ideas of convertibility were framed more in terms of self-interest than as a genuine move towards non-discrimination in trade and payments, particularly in respect of the dollar. Having thus been substantially thwarted in their attempt to make sterling convertible, British authorities devoted their energies now towards introducing various reforms and changes in the mechanism of the foreign exchange market which ultimately introduced the de facto convertibility for non-resident held sterling.

In May 1953, at the initiative of the British Government, the intra-European arbitrage system was agreed to by the members of the EPU. This system altered the EPU profoundly; it involved the creation of private markets for foreign exchange so making it unnecessary for the whole of intra-European payments to be financed at central bank level and this through the monthly settlements of currencies in the EPU. Now, ordinary banks could buy and sell various European currencies and it was only the unwanted portions of such currencies that found their way for settlement in the EPU framework. In March 1954 the British Government placed all countries outside the sterling and dollar areas in the transferable account sterling system. In effect, this measure meant that all sterling flowing from the sterling area to countries in the transferable account area would be used for making payments to any part of the world except the dollar area. Thus, in one quick step sterling was pushed into becoming a financial medium for a large part of world trade than at any time in the post-war period.

In doing this, however, the British authorities realised that they were achieving only one of their broad exchange aims, i.e. the increased employment of sterling in world finance. The other aim—of encouraging all countries to hold sterling without limit as part of their monetary reserves—still remained to be realised. It was clear that this could only be achieved if there was some assurance that sterling could always be freely converted into U.S. dollars or gold. It was towards an experimental solution of this other aim of British policy that in February 1955 the Bank of England decided to support transferable sterling against the U.S. dollar in continental and other unofficial markets.

European Monetary Agreement

The British view that convertibility made it unnecessary for the continuation of the EPU was the basis for British initiative (as long ago as 1954) to get the Managing Board of EPU to consider the future of the European currency system. These initiatives were taken and it was only after the most strenuous of negotiations that the countries in West Europe were able to agree to the European Monetary Agreement. The Agreement proved to be significant from a number of points of view. The Continental members of the EPU acceded to the British view that currency convertibility and the existing form of the EPU were not strictly compatible. They, however, wanted the termination of the EPU to be followed by cooperative measures within Europe which would provide for the continuation of the system of credit and the clearing of currencies at clearing bank level. They, therefore, submitted that any new agreement must agree to undertake:

- to preserve and make progress in the removal of import restrictions and that countries facing balance of payments difficulties should not impose quantitative restrictions but obtain assistance,
 - that a European Fund of \$ 600m should be set up to provide such assistance, and
 - that some central clearing mechanism for the EPU countries should be maintained at central bank level.
- The British agreed to the first

two provisions but sharply opposed the proposal for another clearing mechanism. To them such a proposal was incompatible with market convertibility. They rather understood the new European monetary system to involve merely the introduction of U.S. dollar to the arbitrage scheme and so enable the market to deal in dollars against non-resident sterling without restriction. Further, the U.K. wished the market to do all the clearing of currencies over a wider range of fluctuating exchange rates and for central banks to only deal with the markets and not with each other. At a technical level this was certainly feasible for this was virtually the system of foreign exchange in the 1930s. But the other Continental countries refused to countenance any system of floating rates or a system which precluded central bank clearing. For them, central bank clearing was a vital protection to their currencies from exchange losses which would otherwise arise from the British proposals.

Dutch Proposal

It was in this situation that the Dutch Government came up with an ingenious proposal which at one and the same time preserved both a system of market convertibility as well as some semblance of central bank clearing. The Dutch compromise involved a system of voluntary clearing of currencies among central banks but this clearing would only be at the upper and lower limits of the exchange rate which would not be permitted to fluctuate more than 1½ per cent from par. The British immediately saw the merit of this scheme where convertible currencies were involved, a country would always find it advantageous to sell their holding of foreign currencies on the foreign exchange market (where the rate quoted will not be at the limits) rather than make use of the centralised clearing mechanism where settlements will only be done at the lower limits of the foreign exchange rate. The British agreed and abandoned their immediate ideas for floating exchange rates.

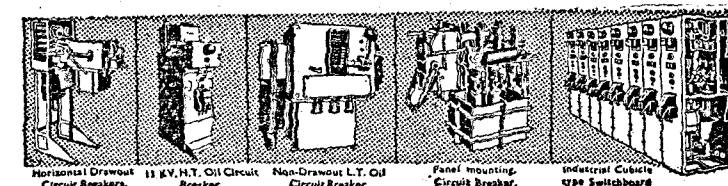
The Dutch proposal became the basis for the "Multilateral System of Settlements" in the European Monetary Agreement. Now that most West European currencies have been made convertible at the non-resident

level, this Agreement supersedes the EPU. The Agreement provides that each country should make available to other member countries month-to-month loans or what is called "interim finance". The repayment of these interim finance loans may be made before each monthly settlement period in the lending country's currency (which can be bought on the market at the ruling or market rate of exchange) or in U.S. dollars at the monthly settlement converted at the lending country's buying rate for dollars. Hence, there will be little financial incentive for borrowing countries to use the monthly settlement framework of the Agreement for repaying the interim finance borrowed.

Primacy, at what cost?

This is in essence the new system of payments in West Europe. Its provisions are to be seen as the result of a long and persistent drive

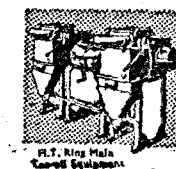
by Britain to secure for sterling a Status of primacy in Western Europe and to restore to the markets of London a greater volume of trade and thus their earning power. But the world of trade and finance which recognised this pre-eminent role of sterling no longer exists—other more powerful centres to which world finance gravitate have come into existence. More important, the restoration of sterling convertibility leaves British economic policy naked; what has been done is irrevocable and this with the commitments to reduce quantitative restrictions against dollar origin goods and further, the trend for the overseas sterling area to increasingly employ their import controls on a non-discriminatory basis is likely to force the internal British economy to bear the whole brunt of the new policy to maintain external balance and sterling's strength.



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Book Review

Caste and the Economic Frontier

THIS is the challenging title of a book that is a village study and is yet much more. No village study escapes being social-anthropological. Nor does this book. And yet it is not merely anthropological. The author has undertaken a study of a village in Orissa with especial regard to its economy and for this he has brought together a knowledge of the history of the region and of the village, of its social system and the interaction of that system with the economics of the village, of the gradual change in rural economy, and of the political adjustments that have followed within the village caste system. Although the focus throughout is on the village, it is studied dynamically as it is affected more and more by the increasing economic and also political integration of the region and of the state as a whole. The "economic frontier" indeed comes in from an even wider area than state or country, as evidenced in the use of foreign-made guns, etc.

The author traces the important role of commercial activities in the village which are undermining the previous complete dominance of land as a source of income. Gradually, it would appear, land has become, like other capital, a marketable commodity. The reasons why land is sold are usually connected with some urgent expenditure—often for ritual observances that go with deaths or marriages—for which the owner has no ready surplus of wealth. The passing of land from one hand to another has made a basic change in the socio-economic structure of the village. Castes which because of their prior settlement or because of their political power had owned most of the land were beginning to sell their land to people of other castes who had made money by engaging in mercantile activities. These other castes could now fight for some of the enormous prestige that the possession of land gave in the traditional village. And they did. Some of them rose in the social scale by conforming to ritual

ideas of pollution followed by the upper castes, i.e., they Sanskritised themselves and pushed themselves up as a caste within the existing system. Other castes also fought for certain ritual privileges but failed because of some insurmountable barrier like Untouchability. These castes have instead turned to the Administration and to the Government courts rather than to the village and its council for the regulation of their affairs. Such a semi-independent group the author calls a political caste.

In the course of the study the author has dealt with several subsidiary problems many of which we have all heard of before but which we now see in a different perspective because they have not been taken out of their context. A count of the reasons for selling land shows that most of these are the need to meet ritual expenses, especially for the feast that follows a death, and for the jewellery and dowry given at marriages. Marriage is something that can be postponed if the family is in financial difficulties, but for the correct observance of a death ceremony there can be no postponement. Also, there is a very strong social compulsion that the ceremony will not be skimmed below a certain minimum. Most of the ceremonial expenditure goes on a feast and one is inclined to think that the social insistence in some way ties up with the feast-or-fast traditions of subsistence societies of which this is certainly one.

The fatal effect on the size of land holdings of the system of multiple inheritance is also studied and the only reason it has not proved completely disastrous is that in recent times alternative ways of earning wealth have been found.

Most of us think of the village as a close-knit social unit in which villagers have highly ritualised primary relationships with their kin and with friends. There is also a sphere of purely economic and secondary relationships such as that of the hired labourer to the peasant who hires him.

The village under study is situated in the Kondmals region of Orissa and belonged originally to the tribal Konds. During the last century

Oriya Hindus from the plains came to the hilly region of the Kondmals, took away the land from the culturally backward Konds and settled down there as cultivators. The relations of these two distinct ethnic groups have been examined and could well illuminate a widespread phenomenon in India of locally dominant cultures which act as forces for change for other culturally recessive groups.

The methodology of the author deserves a very special mention. He has formulated his problem into one question, "How does land come into the market?" and in answering this he has covered almost the entire social, economic and political aspects of the village. He has also linked up the village with the outside world. The book is free of social science jargon and, very mercifully, it is also free of local vernacular kinship and other terms which tend to make anthropological studies a little exotic. More important than all this however is the very judicious combination of pure observation and of statistics.

—Savitri Shahani

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The projects include the Heavy Machine Building and Coal Mining Machinery plants for which assistance has been secured from the Soviet Union, and the Foundry-Forge plant being established with Czech assistance.

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Lucknow Economic Conference

R K Hazari

THE Fortyfirst Conference of the Indian Economic Association met from December 27 to December 29 in the campus of Lucknow University. Meeting after a lapse of thirty years in the one-time cultural capital of Hindusthan, the Conference proceedings were visibly affected by the architectural maze of the campus. There was a note of lethargy, if not indifference in the air. Seven years after the inauguration of planning, the atmosphere did not indicate any realisation among economists as a body that they owed a responsibility to the country for devoting some serious thinking to its economic problems. Many of the opinions expressed, including those in the Presidential Address, showed little evidence of having been tempered by the discipline which requires inter-mingling of logic both deductive and inductive. Attendance at some of the sessions was distinctly poor and the absence of fresh talent was clearly discernible. Matters were not improved by the peripheral canvassing for vacant University Chairs which is an usual feature of the Conference.

Foreign Exchange Crisis

The current topic set for discussion was foreign exchange crisis. The discussion was initiated by Professor K N Raj who presented the foreign exchange perspective from the beginning of the First Plan to the end of the Third Plan. In an extremely lucid but unduly long address, he called for a sober examination of the short and long-term implications of the growth of indebtedness that inevitably accompanies rapid industrialisation. External assistance during the Second Plan period, he thought, would total about Rs 2,000 crores, which would impose a burden of roughly Rs 750 crores in repayment and servicing through the Third Plan period. Unlike the First Plan, a much larger proportion of aid for the Second Plan has been in the form of loans instead of grants; moreover, the increase in investment recorded in the Second over the First Plan period had been made possible largely by a disproportionate rise in foreign investment, while domestic investment had remained at practically the

same level in absolute terms. The payments deficit postulated in the Second Plan was Rs 1,170 crores, based largely on an estimated increase of Rs 1,000 crores in imports of machinery and capital goods over the 1955 level, and the expectation of no significant improvement in exports. The hump was expected halfway through the Plan in 1958-59, after which imports, it was believed, would decline, following higher production of steel. Exports, however, have remained almost stationary while imports of machinery had amounted to Rs 1,370 crores by September 1958 and might go up to Rs 2,150 crores by 1960-61; food imports had been of the order of Rs 360 crores against the original estimate of Rs 120 crores while higher defence expenditure had taken away another Rs 120 crores. The first half of the Plan had, consequently, experienced a deficit of Rs 1,100 crores against the original estimate of about half that figure.

Professor Raj believed that, on the assumption of a decline in imports of machinery from Rs 650 crores in 1957-58 to Rs 400 crores by 1960-61, the total deficit in the last year of the Plan would be Rs 280 crores, if food imports remained at 1957-58 level, and Rs 120-150 crores, if they came down to around Rs 40-50 crores a year. The Third Plan would, thus, start with a current deficit of Rs 120-150 crores a year and a total capital liability of Rs 750 crores. This necessitated, in his opinion, not a change in approach away from the stress on industrialisation but a greater emphasis on export-orientation and external aid in the Third Plan. He did not see any need for a small Plan or for a change in approach since he expected a larger output of machinery and steel in the Third Plan, a better performance from agriculture, the possibility of considerable saving of foreign exchange through reduced imports of intermediate products destined for consumer goods industries, and larger earnings from shipping.

The principal emphasis in the Third Plan, Professor Raj said, should be not so much on steel as on steel-making machinery, which would enable the country to be

independent of imports under this category by the end of the Third Plan, and to increase steel production in subsequent Plan periods. Without mentioning any figure as target of expenditure for the Third Plan, he estimated that foreign assistance of the order of Rs 1,500 crores would be required to see the next Plan through, and, of this, Rs 500 crores would be repayment of debts incurred in the Second Plan. The net assistance needed would, therefore, be Rs 1,000 crores, a figure which need not frighten us into accepting foreign aid on just any terms. Professor Raj also read out some of the conditions attached to PL 480 which he did not like.

The discussion that followed was, on the whole, quite useful. Dr D K Ghosh of the Planning Commission questioned, or more correctly, clarified, some of the assumptions and calculations behind Professor Raj's thesis; he alone among the participants was, incidentally, well acquainted with the foreign exchange budget, but the presentation of his arguments suffered, perhaps, from lack of experience in addressing a gathering of this kind. Professor Arndt of Canberra University, now working at the ISI, warned against so-called import replacement through industrialisation, which in Australia had been found to contribute little or nothing to net saving of foreign exchange. Professor Spencer of South Illinois estimated that if the exchange deficit in the Third Plan remained at one-third of total Plan outlay, as in the Second Plan, the assistance required would be nearer Rs 3,000 crores than Rs 1,500 crores as estimated by Professor Raj, though he did not explain why he expected this proportion to remain unchanged. He thought nothing wrong in depending on foreign aid and pointed to the large assistance received by China from the USSR, and added that it was within US capacity to help to this extent since the magnitude of Marshall aid had been much larger. Mr Sachs, an economist from the Polish Embassy, narrated his country's experience which had been marred by neglect of agriculture, inadequate attention to proper balance in industrial growth, autarky and the other diffi-

* By F G Bailey, Manchester University Press, Manchester, 1957. Pp RVI + 292. Price 35 s.

culties of underdevelopment. He deplored but did not regret these planning mistakes for, he stated, without a base of heavy industry, Poland or, for that matter, any other underdeveloped country similarly placed, could find no other short-cut to industrialisation. Professor Shenoy reiterated his thesis that the foreign exchange crisis had been brought about by faulty monetary and investment policies, which had led to shrinkage in exports. He did not, however, repeat his stock remedies of devaluation and auctioning of import licences. The only support he received was from Dr Ramana who called for a flexible exchange rate.

Professor V K R V Rao utilised his rhetorical powers to spell out what he described as the internal implication of Professor Raj's thesis, viz a programme of austerity, as a means to an end. He wanted an investigation into the net contribution of foreign exchange which was expected from the tourist industry, the development of which itself required considerable imports. Professor Rao supported Professor Raj in opposing any change in approach to industrialisation in the Third Plan. Dr Subramonian who preceded him wanted reliance on foreign aid to be minimised because such aid flowed mostly to countries that were already well off and called for the maximisation of domestic effort. He did not envisage a time in the near future when India, too, would be in the category of the well-off and would, therefore, attract foreign aid without excessive difficulty. Shri J J Anjarla, the Chief Economist of the Planning Commission and the Government of India, saw no sanctity in the figure of Rs 1,500 crores mentioned as the magnitude of aid required for the Third Plan; he thought that, depending on the size of the next Plan, the actual requirement may be more but not much less than this figure. Foreign exchange crisis, he emphasised, had occurred even in those developing countries which had no Plan but its eruption in a planned economy was inexcusable in many ways. He laid the blame for it on insufficient integration of policies. The magnitude of foreign exchange deficit in the Third Plan would depend, he said, on the targets and pattern of investment, export performance, domestic effort and the attitude of aid-givers. He ex-

pected exports to be influenced more by the pattern of investment than by mere incentives. Regarding the attitude of aid-givers, he drew attention to the buying strings attached to loans and the "gentle pressures" to mould domestic policies that accompanied them; included in these "pressures," presumably, was the advice to pursue sound, orthodox monetary and fiscal policies which, he said, would keep us where we were. While reconciled to larger aid, Shri Anjarla also, therefore, was for minimising the reliance on it. This, it may be added, was a fair sample of the consensus of opinion on the subject.

Economic Organisation

As in the last Conference, apart from the current topic, a number of subjects had been selected in advance for group discussion before they came up in the open session. The first of these was Economic Organisation. The discussion was so diffuse, however, that the Rapporteur, Shri Anjarla, had to define the scope of the subject. The papers submitted dealt with a variety of issues ranging from the democratic inhibitions of Shri Alak Ghosh to the problems of strategic control, State trading, land ceilings, community development and management of public enterprise. A preliminary question was raised whether economic organisation was an end in itself or a means to an end. Professor Dandekar excepted, there did not seem to be any support for the view that it should be an end by itself. To accept organisation as an end would raise many difficult problems which were non-economic. There was broad agreement that while, in the short run, the limitations of the existing framework should be accepted, the long-term aim should be to overcome them as speedily as possible. But opinion was divided on the question, where and how to draw the limit? Some members stressed the need for making only such changes as would, promote capital formation, while others felt that institutional changes like land reform and co-operation were basic to re-organisation of the rural sector for continuous and accelerated development. Professor Gyan Chand opposed the concept of 'mopping up' savings; he wanted savings to be tapped at the source through retained earnings, State control over foreign trade and

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nationalisation of banking. He called for the building up of a social momentum that would help achieve the ultimate objective of socialism. Various devices like fiscal monopolies, State trading and compulsory savings were suggested in this connection; these and other measures had to be considered separately and in detail to see how they could work in totality. Direct utilisation of unemployment was also suggested as an integral part of the investment programme in future planning. Dr Hannan Ezekiel, however, took up Shri Alak Ghosh's argument for aiming at a consumption-oriented as against a power-oriented economy, and opposed total control over production in the process of resource mobilisation.

The general discussion on the topic was so desultory that some of the less patient members gently cooed out of the Conference Hall in small groups.

Theory of Public Expenditure

The reason stated at Nagpur for setting 'Theory of Public Expenditure' as a subject for discussion at Lucknow was the need to balance the theory of taxation with the theory of expenditure. This hope turned out to be unjustified; 'in the context of Indian conditions', it remained unrealised. The six papers on the subject raised a number of issues including (i) the optimum level of public expenditure and its distribution among different items; (ii) its major objectives; and (iii) the applicability of what were described by the Rapporteur, Dr Poduval, as different 'theories' of public expenditure to underdeveloped areas. The group discussion came to such conclusions as that, the possible size of public expenditure depended on the volume of resources that could be raised and that, its magnitude should be large enough to exercise a stabilising influence on the economy! The setting of priorities drew equally trite observations. Though various objectives like maximising national income and employment, and maintenance of stability were considered, it was agreed, mercifully perhaps, that growth with stability should be the objective of public expenditure. As a principle for the pricing of public goods, it was pointed out that 'it would be desirable to equate with the sum of the marginal rates of substitution of individuals

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as between private and public goods'. Was this the theory of public expenditure applicable to underdeveloped areas which Indian economists were expected to seek at Lucknow?

Credit Policy and Economic Development

The ten papers on this subject and the group discussion on them were somewhat more satisfactory than on other topics because the scope for beating about the bush was comparatively limited. Shri Bhutani wanted banks to be nationalised because they were not co-operating with the Reserve Bank in its anti-inflationary policies. Shri Advharyu wanted Bank Rate to be raised to 5 per cent in order to mobilise liquid resources and to bring it to or near the 'natural rate'. He also favoured directional control of short term credit through Reserve Bank directives to banks. Shri Ghonasgi pleaded for regulation of money supply to keep it in step with the rate of economic growth through qualitative controls, credit policies of specialised institutions and close attention to the needs of the non-monetised sector. Shri Nayak and Shri Pathak concerned themselves with the experience of credit policies so far; the former threw out the suggestion that selective controls should be used to regulate the velocity of money! In the discussions that followed, Professors Muranjan and Ganguli made the point that the rate of interest ceases to have a regulatory function in economies in which a large proportion of investment is on public account. Nevertheless, Professor Ganguli saw no reason why the rates on public borrowing and the yields on public investment should not be correlated as criteria to guide the pattern of investment. Selective controls depended for their efficacy on overall controls but these in turn did not give complete satisfaction; Professor Ganguli was, therefore, in favour of positive channeling of credit and doubted whether this purpose was being served by the multiplicity of institutions that had come up of late, especially in the rural areas, for the benefit of cottage industries, etc. Dr Rosen, advocated higher interest rates—in the Rapporteur's judgment, this was also the consensus of opinion in the group discussion—and thought that higher rates could lure rural savings away from gold and other unproductive investments

into the organised sector. Professor Arndt supported him and said that relatively low interest rates make it difficult for the organised sector to collect savings from the comparatively non-monetised areas. Those who opposed higher interest rates pointed out that it was difficult to extend selective controls so as to make them all-pervasive and comprehensive, and that higher interest rates at the present juncture would be quite ineffective in view of the exceptional liquidity of the banking system. Moreover, merely raising interest rates in the organised sector would not help to integrate such rates with those prevailing in the non-monetised or unorganised sector, nor will a higher yield on small savings certificates, for example, overcome the preference for gold. Non-essential investment would not be deterred by higher cost of borrowing, while Government would have to divert some funds away from development expenditure to defray higher interest costs. Subsidies for high priority sectors to offset a high general level of interest rates would create numerous problems, administrative, technical and political, even the Industrial Finance Corporation had not been able to free itself from the influence of the prevalent money market rates. The examples of Germany and Japan prove little, for if we wanted to compare our rates with theirs why compare with rates in the organised sector alone? Why not compare our general average of 12 to 25 per cent on rural loans and mutani hundis with the 8 to 10 per cent rates in these countries?

As regards the multiplicity of institutions set up for various purposes, criticism was levelled against the Refinance Corporation, which had locked up large funds while older and more experienced agencies like the IFC and ICICI were practically starved of funds. Professor Savkar of the Reserve Bank, however, thought that the idea behind this Corporation was essentially sound, that it had been conceived when banks were very hard pressed for liquid funds and even though idle now, its utility may become evident at some future date. He did not explain why an institution which will take many years to become active, if it becomes effective at all, and which is burdened with so much idle

resources has not cared so far to set up proper liaison with other lending agencies that are also more or less in the public sector.

The wider problem of devising a suitable credit policy to regulate the non-monetised sector was mentioned in the course of the group discussion by many speakers but no satisfactory method of handling it could be envisaged by any of them. Professor Arndt, drew attention to the difficulty that this sector was not clearly demarcated in space and time from the monetised sector, and the problem, therefore, was even more complex than it appeared at first sight.

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Census Economic Classification—II

(Concluded)

M Ramakrishna

FROM the considerations set out in the previous issue, it would appear that an alternative classification of persons by employment status could be effected as:

- (i) self-employed (including employers),
- (ii) employee, and
- (iii) household enterprise workers.

This would be more in conformity with Indian conditions. Self-employed persons would be those working independently, not being employed by any one, irrespective of whether he employs any one for his activity or not. Large scale employers also can be considered to come in this category. The last category, viz, household enterprise workers, includes such individuals as are engaged in independent productive activity of the household without themselves being the entrepreneurs. Thus, son assisting father in cultivation or small-scale manufacture would come in the third category.

With these considerations the scheme of classification based on economic status might be suggested. This would take into consideration both employment status and economic status (the latter in place of household economic status). As in the case of 1951 census, it might be taken that the employment status is not to be made applicable to persons engaged in non-gainful activity. As such, the classifications may be as given in Diagram 1.

Means of Livelihood

Means of livelihood or occupation was classified more or less in the same manner in all the censuses from 1911 to 1941 even though the actual term used in censuses of 1911, 1921 and 1931 was 'occupation' and that in the 1941 census was 'means

of livelihood'. Minor alterations were made from census to census, but the basic structure remained the same. The 1931 census gave distribution of 'earners' and 'working dependants' by the various groups, sub-classes and classes of occupation without attempting to give the distribution of dependants by occupational groups. The 1941 census also gave almost similar distributions by groups, giving in addition the total number of dependants.

An entirely different approach in the classification of means of livelihood was made in the 1951 census. Two broad livelihood categories were taken into consideration, viz, 'agricultural classes' and 'non-agricultural classes'. There were four classes each under each of the two categories as given below:

Agricultural Classes

- (i) Cultivation of land wholly or mainly owned.
- (ii) Cultivation of land wholly or mainly unowned.
- (iii) Cultivating labourers.
- (iv) Non-cultivating owners.

Non-agricultural Classes

- (i) Production (other than cultivation).
- (ii) Commerce.
- (iii) Transport.
- (iv) Other services and miscellaneous sources.

All persons were considered under these eight mutually exhaustive and exclusive classes and then all the self-supporting persons in non-agricultural classes were considered in 10 divisions and 88 sub-divisions of industries and services.

Widely Differing Categories

In this attempt, what strikes one at the very outset is that the basis

of classification into livelihood classes in the two categories is widely different. In the agricultural classes category, the approach has been, it appears, broadly similar to a classification by employment status (though not exactly) while in the non-agricultural classes category, the basis of classification is obviously the broad sector of economic activity. This difference in approach had been made presumably due to the supreme importance of agricultural production regarding which it was thought more detailed information was necessary. While one could agree with this, the possibility of confusion arising from such classifications cannot be ignored, particularly when both the livelihood classification and industry and services divisions are taken into account.

As regards the division into 10 divisions and 88 sub-divisions of non-agricultural category of activities, it must be admitted that a very comprehensive scheme of classification has been adopted. This I C E C scheme was broadly on the lines of International Standard Industrial Classification with suitable modifications to suit Indian conditions. But, there is a significant difference in approach, viz, that I S I C is based on establishment approach while the I C E C is based on the activity of the individual. Hence, the I S I C is a pure industrial classification while I C E C scheme combines in itself both industry and occupations.

Industry and Occupation

It is in this context that the desirability of classifying means of livelihood both from the point of industry and occupation has to be considered. The attempt made in the National Sample Survey of exhaustively classifying means of livelihood by the sector of economic activity by evolving an industrial classification and an independent occupational classification is of interest. Means of livelihood classified by sectors of economic activity with cross classification by occupation or the reverse has only limited practical utility in sample surveys, unless individual cell frequencies

are large enough to give estimates with reasonable degree of margin of error, which perhaps would not be the case in many cells in a detailed two-way classification by industries and occupations. But, in the census this aspect does not arise at all and as such, cross classifications by sector of economic activity and occupation would be admirable. From the practical point of view this might create difficulties of enumeration and tabulation in view of the gigantic nature of census operations. However, it would be desirable to think on these lines to arrive at a feasible solution recognising both technical requirements and practical feasibility.

If such an attempt is made, it would be necessary to consider in both the classifications the special significance of the relative importance of the different sectors of economic activity and occupational groups arising in the context of national development plans and it should have scope for international comparisons.

Principal and Subsidiary

One important aspect regarding principal and subsidiary means of livelihood in the 1951 census needs special mention here, viz, that in case of the self-supporting persons both the principal and secondary means of livelihood were ascertained while in case of earning dependants, the principal means of livelihood was taken to be that of the self-supporting persons on whom they were deemed to be dependant and their principal source of income was labelled their secondary means of livelihood by which the secondary source of income, if any, of earning dependants remained unrecorded. This is an important drawback, particularly when one bears in mind that for the purpose of estimating labour force in any sector of economy, information on the principal and subsidiary occupations of all gainfully active persons is necessarily required.

Scheme of Classification in Census Economic Tables

Some broad conceptual aspects of census economic data were discussed in the preceding pages. But, so far as the users of census results are concerned, it is the end results or the final tables presented that are the most important. Here, a brief examination of this aspect is

made covering the three previous censuses, and some improvements are suggested in the light of the views expressed earlier.

In 1931 and 1941

The results of the 1931 census relating to economic data were presented by occupational groups, sub-classes and classes under the three breakdowns: (1) as principal occupation, (2) as working dependant and (3) as subsidiary to other occupation. Thus, for any particular occupational group the total number of persons engaged was easily available. The drawback in this scheme was that individuals having subsidiary occupations have been taken into account in both the groups of principal occupation and subsidiary occupation and, as such, this has involved a double counting of individuals in aggregates to the extent of the existence of subsidiary occupations. It is important to note that the distribution of dependants by occupation was not given. It was considered that such a distribution would have little but academic value. This is very true. It is also true that it would be practically impossible to distribute dependants by occupations of their dependency if we take account of the fact that there will be more than one occupation to be considered in many cases even though some attempts may be made, as in subsequent censuses, on some conventional basis.

The 1941 census economic tables broadly followed the pattern of the 1931 census. The number of categories by which means of livelihood groupwise figures were given was increased from three to five as given below:

- (1) as principal means of livelihood without subsidiary means of livelihood,
- (2) as principal means of livelihood with subsidiary means of livelihood,
- (3) as subsidiary means of livelihood,
- (4) as means of livelihood of partly dependants, and
- (5) total dependants on this means of livelihood.

This was a definite improvement over the 1931 scheme of classification in so far as the number of persons in the group as principal means of livelihood were further

split into two categories, viz, those having and not having subsidiary means of livelihood. The fifth category of total dependants denotes the total number partly and wholly dependant on this means of livelihood. This seems to be of very little practical utility.

In 1951

Substantial difference in the scheme of classification and presentation of economic data was made in the 1951 census. The total population was exclusively and exhaustively considered in eight livelihood classes with cross classification by household economic status. Further, there was presentation of self-supporting persons in non-agricultural classes by 10 divisions and 88 sub-divisions of industries and services with cross classification by employment status in respect of principal means of livelihood only.

Considering the livelihood class tables, in regard to each class the information available is in respect of the number of (1) self-supporting persons—say x, (2) non-earning dependants—say y, and (3) earning dependants—say z. As has been stated earlier, the 1951 approach of determining household economic status was from the dependency point of view. Thus, in this scheme of classification, x indicated the number of self-supporting persons in the livelihood class, y the number of their dependants who did not earn any income, and z the number of their dependants who had some income (i.e., earning dependants) no matter from what livelihood class that income was. It is here that obvious possibility of confusion exists. Though safe-guard has been made in tabular headings as "... and their dependants" there is the possibility that z may be taken as the number of earning dependants whose income was from this means of livelihood.

Conclusion

Now, consolidating the various points raised in different contexts, viz, that in respect of (1) economic status (2) employment status (3) means of livelihood classification and (4) scheme of final classification and presentation, the following suggestions may be made:

(a) Economic Status:

- (i) in gainful activity
- (ii) in non-gainful activity
- (iii) others.

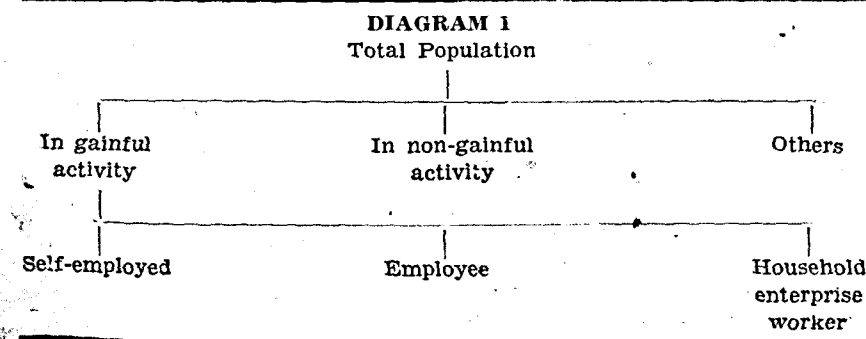
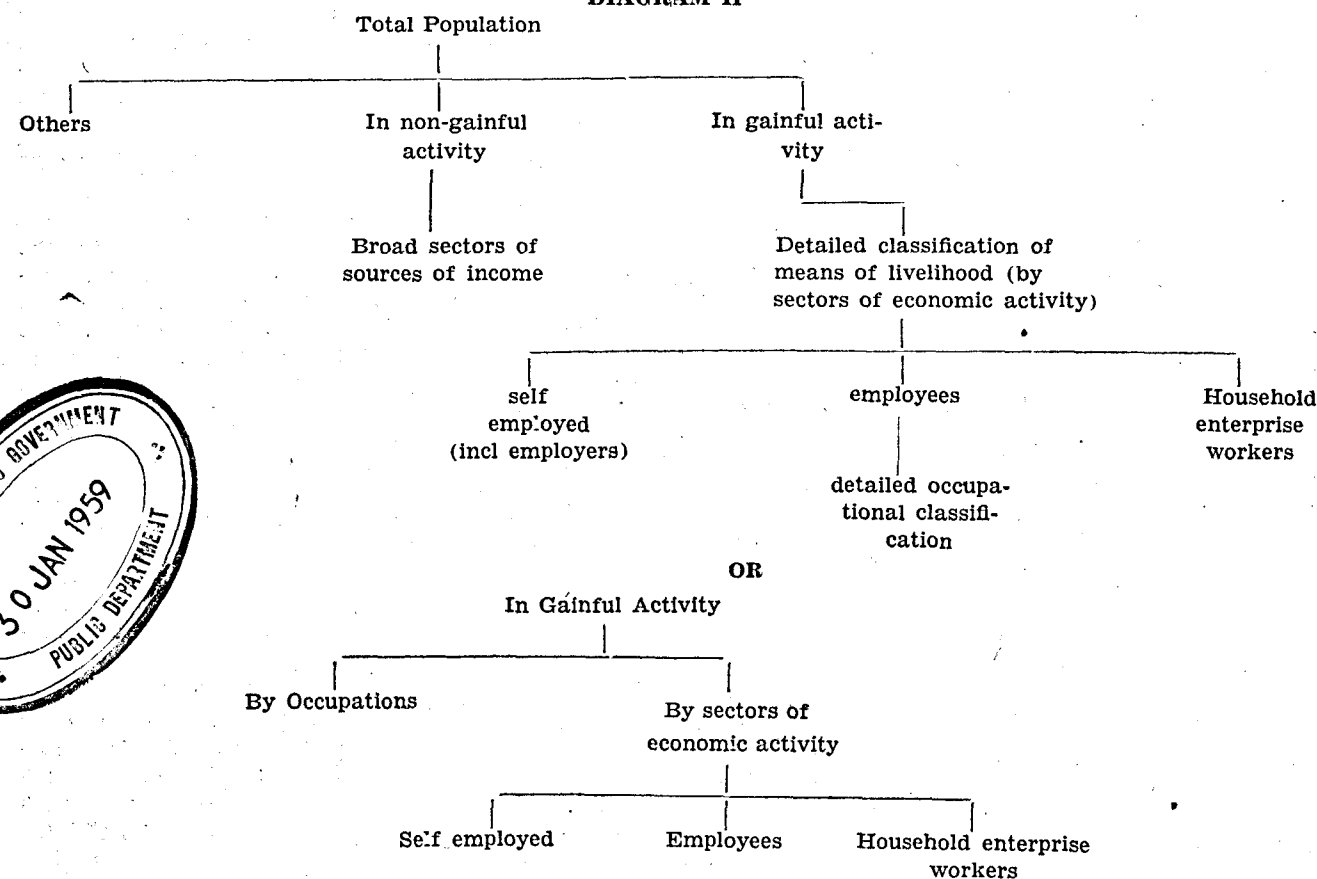


DIAGRAM II



(b) Employment Status:

- (i) Self employed (including employers)
- (ii) employee
- (iii) household enterprise worker.

(c) Means of Livelihood:

(The desirability of classification by sector of economic activity and occupation was discussed. Whatever be the classification let it be taken that there are a few classes in this respect.)

(i) There is no significance in attempting classifications by employment status and means of livelihood of persons in economic status categories two and three, viz, in non-gainful activity and others. The feasibility of classifying "others" into groups by occupations as "housewives", "students" etc, may also be considered. The usefulness of such a classification for purposes like projecting labour force etc, would require no special emphasis.

(ii) Both principal and subsidiary means of livelihood should be taken into consideration so that the total employment by the different classes is available with provision for knowing the extent of double counting in aggregates.

(iii) As regards persons in non-gainful activity some broad classification by the sectors of sources of income seems desirable. In fact, the fourth livelihood class in 1951 census, viz, non-cultivating owners of land, probably would constitute a large portion of total number in non-gainful activity. It is considered desirable to examine the sector of the source of income of all these persons if practically possible.

(iv) Considering persons engaged in gainful activity, it is important to have livelihood classification together with employment statuswise classification.

(v) In respect of the final scheme of classification of persons engaged in gainful activity, it is relevant here to point out that industry and occupation classification of means of livelihood has greater significance in regard to employees. It is not to be taken to mean that such a classification can be dispensed with as unnecessary in respect of the other gainfully active persons. In fact, occupational classification for those people is also necessary for many purposes. But since one has to

strike a balance between the ideal and possible allocation of resources, perhaps the sector of activity classification alone might be considered adequate for self-employed persons and household enterprise workers, in view of the extra tabulation that could be avoided. The other alternative would be that of having a detailed occupational classification of all persons engaged in gainful activity independent of sectorwise classification and ignoring employment status. Perhaps this is more desirable from some points of view.

These suggestions would mean a broad classification which may be presented as in Diagram II.

The classification has taken into consideration principal means of livelihood only. A classification on the same lines by secondary means of livelihood will, taken along with the first, give a complete picture of the economy. In so far as the labour force in each sector of economic activity is considered, both the tables are necessary. In actual presentation of the figures it would be possible to think out better ways of considering both principal and subsidiary means of livelihood.

Dalal Street Resumes Primary Uptrend

Thursday, Morning

ALTHOUGH by no means conclusive, Dalal Street's performance last week seemed to suggest that the corrective phase which had been in progress since about the end of September had run its course and that the primary upward trend had been resumed. Industrials have recorded an all-round sizable recovery but far more significant than the rise in prices is the turn in sentiment. The recent recovery is due less to short covering than to the emergence of professional bull support. Bulls have picked up courage when the AICC is still in session and it has yet to talk aloud how to achieve "democratic socialist society".

The Congress Working Committee's proposal for a curb on profits in the private sector, which had sent a tremor through the market a few weeks ago, is still there in the revised draft resolution on planning. Correspondents covering the Nagpur session have not hesitated to enumerate all the possible fiscal measures to control profits namely, excess profits tax, capital gains tax and limitation of dividends. If rigorously enforced, any one of these measures could seriously affect the course of equity prices.

But Dalal Street has shown remarkable firmness despite these uncertainties. Equities have not only withstood the decline but have actually recorded sizable gains. Apparently, speculators who had been marking time in the hope that the Congress session might offer them a chance of picking up shares cheaper have changed their mind presumably because of the very substantial support from the Life Insurance Corporation at around the recent low levels.

The Prime Minister's categorical statement discounting prospects of a ceiling on urban incomes has also imparted a steadier feeling to the market. Particularly welcome is the Working Committee's resolution emphasising the need to link wages with production. This will help raise production and keep costs low.

Orthodox technical analysts would like the market to do some more working and rise above the tops from where it dropped to the recent lows before pronouncing their verdict about the resumption of the primary upward trend. But odds seem to be overwhelmingly in favour of the resumption of the major trend. The corrective phase has been in progress for nearly three months and the setback from the 1958 high levels has been very substantial. The market has been unusually dull after the panicky shake out that followed the Congress Working Committee's plea for a curb on profits in the private sector. After all this, Dalal Street is inclined to push its way up while the AICC is still in session.

Increasing Economic Tempo

But not without reason. Improving balance of payments position, better harvest, larger steel output and easy money should help the economic tempo this year. And with its business continuing to grow fast the Life Insurance Corporation will continue to be in the market not with the idea of stabilising it but merely to invest its large funds in a profitable manner. This will have an important bearing on the market because of the steady decline in the floating stocks of first class shares.

With the country facing crisis of internal resources, one cannot be too sure what the February Budget will have in store for the market. But Dalal Street can certainly derive considerable comfort from the thought that Shri Morarji Desai is a friend of Big Business and that Shri T T Krishnamachari has already laid the basis of a tax structure which is capable only of marginal adjustments.

Oilseeds

Incentive For Oil Export

THE oilseeds market is in a buoyant mood which is in marked contrast to the feeling of uneasiness that prevailed a week ago. Prices have recorded all-round sizable improvement since December 31. Castor May is up from Rs 137.62 to Rs 142.25 per candy, cottonseed Febru-

ary from Rs 116.50 to Rs 120.25—record high for a long time—groundnut February from Rs 162.12 to Rs 164.87 and linseed May from Rs 30.94 to Rs 31.81 per cwt. Groundnuts rose despite the margin of Rs 15 per candy which came into force on January 5, the very first day of trading in the May contract because of its closing rate being higher than Rs 165. Margin paid to the Exchange on Tuesday totalled Rs 21 lakhs.

The rise in prices was not due merely to a change in the mood of the speculator. The news was fairly encouraging. The U K was reported to have taken about 500 tons of Indian castor oil at around £93 per ton, Commercial, in bulk, Burma was said to be in the market for a large quantity of groundnut oil and prospects of business were rated high. The reduction in freight by the Conference Lines from 305 shillings to 235 shillings improved prospects of business in HPS groundnut.

Quick Action for Success

Then came the announcement of the export incentive scheme for groundnut oil. The incentive is an expeller quota equal to the quantity of oil shipped by established exporters between January 6 and February 28. The scheme is welcome but the incentive is not strong enough to make possible bulk business in groundnut oil. On the basis of current prices of groundnut oil here and in the U K and Continent, our traditional customers, the disparity works out to around £ 13 per ton while the present margin on the export of expellers is no more than £ 10. Exports from the Saurashtra and Madras ports would be a little more remunerative.

The limited period for which the incentive scheme has been announced is likely to place the importers of both oil and oilcake in a better bargaining position and the scheme can prove useful only if no independent export quota is allowed for expellers. It would serve the cause of the export trade best if the export of groundnut oil

were made free, subject to a ceiling of course, along with the incentive scheme. The proportion in which expellers should be allowed against the export of oil should be determined after taking into consideration the price disparities and the total quantum of expellers which New Delhi would like to be exported. Time is against us because the overseas demand for oilcakes will not last beyond April. The Government therefore must act quickly.

Whether the incentive scheme will help push sales of oil to the U K is doubtful but it will certainly encourage business with Burma, Hong Kong and the Middle East. These countries may take about 6,000 tons by February end. Prospects of business with the Iron Curtain countries have also become much brighter. Mention may be made here that of the 20,000 ton quota for groundnut oil released on June 3, hardly 1,000 tons have been sold so far. This quantity is made up of scattered sales to Burma and Hong Kong and a few odd lots to the Middle East.

Overseas advices in respect of groundnut extractions continue to be firm. Business is limited only by the manufacturers' ability to produce the stuff. The U K quotations for extractions 50 per cent O and A are: afloat £ 35-15, January £ 35-10, February £ 33-15 and March £ 33. The latest quotations for 54 per cent expellers are: January £ 37-5, February £ 36-5 and March £ 35-5, per ton. American Enquiry for Castor Oil

The recent sale of about 500 tons of castor oil to the U K has raised hopes of further business but the outlook is by no means very bright. Indian castor oil is still about £ 3 to £ 4 higher than the prevailing prices in the U K. Improved African supplies have affected the outlook for Indian oil both in the U K and European markets. But reports about the revival of U S inquiries are encouraging. The U S consumption of castor oil has increased appreciably over the past few months because of the rising trend in industrial activity. Brazil is no longer an eager seller and the U S buyers are said to have raised their bids by about half a cent per pound since the past few weeks. Inquiries with the trade indicate that the U S is now willing to pay 11.75 cents for Commercial. This is

For those you leave behind

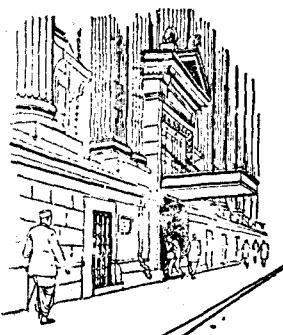
DO you realise that you expose those who depend on you to grave risks, by failing to make immediate arrangements for their welfare, when you are no longer there to look after them yourself?

If you haven't yet done so, please make a will — or execute a Trust in their favour — now!

The administration of estates is a highly complicated matter these days, and it would be difficult to find a better Executor or Trustee than a bank which is always accessible, and which can be depended on to act with prudence, sympathy and impartiality. A bank is human — but it never dies.

The State Bank of India accepts appointment as Executor and Trustee, solely or jointly with any other person — and its services are at your disposal.

Why not call on your nearest Bank Agent or send for a copy of the Bank's Booklet on Executor and Trustee business?



The State Bank's local head office at Bombay, one of more than 600 offices waiting to serve you throughout India.

STATE BANK OF INDIA

Largest of the Indian Banks

nearly half cent below the Indian parity.

Linseeds have spurred merely in sympathy with the improvement in other seeds. Tight supply because of the season-end has helped recovery. But export business in linseed oil continues to be at a standstill. Nor is the outlook promising. Devaluation or readjustments of currencies in several European countries recently and the operation of the Common Market Scheme have added to export uncertainties. The end of the multiple system of exchange rates by the Argentine and the proposed introduction of the retention scheme have already pushed down the price of linseed oil in the U K to around the lowest level since 1955.

Oilseeds

About Cottonseeds

COTTONSEED prices continue to seek new high levels because of the strong bull grip and scarcity of fresh offerings. A good deal has been heard recently about a near-squeeze position in Akola, the most important centre for speculation in cottonseeds. The rise since about September end has been quite steep, about Rs 23 per candy from Rs 98 to Rs 121, February contract.

The All-India Crushers' Association has complained to New Delhi and the Forward Markets Commission that the steep rise in prices has made crushing unremunerative. It has pleaded that strict measures should be taken to check unbridled speculation in the commodity. The rise over the past three months has indeed been quite steep but it is by no means purely speculative. Prices had been hammered down heavily on prospects of a record cotton crop the estimates for which have since been revised down from 57 lakh bales to 50/51 lakh bales. This has already brought about a spectacular rise in cotton prices.

Apart from the downward revision of cotton crop ideas, recovery in cottonseeds was helped by sustained demand for cattle-feed and the emergence of keen overseas demand for all types of oilcakes which enabled India to sell about 10,000 tons of cottonseed cake after October deliveries ranging up to March. Shipments so far have totalled only about 2,500 tons. Outstanding commitments are still very large. Since November the U K quotations for cottonseed cake

undecorticated variety have risen by about £ 4 per ton and locally too prices have risen, by nearly Rs 40 per ton from around Rs 225 to Rs 265, February position.

It is only natural that speculators should have exploited such a favourable situation created by a smaller crop and keen overseas demand for cake. But should the Forward Markets Commission find that speculation has assumed unhealthy proportions and it is harming the interest of the genuine trade it might resort to rigorous margin in futures. Few people will disagree with the crushers' plea for taking steps to check reckless speculation. But the plea made by the Association that crushing has become unremunerative is not borne out by facts. On the basis of the current prices of about Rs 378 per ton for cottonseed ready Rs 17-4 per quarter for oil and Rs 290 per ton for undecorticated cake, all spot quotations, there still remains a margin of about Rs 30 per ton which seems quite fair for the crusher.

Cotton

Futures Erratic

KALBADEVI has turned erratic. It is unable to decide whether to continue the upward journey or beat a retreat and allow technical forces have their full play. Jarilla March which had been bid up to Rs 652 on December 31 came down to Rs 641-4 on January 2. It was up again at Rs 646-8 on January 5 but dropped to Rs 638-12 the next day. It recovered sharply to Rs 649-4 on January 8 but drifted lower to around Rs 645 the same day.

The preceding rise had been too steep to be continued without necessary technical adjustments. But sentiment was also affected by the setback in the prices of delivery contracts after the expiry of December contracts. Prices fell and quite substantially in certain cases but that did not have any noticeable effect on spot prices which continued to hold distinctly steady.

Mills do not seem to be very eager to make large purchases at prices which do not offer much scope for further rise because they are already very close to the ceiling. But arrivals are still too small to make their influence felt on the market. Last week the crop movement in Vidarbha was affected by the A I C C session at Nagpur.

Arrivals are likely to pick up after about the third week of January and that may cause a moderate setback in spot prices but good quality cottons are unlikely to sell much cheaper because of the good demand and none-too-comfortable supply.

The mood of the Sewri market will certainly have its effect on Kalbadevi but it is well worth noting that there is a very wide disparity between spot and futures prices, which is a very serious reflection on the character of the hedge contract. Moglai fine 25/32" cotton, which forms the basis of the hedge contract, can be had in Sewri only at about Rs 35 per candy higher than the price of the hedge contract. Madhya Bharat and Madhya Pradesh cotton stapling 25/32" command a premium of Rs 50 to Rs 60 per candy. Not many people will deny that the present hedge contract is good only for speculators. As a hedge contract it is utterly useless.

Export interest in cotton continues to be poor. After quite a prolonged spell Japan was said to have bought about 500 bales, mostly Bengal fine, at around 16.25 pence per pound f o b. Bengal fully good was quoted at around 15.35 d. Export performance up to December 30 is far from encouraging. Figures of shipments for different varieties with the quota amounts in brackets are : Bengal Deshi 21,678 bales (2.5 lakh bales), 3/4 inch cotton 4,824 bales (2 lakh bales) and cotton below 3/4": 150 bales (50,000 bales). Of the 50,000 bale quota of 25/32" cotton from the 1957-58 or earlier crop the quantity passed for shipment is 35,329 bales.

The consumption of Indian cotton in November at 362,331 bales compares with 394,558 bales in October and 382,499 bales in September. This makes a total of 1,139,388 bales in the quarter to November against 1,162,690 bales in the corresponding period last season. Consumption of foreign cotton is also down to 36,558 bales in November against 41,303 bales in October and 42,554 bales in September. This gives a total of 120,415 bales against 148,756 bales in September-November 1957. But the decline in consumption in November is due merely to more holidays in that month.

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1802.00	1589.42	1582.23	1523.06
2. Rupee Coin	135.85	136.59	136.10	132.00
3. Deposits				
Central				
Government's	52.99	55.88	61.69	52.50
Other				
Governments'	18.52	17.22	12.19	8.10
Banks'	76.56	80.92	73.02	66.37
Others'	118.14	116.89	116.82	115.70
4. Foreign Securities	164.68	164.68	164.68	275.23
5. Balances held abroad	24.52	24.17	18.34	17.96
6. Rupee Securities	1194.79	1184.79	1174.73	1007.20
7. Investments	265.67	277.03	288.55	243.74
8. Loans and advances to Governments	25.25	23.97	24.97	34.60
9. Other loans and advances	77.43	65.37	54.70	67.41
Scheduled Banks				
1. Demand liabilities (net)	694.65	687.16	695.39	701.82
2. Time liabilities (net)	879.63	886.10	880.08	665.69
3. Cash	119.15	112.38	126.79	107.51
4. Borrowings from Reserve Bank of which against Usance Bills	10.95	10.80	1.55	23.68
5. Advances & Bills (inland & foreign) discounted of which State Bank's	1.83	0.81	0.67	21.07
6. Invst. in Govt. Sec. of which State Bank's	170.31	167.00	163.31	165.95
Cheque Clearance	234.96	286.71	255.91	183.65
	149.76	149.39	179.00	141.59

† For Reserve Bank and Cheque Clearance Week ended 2-1-59. Scheduled Banks Week ended 26-12-58.

Bombay Money Rates

(per cent per annum)

	26-12-58	19-12-58	23-11-58	27-12-57
Call Money				
From banks	3½	2½	1½	2½-4½
From public	4	3½-4	1½-3½	3½-4½
Three Months	4-4½	2½-4½	2½-4½	2½-4½
Six Months	2½-4	2-4	2-4½	2-4½

Bombay Bullion (In Rupees and nP)				
	9-1-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	116.12	114.50	113.19	109.19
Forward	115.50	114.81	113.57	109.06
Silver (per 100 tolas)				
Spot	193.62	193.25	192.12	187.00
Forward	194.31	194.31	193.00	188.19

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

Group and Sub-Group	WEEK ENDED			
	20-12-58	13-12-58	22-12-58	21-12-57
Food Articles	112.9	113.8	116.5	103.6
Cereals	104.3	105.3	108.7	97.8
Pulses	110.7	110.8	113.7	79.4
Fruits & Veg.	115.9	117.3	117.6	101.3
Milk and Ghee	104.3	104.5	105.6	98.1
Edible Oils	117.9	118.2	122.8	125.0
Fish, Eggs & Meat	109.8	106.6	109.3	98.9
Sugar & Gur	120.7	120.5	120.2	110.3
Others	150.3	154.5	159.6	131.9
Liquor and Tobacco	96.5	95.5	97.0	97.3
Tobacco	95.0	93.9	95.5	95.8
Fuel, Power, Light & Lubricants	115.0	115.1	115.0	114.8
Industrial Raw Materials	112.7	112.9	112.5	115.8
Fibres	106.3	105.5	101.9	115.8
Oilseeds	122.2	123.0	125.6	119.6
Minerals	107.3	107.3	107.3	107.1
Others	109.3	108.3	108.4	109.3
Manufactures	108.1	108.4	108.9	108.0
Intermediate Products	110.5	110.3	109.8	105.5
Finished Products	107.7	108.1	108.7	108.4
Textiles	101.5	102.1	103.3	106.6
Cotton	110.0	111.0	111.2	116.9
Jute	84.9	84.9	89.0	91.6
Woollen	106.9	105.9	105.9	103.0
Silk & Rayon	90.2	90.2	90.2	81.8
Metal Products	143.1	143.1	143.1	143.4
Chemicals	110.9	111.1	111.1	98.7
Oilcakes	143.7	142.9	143.9	122.3
Machinery and Trans Equipment	104.3	104.3	104.3	102.3
Others	114.1	114.1	113.6	111.3
All Commodities	111.2	111.7	113.2	107.0

CALCUTTA TEA AUCTIONS

	1958-59		1957-58	
	June 1 to Dec 2		June 1 to Dec 3	
	Packages (nos)	Avg Price Per lb (Rs)	Packages (nos)	Avg Price Per lb (Rs)
For Export				
Assam	546,033	2.69	510,854	2.66
Cachar	123,947	1.82	102,897	1.75
Darjeeling	112,314	3.50	101,751	3.16
Dooars	306,482	2.00	308,517	1.91
Terai	41,012	1.95	37,935	1.84
Tripura	14,451	1.81	13,251	1.76
Other Districts	454	1.94	371	1.98
Total	1,144,693	2.44	1,075,576	2.35
For Consumption in India				
DUSTS	377,871	2.02	364,050	1.91
of which :				
Assam	264,882	2.09	229,685	2.07
Cachar	27,870	1.75	29,347	1.60
Darjeeling	4,956	2.21	4,563	2.21
Dooars	74,048	1.81	92,608	1.64
Terai	3,920	1.79	5,760	1.62
OTHER GRADES	28,269	1.67	38,482	1.51
of which :				
Assam	18,375	1.62	22,759	1.46
Cachar	1,194	1.54	1,931	1.25
Darjeeling	2,182	2.53	3,816	2.46
Dooars	5,368	1.56	7,744	1.31
Terai	289	1.63	407	1.43

Source : D C I S, Calcutta.

INDUSTRIAL DISPUTES IN INDIA

Year/Month	Disputes (Numbers)	Workers involved	Working days lost
1953	772	466,607	3,382,608
1954	840	477,138	3,372,630
1955	1,166	527,767	5,697,848
1956	1,203	715,130	6,992,040
1957	1,522	666,253	5,903,083
1956:			
June	153	71,047	4,439
July	150	100,388	530,108
Aug	136	64,551	493,533
Sept	180	130,391	924,763
Oct	138	95,882	822,965
Nov	137	60,478	513,389
Dec	147	70,473	422,406
1957:			
Jan	155	129,791	405,805
Feb	124	57,833	269,041
Mar	113	42,516	287,650
Apr	161	66,724	414,535
May	163	76,337	455,037
June	153	106,234	734,545
July	198	96,715	764,308
Aug	205	146,511	821,211
Sept	232	148,148	842,508
Oct	222	110,548	533,206
Nov	175	61,498	338,979
Dec	155	84,881	512,381
1958:			
Jan	145	58,402	354,185
Feb	133	87,130	342,205
Mar	167	91,489	818,824
Apr	170	65,199	490,816
May	160	61,570	560,459
June	163	164,673	1,529,248
July	133	104,650	355,487

Source: Deputy Commissioner of Labour, Government of Bombay.

INDUSTRIAL DISPUTES IN BOMBAY STATE

Year/Month	Disputes (Numbers)	Workers involved	Working days lost
1953	179	141,525	618,192
1954	201	111,273	396,287
1955	255	103,319	361,249
1956	294	245,140	705,881
1957	306	192,283	867,311
1956:			
Aug	36	19,770	71,395
Sept	30	42,582	144,967
Oct	25	31,983	31,872
Nov	26	7,835	27,041
Dec	38	15,011	38,972
1957:			
Jan	34	11,624	46,424
Feb	26	13,432	33,285
Mar	31	16,107	61,351
Apr	35	25,919	123,603
May	28	22,741	34,906
June	25	17,891	71,093
July	38	17,829	151,493
Aug	17	6,712	85,731
Sept	36	26,506	81,333
Oct	52	31,455	53,990
Nov	31	12,934	33,603
Dec	26	16,101	90,499
1958:			
Jan	31	14,946	69,955
Feb	25	11,475	27,114
Mar	19	5,426	11,428
Apr	34	16,858	113,292
May	25	10,340	147,368
June	26	65,701	605,755
July	30	77,219	197,087
Aug	21	8,824	10,709
Sept	21	5,802	15,209

Source: Deputy Commissioner of Labour, Government of Bombay.

WORKING CLASS COST OF LIVING INDEX

(Monthly Average or Calendar Months)

(Base: 1949 = 100)

(Base: 1949 = 100)												All India	
		Bombay		Calcutta		Delhi		Kanpur		Madras		(average)	
		F	G	F	G	F	G	F	G	F	G	F	G
1955		110	110	90	92	97	99	68	78	96	99	92	96
1956		117	115	98	98	112	109	81	89	110	111	105	105
1957		123	120	106	105	117	114	87	94	113	116	112	111
	Sept	116	115	102	101	115	112	86	93	114	114	109	108
	Oct	119	117	102	101	121	116	87	94	111	112	110	109
	Nov	118	116	102	101	123	117	87	93	113	114	111	110
	Dec	118	116	102	102	120	115	83	91	113	115	110	109
1957:	Jan	117	116	100	100	118	113	83	91	113	115	108	107
	Feb	118	116	99	100	118	114	84	92	112	114	107	107
	Mar	117	116	101	100	118	114	83	91	111	114	107	107
	Apr	117	116	100	100	116	112	81	89	111	114	108	108
	May	121	118	102	102	119	114	85	91	110	114	111	110
	June	124	121	106	105	119	115	86	93	112	115	113	112
	July	126	122	107	106	119	115	90	96	113	116	113	112
	Aug	126	123	110	108	123	118	93	98	113	115	115	113
	Sept	125	122	111	109	115	113	91	97	111	115	115	114
	Oct	125	122	110	108	115	113	91	96	113	116	113	113
	Nov	129	125	111	109	114	112	89	96	120	121	116	114
	Dec	128	125	109	107	111	110	85	93	119	121	113	113
1958:	Jan	127	124	106	105	111	109	83	91	118	120	112	111
	Feb	126	124	104	104	110	108	81	89	118	120	110	110
	Mar	127	124	104	105	110	108	82	89	116	119	110	110
	Apr	131	127	105	105	109	107	85	91	116	119	112	111
	May	132	127	106	106	110	108	87	93	117	120	114	113
	June	133	129	109	107	114	111	94	98	118	121	118	116
	July	138	133	114	112	122	116	99	101	125	125	122	119
	Aug	137	132	118	115	123	117	102	103	127	126	124	120
	Sept	136	132	119	116	124	117	104	104	128	127	125*	121*

scales now proposed for them because their scales are already as high, if not higher. The most important change is in the grouping of papers in which a concession has been made to newspaper establishments in the top category who run a chain of newspapers or own multiple units.

A complicated system of classification has been introduced on the basis of their revenue taken separately, but modified according to the gross revenue of the group. In fact, the classification is so complicated that it must necessarily leave some loopholes and it will be surprising if the status grading of a unit part of a chain does not lead to litigation. There is, besides, the temptation to get out of chains or multiple units by registering newspapers separately.

Since the present proposals are merely tentative, it is to be hoped that the Committee will go into the classification of papers belonging to chains or multiple units and remove such glaring disparities as a weekly paper run by a chain, sharing the same overheads and thus contributing to the profits, yet paying its staff on the basis of its separate revenue and not on the gross revenue of the group to which it belongs. The names of some such publications readily occurs to one, but it would be invidious to mention them.

This is by far the most controversial of the proposals which is likely to give rise to prolonged dispute. Scope for similar disputes will arise in the categorisation of working journalists which has been made more complex and yet left out City editors and others charged with responsibility and supervision from the categorisation altogether. The present Committee, instead of confining itself to the lower levels of salary, has gone as far as to lay down what should be the salary of editors even in the new Class A papers. And it has not only extended the range upwards, it has brought down the lowest basic pay from what had been fixed in the last award.

The case of the newspapers against the last wage award was not only that the wage bill of the editorial staff would become too heavy; the impact of higher salary of one group of employees, it was complained, would have a most unfavourable reaction on the other

groups and thus costs would go up all round. While one may appreciate the unenviable position in facing the demand for a wage raise from the circulation or advertising departments, the tendency to regard the latter as money earners and, by implication, under-assess the contribution of the editorial staff is perhaps the most depressing feature of the Indian Press, which the Press Commission was so eager to remove once and for all.

The Commission had been greatly perturbed that editorial expenditure of the Indian newspapers should form such a small percentage of their total expenditure. While in Britain in 1946 the percentage was 29.1 per cent, in 1951, in the case of English newspapers in India, the percentage was only 10 while in the case of language papers, it was even smaller, viz, 7 per cent. Curiously enough, despite the modest rates proposed for the Working Journalists of the Vernacular papers—few of the latter will get a high grading—it is the language papers which are likely to be hardest hit. The remedy lies not in paying the journalists lower or in refusing to pay

Memo for Washington

PRESIDENT EISENHOWER had received a tremendous new mandate from the electorate in 1957, but by then, the country was slowly drifting into a recession while the Soviet Union was riding the crest of its popularity in the under-developed world generally. A few months later, the Soviet Union was to send its first sputnik into the heavens, Iraq to overthrow its decadent administration and Pakistan to undergo fresh political convulsions. Here were signs that if the United States wanted to maintain its "high role in international affairs" it had better mend its foreign policy. In the second half of his second and final term, President Eisenhower has given his answer. The answer is contained in his State of the Union message.

In this message Eisenhower recognises two important factors: One, the need to maintain "a strong and expanding economy" and two, the need to mend his political fences. With national security costing \$ 47 billion annually and other expenses bound to rise with not a small annual increase in population,

them a living wage, but in paying more attention to the recommendations which the Press Commission had made for raising the standards of Indian Press, to encourage the smaller papers and to create the conditions which will enable more papers to come up and increase the number of newspaper readers.

To all this, the Ministry in charge of the Press has been singularly negligent. Even the price page schedule has not come up. And it is not the fault of any one Ministry. For the Ministry of Commerce and Industry, at the moment, has been actively engaged in making the position of the struggling papers a great deal worse by imposing a wooden cut on imports of newsprint, particularly glazed newsprint. The cut is fair, being distributed proportionately, but singularly unimaginative in that it completely ignores the main concern of the Press Commission which was to help the struggling papers to come up and to improve the quality and service of different types of papers rather than to help the big papers to make more money by bringing out sumptuous supplements.

the President saw the need to "deal firmly with the basic causes of inflation". One of these, he noted, was the wage-price spiral and his answer to that one was "self-discipline" by both business and labour. The other was to present to Congress a balanced budget and an overall plan "to make it clear that the Government intends to protect the buying power of the dollar".

Both the United States State and Commerce Departments are striving to implement President Eisenhower's promise that he would soon present to Congress "a programme designed to encourage greater participation by private enterprise in economic development abroad". This, by and large, is the most significant statement that the President made in his State of Union message. It will be some time before the actual apparatus for translating this into action is perfected but even before the President made his public announcement it is apparent that he had appointed a special committee, headed by Mr Ralph I Strauss, to go into the question, thoroughly. Cer-

tainly, India must have loomed large in Mr Eisenhower's thinking when he advocated this sharp departure from previous practice.

For, a notable feature of United States foreign investment, has been its uneven distribution. It is concentrated largely in Canada—though Canadians are not so happy about it for understandable reasons—in Latin America, more especially the oil-rich Venezuela, and in Europe; investment in the less-developed areas of Asia, Africa and the Middle East averaged hardly \$ 100 million a year during the last four years, and this too has been mostly in petroleum.

But now that the Administration itself is showing a special interest in exporting investment capital abroad, the tempo of American activity is bound to increase in 'friendly nations' such as India. It is interesting here to note what Mr C Douglas Dillon, Under-secretary of State for Economic Affairs, who is now in charge of the study group investigating the problem of expanding the role of private enterprise in promoting development abroad, has to say. "We are seeking actively to enlist the vast resources and talents of American enterprise", Mr Dillon was quoted the other day as saying. "In invigorating the economies of the free world. The skill of our private citizens, their experience in industry and their resources of capital are an asset we must enlist to make the free world strong and to keep her free. The need is particularly acute in the newly-developing countries of Asia".

It is true that India needs foreign capital, but she needs such capital primarily to develop an economy of the type which will fulfil the needs of her people and meet their aspirations. All this is implied in her resolution to build up a socialist pattern of society and against it is being pitted the American free enterprise system with its vast resources and talents. True, what political parties swear by is not what they do in practice, and, therefore, the significant improvement in the climate for receiving American capital may continue. When one set of myths is presented against another, there is, of course, no clash. But for ensuring that there is no friction in the end, it would be nice to see someone active in Delhi, just as Mr Dillon has been active in Washing-

ton. How best American enterprise and its vast resources and talents can be utilised, to hasten development of the type which we want and we have solemnly promised to strive for and achieve. Even the mild-mannered Chief Economic Adviser complained about 'gentle pressures to mould domestic policy' while referring to the latest amendment to PL 480. In order to ensure that American co-operation, for the fulfilment of which conditions are so favourable today, may produce the maximum benefit to both sides, it is becoming increasingly necessary to go deeper into this question.

An added fillip to this co-operation will be given if and when President Eisenhower visits India at the end of the year, as is expected in some quarters. He has a standing invitation to do so and thanks to the changed conditions and the criticism that the President has been following a 'thrift and drift' policy, a Presidential State visit to India may now be regarded as likely. If it materialises it should augur well not only for Indo-American understanding, but also for the solution of the larger international issues on which the two countries so sharply differ.



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SPW 486



Weekly Notes

G D H Cole

G D H COLE, writer on Economics and Social Theory, University teacher, and a prominent figure in British Left-wing intellectual organisations, died in London on January 14, after some years of intermittent illness.

Cole could be well described as a free-lance Socialist. In contrast to many University teachers, he was not afraid to face the real issues of the world in which he lived, and his political convictions were made apparent even in the more academic side of his work. In his lectures on political science, while presenting and analysing particular problems with scrupulous fairness, he nevertheless made very clear where his sympathies lay. To his students in post-war Oxford, his lectures were absolutely a challenge and he will be remembered by them as a caustic and stimulating teacher.

While conscious of and committed to the political and social problems of his day, Cole was never anything but an independent thinker. While he lent his energies and his talents to Left-wing organisations—in particular the Fabian Society—he was not afraid to voice disagreements and act upon them. It will be remembered that in 1951, in protest against the Labour Government's policies in the Korean war, he resigned from the leadership of the Fabian Society.

Cole was a prolific writer and produced over fifty books on economics, politics and sociology. He had a gift for lucid exposition and he will probably be best known—and remembered—as a popularizer (in the best sense of that word) of political and economic theory.

Kaldor Tax Proposals for Ceylon

FOLLOWING India, Ceylon had also invited Mr Nicholas Kaldor to suggest reforms in her tax system in order to make it more equitable and efficient. The Ceylon tax proposals are now to be placed before the legislature and would become effective, if accepted, before the beginning of the next tax-year in April 1959.

Like India, Ceylon is introducing several new taxes: a capital-gains tax, a wealth tax, an expenditure tax and a gift tax. These new taxes together with certain reforms

in her income and company taxes, tax on profits and indirect taxes, and an estate duty seek to provide Ceylon with an integrated, efficient and equitable tax-structure. The Ceylon tax reforms seem to be much more thorough-going and effective than those in India. The maximum rates for capital gains, wealth, expenditure and gift taxes as also for estate duty are significantly higher than those for India. Further, there is a much better coordination between the gift-tax and estate-duty. The allowable deductions for expenditure and wealth taxes are much less and more specific in the case of Ceylon than in India.

Moreover, Ceylon has gone one step ahead of India in reforming its company taxes. In India, the company taxation is needlessly complex and requires urgent reform. Ceylon seeks to abolish its refundable income tax and profits tax on companies and in their place introduce a flat non-refundable corporate tax, at 45 per cent on the whole of the profits of the assessment year. Further, she has made significant changes with regard to depreciation allowances and other deductible expenses. For example, entertainment expenses, expense allowances given to business staff and one-half of the expenditure on advertising would not be considered as deductible for company tax purposes. All these are treated as deductible expenditure in India, some, of course, within limits.

Ceylon's suggested reform in personal income tax is also much more rational and equitable than the Indian tax. The highest marginal rate in income tax is to be set at

60 per cent and the initial exemption from income tax for a married man is to be put at Rs 4,000, to which Rs 1,000 could be added for each child up to a maximum of Rs 8,000.

China's Success in Agriculture

THOSE who have followed Professor Bettelheim's article on China in this paper may find the following observations by Professor Rene Dumont, who is now here as a United Nations Technical Expert to study our Community Projects, of interest:

"An increase of 60 to 90 per cent in the harvest in one year, for a 'continent' the size of China, is a phenomenon absolutely without precedent in the world's agricultural history. The vagaries of climate cannot provide an adequate explanation, since the succession of good and bad harvests from 1950 to 1957 was never responsible for a fluctuation of more than 6 per cent. The monsoon does not have the same effects in China as in India, where global oscillations in output are much more important, because irregularity in rainfall can affect almost the whole country".

How was this increase attained? First, Professor Dumont thinks that "unquestionably, irrigation is the decisive factor without which it would be impossible to explain such rapid increase in output". Giving the figures of increase of area under irrigation,—"more was achieved in 15 or 18 months than had previously been achieved in 2000 years"—Dumont observes that the exact meaning of an irrigated area is not altogether clear. Surely it cannot yet mean complete

mastery of water everywhere. Nevertheless, it was the decisive factor.

The second factor was the use of fertilisers. This would be found puzzling because Dumont himself says earlier in the same article that "as yet the capacity of our fertiliser factories is only comparable with that of Balkan countries". Yet the use, not of fertilisers, but of 'manures' is enormous. In fact, the figure given for it in the original typed script of Bettelheim's article looked so fantastic and improbable that we thought it prudent to strike out the figure in case there had been some typing blunder or error. It did not look safe to take any risk with such statistics. Professor Dumont's explanation of the use of fertilisers will, therefore, throw very useful light on this puzzling question. He says: "Since the chemical industry does not yet have a wide base, recourse was had to all possible sources of natural and organic fertilizer: dead leaves, green manure, refuse, night soil, plant and fish waste, and above all mud taken from ditches and canals, small lakes, and ponds, and rich clay carried on men's backs from the main river beds, the extensive use of which I had already emphasized in 1955. The average dosage of fertilizer per hectare (2.471 acres) is reported to have reached 130 to 150 tons or ten times more than last year".

So long as one does not think of chemical fertilizers, there is no catch in these figures, for use of river bed alluvium or mud from tanks and ditches for enriching the soil is a familiar practice in many parts of this country also, though such special treatment is usually reserved for plots set aside for growing special crops, chillies or vegetables for the market.

In the agricultural techniques employed, as in many other things, China's experience illustrates what many thoughtful foreign observers found so baffling, the conspicuous lack of inventiveness and originality in our handling of the simplest problems of agriculture, industry or construction. Mrs Joan Robinson had found little to excite her in the construction methods in our multi-purpose projects. A world-famous Biologist like Professor Haldane finds it equally depressing

Annual Number 1959

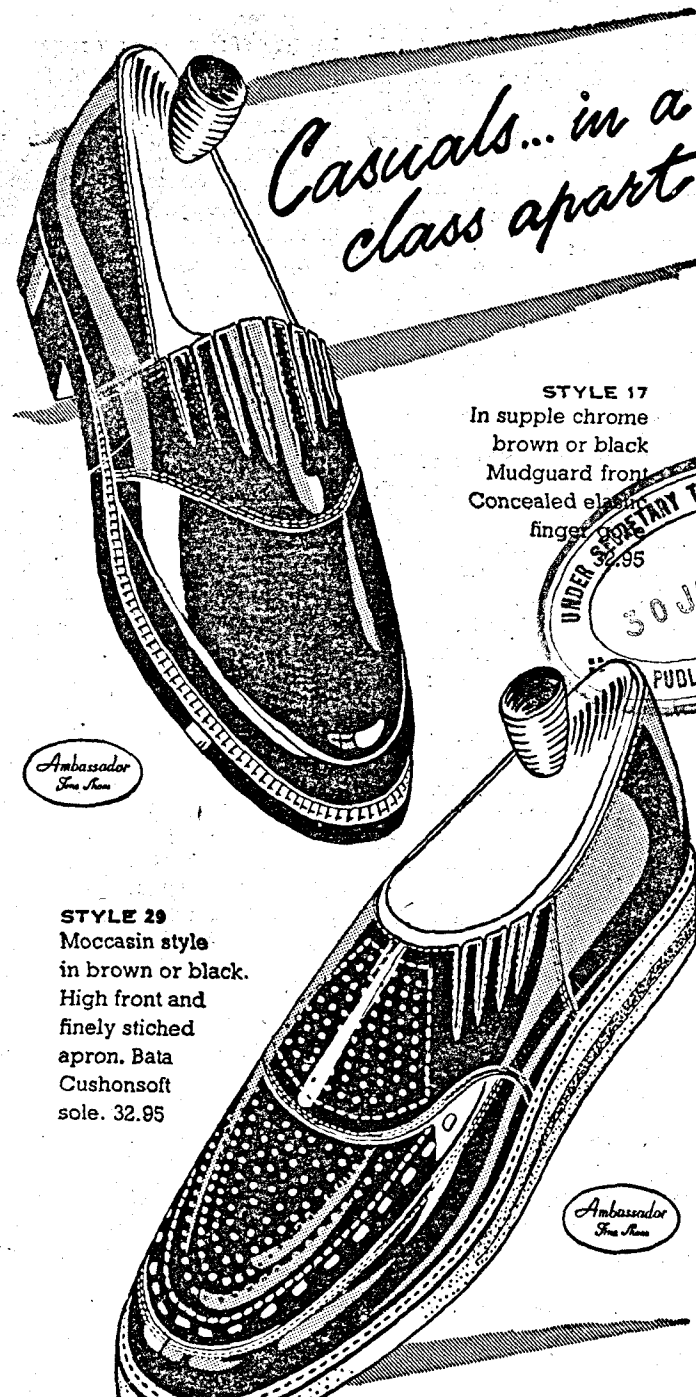
The next Annual Number of The Economic Weekly will be out at the end of this month. Therefore, there will be no issues on January 24 and February 7.

The Annual will contain a minimum of 150 pages and will be priced Rs 2.50 per copy. It will be supplied free to subscribers.

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that much of agricultural research in this country should follow the standard, conventional Western lines. A 100 years ago, he says, it was the height of ingenuity and rural inventiveness when people in Britain or Germany first thought of applying their new knowledge of Chemistry to the field of agriculture. He found it rather depressing today that researchers in this country should have a similar feeling. A systematic study of indigenous techniques and interchange of experience obtained in different parts of the country should offer promising results.

Planning for Roads

THE seventeen Committees of the Indian Roads Congress which are at work throughout the year have put forward the outline of a new plan for road expansion till the end of 1980-81. It is proposed to expand total road length from the anticipated figure of 3,79,000 miles in 1960-61 to 6,57,000 miles in 1980-81, of which about two-fifths would be surfaced. This will give a network on an average of 52 miles per 100 square miles. The implementation of this programme will cost about Rs 5,200 crores, or roughly Rs 1,300 crores in each five-year period after the Second Plan. This large magnitude of expenditure will perhaps be a proportionately small part of total Plan expenditure in successive Plans, even if it appears rather large compared to total outlay in the Second Plan. If Railways are not allowed to get away with a disproportionate share of the total expenditure on transport in future Plans, it should be possible to spare larger resources for roads than has been the experience so far.

The difficulty of attaining these targets is, however, not entirely financial. Administrative confusion and bottlenecks play a large part in delaying road programmes and facilitating fictitious achievement of targets through deterioration of quality in construction. The delegation of authority for road expansion and maintenance to local authorities has not proved satisfactory at all, while financial procedure has encouraged wasteful expenditure towards the end of the fiscal year to avoid lapse of grants. The figures given by Shri W X Mascarenhas in his presidential address

to the Indian Roads Congress at Hyderabad show that while the targets for district and village roads are likely to be over-fulfilled by 1960-61, those for national and State highways will not even be approached. Against the Nagpur Plan target of 73,000 miles for these highways, barely 48,000 miles of roads are expected to be available by 1960-61. And there is no way to find out how far the achievement in district and village roads is real!

Shri Mascarenhas suggested that "half the road bills, i.e., both construction and maintenance costs... be paid from general revenues and the remaining half by road users", as against the existing practice of recovering nearly all road expenditure from users. This is, perhaps, an unexceptionable criterion in view of the great contribution

which new and better roads make to economic growth and lower operating cost of vehicles, etc. but Shri Mascarenhas went on to suggest that all taxes on road users should be centralised and distributed to the States "on the basis of the vehicles registered and operating in each State". This principle may be equitable in the sense that the number of vehicles registered in a State broadly indicates the relative demand for road use, but it is hardly fair to the backward States which will be condemned forever to bad and inadequate roads due to lack of revenues. Moreover, the astonishing growth in recent months of inter-State movement of goods by road transport following the relation of irksome restrictions, makes it difficult to justify distribution of road revenues on the basis of State of registration alone.



it does not matter
if we win or lose
so long as
tea is there
to cheer us up!

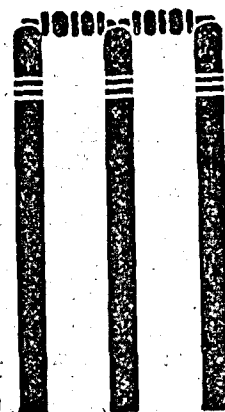


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PST 201



Without Comment

Hidden Incomes Pakistan and India

Lahore, January 11. The Pakistan Government's drive to unearth hidden wealth in the country has so far resulted in the declaration of Rs 117 crores.

This was disclosed at a Press Conference here yesterday by Mr Qameral Islam, Member of the

Calcutta Letter

THE winter session of the West Bengal Assembly which concluded on 2nd January was a stormy one and though it devoted most of its time to the Anti-Profiteering Bill it was not solely concerned with 'salt and oil' politics. Discussions on the Bill pervaded the whole session, Government had to accept two amendments moved by the Opposition and the text of the Bill underwent an important change as the Food Minister proposed to include minimum prices for all the ten articles in the schedule, adding kerosene to the list which had so far consisted of rice and rice in the husk; wheat and wheat products; pulses; spices; edible oil; sugar; baby food; paper; and drugs and medicine. The Bill was introduced on December 18 and finally passed on December 29.

Though the provision had been made in the Bill for fixing minimum prices for all the ten articles, minimum prices were announced by the Food Minister on the 23rd for only rice and paddy. The Opposition members were keen to show the defects and drawbacks of the Bill and they criticised it from the stage of Ordinance which was now being replaced by the Bill. Shri Sidharta Ray, ex-Cabinet Minister, now an independent member of the Assembly, pointed out a legal flaw. He said that no law could be enacted by the State regarding prices of food without prior sanction of the Centre. The Food Minister, though accepted as a statistician in matters of Food and Famine in West Bengal, was caught napping and after a discussion between the Speaker, Shri Ray and the Food Minister held in camera, it was announced that the Bill would be sent for President's

Pakistan Central Board of Revenue.

Giving the break-up of figures, Mr Islam said that Rs 64 crores were declared in the areas comprising Karachi, former Sind and Baluchistan, Rs 35 crores from area of former Punjab, N W F P and Bhawalpore, and Rs 18.30 crores from East Pakistan.

Mr Islam estimated that the income-tax on the declaration would amount to one-and-a-half times

more than what was being received in the normal year excluding tax on salaries.

He claimed that the result achieved by the Government surpassed the results achieved in India in a similar drive launched in 1953-'54.

"India," he added "had declared Rs 67 crores in a period of six months. Judging from our result they should have declared at least Rs 700 crores" — PTI.

Another Stormy Session

assent under Article 254.

A good part of the discussion on the Bill was about the date on which the report of the Food Enquiry Committee of 1958 had been submitted. The main outcome of it was that the Bill would be of no avail, if Government did not enforce control over export from and import into State of all the articles listed in the schedule. The inadequate arrangements for enforcing the various sections of the Bill were sharply criticised. Shri Sidharta Ray pointed out that rice and paddy were brought within the Price Control Order under the Essential Commodities Act passed by the Parliament and that the State should have empowered itself to control transactions in rice and paddy more effectively. It is of interest to note that the minimum prices of rice and paddy (maximum prices had already been announced under the Essential Commodities Act and became operative from the new year's day, from which day, incidentally, rice has vanished from the open market in Calcutta!) were fixed under the Anti-Profiteering Ordinance and that they were the same as the maximum prices! The Opposition winded up by warning the Government that the State would face another crisis as in the last year.

Opposition members walked out of the Assembly only once during the session, and that was on the 26th of December, after two resolutions had been passed unanimously. The discussion on the Farakka Barrage scheme (which had become a vanishing dream for West Bengal people) was a lively one but without any dissent. The Opposition found nothing to oppose as both the Congress and

the Leftists were eager to uphold the essential necessity of the Ganga barrage for the City of Calcutta, and for West Bengal as a whole. The dilatory notes and the indecisive decisions of the Government of India had placed enough ammunition in their hand and the resolution urging the Centre to begin work immediately on the Ganga Barrage or to include the Scheme in the Third Plan was passed unanimously. Neither was a single dissenting voice raised against the resolution for the erection of a statue of Netaji from any quarter in the West Bengal Assembly that day.

The discussion on the Service Conduct Rules, however, could not be begun at all, though the motion had been on the agenda in the name of a Communist member. The Speaker had allowed it to be put on the agenda, but could not allow it to be discussed in the House without the consent of the Minister concerned. The Minister in this case was the Chief Minister and he wanted time to collect data to see if the discussion would be against public interest. The technical point of objection was that 21 days' notice had not been given, but many Opposition members pointed out that the Assembly itself had been given only 10 days' notice. It was clear the Government was not ready to face even a discussion on the subject, but the Opposition members could not accept such a ruling from the Chief Minister and staged a walk out. It is needless to say they had the day, for the failure of the Government to face the problem of its own employees says much more about their condition than what the Opposition could have said.

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From the London End

American Control over British Aluminium

THE City of London has just witnessed a most remarkable battle between two American financial giants in which a very substantial part of the British aluminium industry was the prize. What was most telling was the crudeness and the heat with which the battle was fought and the inevitable confusion in the City's assessment of how far the 'national interest' was satisfied by 'profit-taking'.

The essential facts of the war for the control of the £ 9 mn British Aluminium Company (BA) are: BA possesses a near-monopoly over aluminium ingot production and marketing within Britain; it possesses, too, a valuable and indeed substantial foothold in all Empire markets and on the Continent. BA was in the process of enlarging its interests in Australia and, more important, in Canada where the Bala Comeau production project involving a capital expenditure of £ 75 mn was in the offing. Within Britain, however, aluminium marketing prospects (with the decline in military aircraft production) were not too bright and consequently there was a certain weakness in BA's financial structure and prospects. It was in this situation that BA turned its mind towards raising fresh capital to finance its international development projects.

Alcoa and Reynolds

From this point onwards the facts of the war become less precise. It appears that BA has for long had some 'link' with the Aluminium Corporation of America (Alcoa)—a giant of an American enterprise controlled or supported by the powerful New York Mellon banking group. The managing director of BA, Lord Portal (retired Air Marshal of the Royal Air Force) apparently entered into negotiations, without the BA shareholders' knowledge, for the issue of 4½ million of BA stock at a price of 60 shillings to Alcoa—this represents about one-third of BA's issued share capital. According to the 'Economist', Lord Portal was aware as early as 1957 that a fairly sizeable slice of BA stock had been acquired by one American firm through the stock market, and that another American firm (later

divulged as Reynolds Metals) was seeking 'a link' with BA.

In retrospect it is clear that a number of financial and industrial interests in the United States have had their eyes on the British aluminium industry for some time. By late October 1958 matters came to a head when each of the American giants got wind of what the other was contemplating. Early in November Reynolds Metals with their British associated enterprise, Tube Investments, published the terms of its formal bid for control of BA—a bid extremely attractive to the shareholders. The TI-Reynolds bid was 78 shillings in cash and one TI ordinary £ 1 share for every £ 2 of BA stock. This bid certainly dwarfed the terms of the contract which Lord Portal signed with Alcoa and which he has not made public yet.

Support for Alcoa

The battle now became sharper, cruder and, ultimately, cracked wide open the City's often pronounced concern for the 'national interest'. Lord Portal, instead of informing shareholders of the relatively paltry deal he made with Alcoa, advised them not to countenance the TI-Reynolds bid: the "price of a small kingdom" was being offered for "a powerful empire", he said. By then, however, the terms of the contract with Alcoa were published in every newspaper in England and it was seen that, by contrast, as the 'Economist' put it, "Alcoa had been let in for the price of a minor principality."

The terms of the battle were brought into the open. This led to the introduction of a new and more disastrous element. Possibly at the instance of Alcoa, a syndicate of the most powerful merchant banks and trusts in the City of London—the so-called 'Establishment of the City'—intervened by announcing their offer to buy half of any holdings of BA stock at a price of 82 shillings on the remarkable condition that shareholders did not sell the other half within three months. In announcing this, they declared:

"The maintenance of British Aluminium as a separate British Com-

pany in partnership with Alcoa is in the national interest and affords the best opportunity for investors to hold a direct interest in a British company engaged in the production, fabrication and sale of aluminium on an international scale."

Aggressive Tactics of Reynolds

This is certainly the hollowest and cheapest of appeals to patriotism. For in fact BA in its international (not British) development plans was to bring in Alcoa capital and hence Alcoa influence. Indeed, the manner in which Alcoa was brought into these projects showed clearly that the Americans would in any case have secured a dominant interest in BA. What was in fact happening was that two American industrial giants were engaged in warfare on a London battleground and the 'Establishment of the City' had merely occupied the role of a pawn for Alcoa in this war.

At this stage Reynolds resorted to aggressive tactics: they entered the stock market and bought up all offers of BA stock at prices averaging 80-82 shillings. The shareholders, being more interested in quick profit-taking rather than in abiding by the City's canons of patriotism, sold most of their holdings and within a week Reynolds acquired some 90 per cent of the stock and so have become masters of British Aluminium.

What now? The 'Manchester Guardian' regretfully notes the pas-

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sing of a great British industry into foreign hands but it rightly declares that if it is the accepted policy to encourage American investment in the U K then nobody dare complain about what has happened. But this is by no means final. For what the

Americans have done to the British aluminium industry merely inaugurates the new process of aggressive penetration into basic sectors of the British economy. The Conservatives, having de-nationalized the steel industry and having shown

themselves utterly impotent in the case of aluminium, are likely to see in the future American incursion into British steel, and when that takes place, economic dependence on the United States will have become complete.

A Great Sound of Machines...

When Balbir Singh came to Jamshedpur from Bahrain in 1957, the site for the new Rs. 100-million Blooming Mill—a key unit of Tata Steel's Two Million Ton expansion programme—had just been cleared after levelling a large hillock.

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Despite the Suez Crisis which delayed vital supplies and other difficulties, the

rapid completion of the Blooming Mill was made possible by the devoted service of men like Balbir Singh. He and hundreds of other Indians, assisted by American and German technicians, worked round-the-clock on this major expansion project to produce more steel to strengthen India's economy.

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Letter from Patna

Supersession of District Boards

THE brief winter session of the Bihar Legislature ended a few days before Christmas after transacting a fair volume of Legislative work, the most significant of which were the Acts regarding the taking over of District Board Administration by the State Government, and the imposition of the multipoint Sales Tax—to be collected even from traders with moderate business turnover—and of a cess on land rents for financing the expansion of primary education. Mention may also be made of the amendment to the Bihar Land Reforms Act facilitating the collection of certain arrears by the ex-land lords. The most important of these, as also the most controversial, was the Act relating to the supersession of District Boards, which was initially done by means of an ordinance which came into effect on September 15, 1958, namely the Bihar District Boards and Local Boards control and Management Ordinance, 1958.

School for Politicians

Thus came the end of the 73 year old history of District Boards in Bihar which started functioning in 1885. District Boards in Bihar, as probably in most other parts of the country, reflected most of the virtues as also the vices of democracy at the grass roots. In the pre-independence days District Boards, like various other local self-governing bodies in this country, were commonly regarded as training ground for the future political leaders of the country. Several of the front rank leaders of this State have been, in some form or other, connected with them at the early stage of their political career. Most of the District Boards used to be run by the prominent leaders in the district, many of them being members of the Legislature or office bearers of local party organisations.

While not always contesting them officially on party lines, elections to local bodies have always been regarded as unofficial barometers of the prestige of the parties and their hold on the local electorate. Thus, the Congress debacle in Chhota Nagpur in the last two general elections was preceded by the passing away

of its control over the local self-governing bodies there, particularly in the district of Hazaribagh, to the opposition parties.

Elections Postponed

In the pre-independence days, particularly in the pre-second world war days, District Boards offered the maximum available opportunities for self-government and for exercise of latent administrative talents in non-official circles. Control over these bodies by the Congress, thus, came to be regarded as a victory of popular forces of nationalism against vested interests. District Boards used to be regarded jealously as symbols of local autonomy.

For various reasons, however, over the last several years District Boards in Bihar had fallen from public grace, though the majority of them were controlled by members belonging to the Congress party. Instead of functioning as valuable centres for field training for the promising politician, District Boards had been transformed into positive instruments for personal gain. Elections to the Boards were not held for several years after they had fallen due, for which, however, it was the Government that was to blame. In several cases this was done as a result of deliberate effort to perpetuate the hold of particular individuals over these bodies.

Overdue Measure

Before the ordinance suspending popular administration of District Boards was issued, the principal public demand was the holding of early elections. In recent times, however, it was clear that mismanagement of District Boards had gone to such lengths that a mere re-election would not be enough. It used to be rumoured that Government had decided to supersede them. Unfortunately, Government had not finally made up its mind and this state of indecision further aggravated the evils in the administration of the District Boards. It was only in September that Government finally decided to supersede them, and District Magistrates were instructed to take them over.

While the future set-up of the District Boards, and the Local

Boards which function as their subsidiaries, has yet to be finally decided upon, there is a powerful school of thought which holds that they need not be revived as their functions are being increasingly taken over by the Government. Their two primary functions, Health and Education, have now greatly diminished in importance with the expansion of the Government's Rural Health Services and the assumption of control over education by District Education Officers appointed by the Government. Control over schools, supposed to be maintained by the District Boards, passed to these officers. A substantial part of the money which went to cover the salaries and dearness allowances of teachers of District Board schools was found by the Government, and District Boards, always hard pressed for money, often diverted such money to other purposes. The roads maintained by District Boards provided a sad contrast to those maintained directly by the State Government.

Arrears in Collection of Cess

The District Boards were in a chronic state of deficit. Their principal income was the cess on land revenue collected by the State Government. After Zamindari abolition, collection of the cess fell into arrears and District Boards had been persistently complaining of non-payment of their dues by the Government. It is, indeed, one of the tragedies of our local self-governing bodies that with few resources of their own, they are compelled to depend more and more on Grants-in-aid from the State Government. With their administrative responsibilities in health, education and public works being increasingly taken over by the State Government in an era of growing governmental activities, and with their principal source of income being dislocated, District Boards were being squeezed from both the sides, and their existence certainly needs special justification today.

Unlike some other State Governments, the Government of Bihar has not yet accepted the recommendations of the Balvantray Mehta Study Team regarding the organi-

sation of Zila Panchayat Parishads. District Boards in Bihar, thus, stand only superseded and not abolished, in the technical sense. The Minister in charge of Local Self Government spoke of holding elections to these bodies within the foreseeable future. It would, however, be a waste of public money to hand over the District Boards in their present form to newly elected office bearers without redefining their functions and their place in the changing rural socio-economic set-up.

This is not to say that Zila Panchayat Parishads, as suggested by the Balvantray Mehta Team, can replace District Boards immediately. While it is true, that it is no longer necessary to keep institutions like District Boards merely for mis-managing schools, dispensaries and roads and that a district level organisation can be justified only on grounds of local developmental functions, yet few would unhesitatingly recommend the constitution of a body like the Zila Panchayat on the basis of the existing Gram Panchayats in Bihar. It appears therefore that for quite some time to come the functions of District Boards, few as they are, will continue to be carried out under supervision of District Officers of the State Government.

It is to advise on these problems that the State Government has appointed a committee under the Chairmanship of the Minister for Local Self-Government. The committee has invited opinions from all interested people on the following specific points:

(1) How far can a suitable district level body be built up on the basis of the Local Self Government Act of 1885?

(2) To what extent can the recommendations of the Balvantray Mehta Team be applied in Bihar?

(3) How far can developmental and welfare activities be integrated and performed by the reorganised local bodies?

(4) How far can the work of various district level committees be integrated?

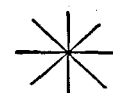
(5) The composition and constitution of the proposed bodies.

(6) Relationship of the district level bodies with Gram Panchayats, Block Advisory Committees etc.

— S K Bose

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SISTA'S-58-15

Book Review

'Zero'

William H Newell

The Story of the Japanese Navy Air Force 1937-1945 by Masatako Okumiya and Jiro Horikoshi with Martin Caidin. Transworld Publishers, London. Corgi Books. Pp 412. Price 3/6.

THE history of the rise and fall of the Japanese Empire between 1937 and 1945 is largely a history of the rise and fall of the Mitsubishi Type O Carrier-borne Fighter Model aircraft commonly known as the Zero. Produced secretly by the Japanese Navy before the attack on Pearl Harbour, it dominated the air over the Pacific until the Americans recovered one intact in the Aleutians. This laid the basis of the American Grumman F6F, which, with other planes developed subsequently, wrested the mastery of the air from the Japanese. Although the Japanese developed other fighter aircraft, none proved as useful as the Zero till the very end of the war.

This book is designed as a history of the failures and successes of the Zero fighter throughout the whole period of the war and of the units and men who flew it. The two author pilots had access to the U S A F Strategic Command records at the end of the war and were thus in a unique position to weigh up the truth behind the claims of the Japanese. The book can thus be regarded not as an accurate evaluation of the views of the Japanese during the war but as a criticism of the Japanese views from a position of hindsight. From a strategic point of view, the book can add very little to what is already known but from the personal point of view of the combatants, it is extremely valuable.

The main thesis of the authors is that in the early stage of the war, the Japanese leaders had become inflated with pride from their victories over the Chinese and had failed to realise that to undertake total war against the Americans, a much higher degree of organisation within Japan would be necessary than the political and social organisation of the Japanese people would allow. Not only had a sufficient and ever improving type of aircraft to come off the production line but the number of pilots and auxiliary ground crew had to remain at a high standard to meet the superior technical and economic

power of the United States. This was not realised by the Japanese leaders.

Japanese airmen forced down into the sea were not rescued by their fellow pilots even when it was possible by orders of the High Command for fear of damaging aircraft, and the living conditions of the crews and groundstaff were not made as important a priority as the replacement of damaged spare parts. The result was that the ability, health and quality of the Navy Air Services started to deteriorate almost from the attack on Pearl Harbour. The Kamakaze (suicide) missions which the Japanese Navy Air Forces undertook at the end of the war were a sign that the war would soon be over, as every suicide meant the loss of a fully trained pilot who was sacrificed because his equipment, the Zero fighter, was no longer capable of facing up to the new American planes.

During the war, I served with the Royal New Zealand Air Force in the Pacific. In the early part of the war, the Japanese were reputed to be much cleverer than the Europeans facing them. They were supposed to be able to walk for long distances through the jungle wearing only sandals; they were supposed to live on practically no food and to be almost supernatural in the way they could move from place to place without equipment. Westerners required equipment and food which Japanese could well do without and this gave the Japanese a mobility and drive which Europeans could never emulate. The picture painted by these two Japanese pilots is very different.

Living in the damp wet jungles of the New Guinea island chain, bitten by mosquitoes with food lacking adequate vitamin C from vegetables, Japanese were driven on by their centralised political system to believe that their sacrifice was worthwhile. This belief was so powerful that throughout "the whole of World War II, not a single living member of the Japanese armed

forces ever received any form of government honour, award or citation." While Japanese were being forced into retreat along the New Guinea island chain by the increasing American power, ground crews were often left behind without hope of rescue. In one of the most forward bases at Buin, Okumiya describes how in spite of the terrible difficulties the Japanese had to withstand, working over twelve hours a day for weeks on end without adequate protection from the enemy's air attacks and with poor food and accommodation, not a single Japanese member of its groundstaff was given leave to return to Japan.

The Japanese believed in a system of winning the war in which each person in the country owed total allegiance to his superior. Officers were superior to men; officers obeyed the orders of their superiors implicitly, even when such orders were based on inaccurate information or impossible to carry out. The result was that the whole Japanese civilian and military system gradually sank into increasing chaos. Production of planes in the homeland actually dropped as the war progressed, as the military continually tried to modify the production lines and the engineers found themselves unable to stand up to the constant stream of modification orders. Aeroplane crews were continually sent up against overwhelming forces in order that superior officers could show that it was not their responsibility that a particular project had failed.

The authors of this book have however failed to see the main point of their work. They claim that the Japanese did "not have a social organisation which lent itself to a cohesive national effort". They think that what Japan requires are "great and sincere statesmen who will lead Japan to a future of Peace". In fact the Japanese social organisation was a hierarchical system of great strength before the war. The defect lay in the absolute allegiance every per-

son in the hierarchy owed to the person above. In Japan itself for example there was no system of individual exemption from military conscription. A key worker on a Zero production line might be called up to serve as a common soldier and the factory had to release him. The generals in command could not admit defeat by virtue of the superiority of the opposing enemy forces and several committed suicide. The country thus found itself in a worse position than before and also lost the services of a capable general.

The conclusion of the authors should be not that some capable statesmen should once again lead the country to victory or peace or some other woolly aim determined by the statesman himself but that every Japanese citizen should have the right to express his opinion, especially in fields in which he has some knowledge, without any fear

of his unworthiness before some official in an hierarchical fascist like organisation. Discipline certainly, but not unthinking allegiance.

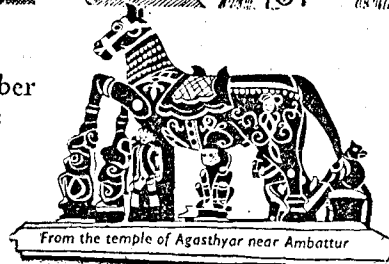
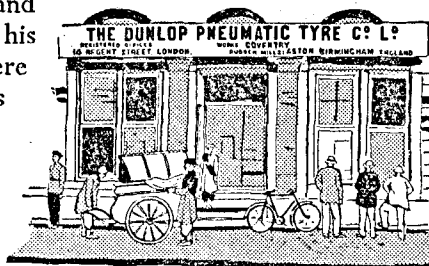
To a non-Japanese such as myself, this is an encouraging book because it shows that a totalitarian system is basically an inefficient system, unable even to bring a war to a victorious conclusion in which it had all the initial trumps.

When Dunlop first opened an office in Bombay at the end of 1898, there was no fanfare, no handouts, no headlines.

Just about 10 years earlier, John Boyd Dunlop, a veterinary surgeon, had invented the first practicable pneumatic tyre. With the opening of the Dunlop office in Bombay the pneumatic tyre had come to India.

The old century was about to say its quiet farewell. Tagore had not yet started work on "Gitanjali" and Jamsetji Tata was yet to launch his epic search for iron ore. There was nothing, then, of the furious bustle that marks our days. Soon, very soon, all these were to change as India was caught up in the swift currents of 20th-century history.

Dunlop has moved with the times and in 60 years it has become a familiar and intimate name throughout the country. The Dunlop factory at Sahaganj has grown to become Asia's largest rubber manufacturing enterprise, and this sixtieth year of Dunlop in India is marked by the setting up of a new tyre factory at Ambattur.



the long road to Ambattur



The Dunlop Rubber Co, (India) Ltd.

Labour Economists Confer

S D Punekar

THE Indian Society of Labour Economics, which came into existence in the beginning of 1958, held the second session of the All-India Labour Economics Conference at Agra on 31st December 1958 and 1st and 2nd January, 1959. The success of this conference indicated that the Society had had a flying start. Within a year, it had enrolled about 115 members and brought out its quarterly, 'The Indian Journal of Labour Economics', which has been making its contribution to the study of labour problems.

The conference was inaugurated by Shri Lal Bahadur Shastri, the Union Minister for Commerce and Industries, and was presided over by Shri V V Giri, the Governor of U P. Shri Shastri, in his inauguration address, pleaded for active and willing labour-management co-operation for the economic development of the country. He referred to the low incomes, paucity of employment opportunities, relative industrial backwardness and inadequate production, creating serious difficulties in export. These factors have led to a complicated situation, which could be solved by honest co-operation between the two parties. The concept of class-conflict, with workers engaged in grim struggle to wrest concessions from employers, he said, should disappear, because in an underdeveloped country, both employers and employees had to serve a larger interest—that of the community as a whole.

Shri Giri, in his presidential address, reviewed the labour situation of 1958 and emphasised the necessity of free collective bargaining for better industrial relations. Once again, he supported voluntary agreements and expressed his dislike for adjudication or compulsory arbitration. Unfortunately, this "Giri Approach" has not been given a fair trial so far and it is doubtful whether it would be accepted even as an experimental measure in the present times, when labour relations are governed by vested interests. Shri Giri, who had unified our divided trade union movement during the period 1938-40, also made a fervent appeal for trade union unity. This appeal, like that for

collective bargaining, may fall on equally deaf ears of our trade unionists and Labour Ministers.

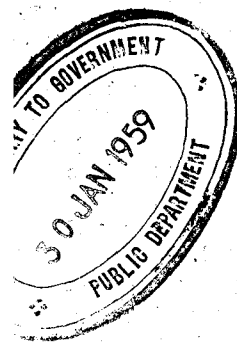
Shri Giri's presence throughout the three days of the Conference revealed his active interest in labour problems. There is no doubt that the initial success of the Society is in a large measure due to its popular President.

The Conference had for discussion three important labour subjects: (i) wage policy; (ii) unemployment; and (iii) workers' participation in management. The three sessions were presided over respectively by Dr Gyan Chand, Professor P C Mahalanobis and Shri K N Subramanian, Joint Secretary in the Ministry of Labour. In his address, Dr Gyan Chand made a fervent appeal for formulating a wage policy in keeping with the country's objective of full socialism. The wage policy should be such, he said, as to provide a new framework for building a rational wage structure—a view accepted in theory, but not applied in practice. The various recommendations relating to wages in the First Five Year Plan, like the creation of permanent wage boards; appointment of experts to examine the question of wages, profits and terms and conditions of wage payment and to lay down norms and standards for the determination of wages; scientific assessment of work-load; full and effective implementation of the Minimum Wages Act;—all these, according to Dr Gyan Chand, still remain our social aspirations rather than objects for earnest and immediate endeavour. The experience with the Second Five Year Plan has been no different. For example, the Second Plan says that a wage policy which aims at a structure with rising real wages has to be evolved and also that workers' right to a fair wage should be quantified. In actual practice, little progress has been made towards realisation of these desirable objectives even at the end of the third year of the Second Plan. This disparity between theory and practice supports the criticism that the authorities are merely paying lip-service

to the ideal of "socialist pattern of society."

Professor Mahalanobis, who presided over the session on "Unemployment" was another critic of the existing conditions. He is author of the Draft Plan-frame which intended the Plan to be employment-oriented. Naturally, his views on employment and unemployment attract wide attention and receive careful consideration. He estimated that the country was producing one million job-seekers every year in urban areas and two and a half million in rural areas. The extent of under-employment is still greater. According to statistics recently gathered, Professor Mahalanobis said, it appears that there are about 20 million people who have hardly an hour's work per day, 27 million with less than two hours' work, and about 45 million with less than four hours' work per day. Another survey, he added, showed that 30 million people were engaged in gainful work for five days in a month, 40 million for less than 10 days and about 53 million on less than 15 days' work a month. Less than one-third of India's population was thus gainfully employed and of these, about a third were under-employed.

The framers of the Third Plan naturally face a serious problem. Professor Mahalanobis estimated that the country required 40 per cent rise in its economic activity to cope with the rise in population. The problem of unemployment and under-employment can be solved only by increased economic activity, e, by improving production. Printing of more currency notes or destroying all mechanical tools would not solve the malady. Professor Mahalanobis laid great emphasis on the development of basic industries, particularly the manufacture of machinery. According to him, the cure to unemployment lay in more machinery, more energy and more transport, which would lead to a rise in the standard of living in arithmetical dimensions, "independent of the economic theories"! He visualised that the Third Plan would lay emphasis on improving production and reducing unemployment and under-employment.



The rich tradition of archaeological splendour in Orissa is reflected in the profusion of local handicrafts. Decorative wood and ivory carving, silver filigree work, stone-carvings, Utkal saris . . . all these express the delicate artistry imbibed from the surrounding sculptural masterpieces. With its Lingaraj Temple towering over Bhubaneshwar, the nearby Rock Edicts testifying to the conversion of Ashoka, the Sun Temple at Konarak, the famous Car Festival at Puri, Orissa attracts thousands of visitors every year.

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THE ECONOMIC WEEKLY

January 17, 1959

etc. Stockinette (a tubular knit-wear used for meat wrapping and auto-polishing) has found a market in New Zealand from where a few orders have already been obtained and executed. Concerted efforts are being made to develop export of this item to New Zealand and Australia, two of the largest meat exporting countries in the world.

As lack of technical skill and up-to-date machinery have been two of the main handicaps that stood in the way of the development of small industries, the Corporation, early in 1956, introduced a scheme

of supplying machinery and machine tools to small scale entrepreneurs, existing as well as those who intended to set up new units, under the hire purchase system. The terms were purposely made liberal to enable the large number of small units to avail of this benefit. The applicants are required to pay 20 per cent of the value of the machines as earnest money in respect of General Purpose Machines and 33 1/3 per cent for Special Purpose Machines. Installments are payable half yearly and are spread over a period not exceeding 8 years. For machines whose value does not exceed Rs 2,000, the amount of earnest money is reduced to half the above limits. Industrial Cooperatives may be permitted to pay 5 per cent less. The interest rate is 4 1/2 per cent for any machine valued upto Rs 15,000 and 6 per cent if the value exceeds Rs 15,000. For industrial cooperatives, these rates are 3 1/2 per cent and 5 per cent respectively.

The total number of applications accepted till the end of the year 1958 was 1425 for 4895 machines valued at Rs 4,03,39,009. Machines valued at Rs 1,60,15,344 have already been delivered to the hire-purchasers. The necessity and popularity of this scheme should be evident from these figures.

Industrial Estates

Realising that an average small industrialist in the country did not possess the means to own suitable factory premises to house his machinery nor was he in a position to get the required accommodation at a reasonable rent in urban areas, Government decided to set up a number of Industrial Estates in the country during the Second Five Year Plan, where built-up factory accommodation equipped with modern facilities would be made available to small entrepreneurs at reasonable rent. Though Industrial Estates were made the responsibility of State Governments, the construction of two large size Estates, one at Okhla (near Delhi) and the other at Naini (near Allahabad) was entrusted to the Corporation.

The first phase of both the Estates comprising 35 and 34 factories respectively has been completed. All the factories in these Estates have been allotted. Excepting a few, the factories in the

Okhla Industrial Estate have already gone into production. The remaining are awaiting arrival of machinery or are engaged in installation work. Small units which have moved on to the Industrial Estates have already been able to improve their production both qualitatively and quantitatively.

Training Centres for Small Units

Side by side with provision of machinery, technical and financial aid, it was considered necessary to provide training facilities to artisans as also to develop the machine tools and equipments needed by small scale industries. The Corporation was, therefore, also entrusted with the responsibility of establishing and running two Proto-type Production-cum-training Centres at Delhi and Rajkot to be set up in collaboration with the West German Government and the U S Technical Cooperation Mission respectively. Under the arrangements, the West German Government is to supply equipment worth about D M 3.15 millions besides the services of 23 technicians and the T C M will provide equipment worth \$ 4,48,400 in addition to the services of six engineers for a period of two years. These Centres will produce proto-types of machine tools and distribute them for commercial production by small manufacturers. The Centres will also impart specialised training to the skilled personnel for manning small scale industries. According to the time schedule laid down, the Centre at Okhla will start functioning by January, 1960. For the training centre at Rajkot, major portion of the equipment has already arrived at site, and the workshop structures are shortly to be erected.

Chinese Method of Paddy Cultivation

TO test the efficacy of special Chinese techniques of paddy production under Indian conditions, the Indian Council of Agricultural Research has constituted a sub-committee under the Chairmanship of Dr B N Uppal, Agricultural Commissioner, Government of India.

The sub-committee will draw up a plan for experimentation with these techniques in different parts of India.

The Economic Weekly

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Iden and Oil ... 4

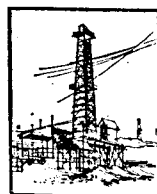
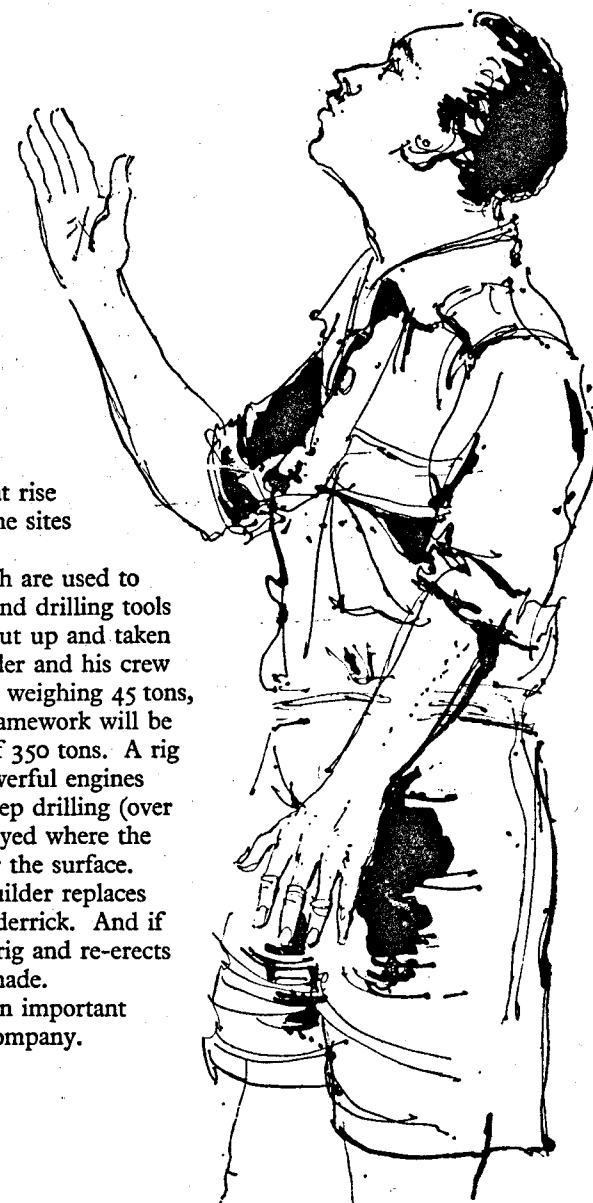
The Rigbuilder

The frameworks of steel that rise above the jungle landmark the sites where oilmen are at work.

These towering derricks, which are used to lower and raise the drill pipe and drilling tools in the hole of a new well, are put up and taken down by rigbuilders. A rigbuilder and his crew can erect a 136-foot-high derrick, weighing 45 tons, in a few days, and the finished framework will be strong enough to support a load of 350 tons. A rig of this capacity, equipped with powerful engines and pumps to match, is used for deep drilling (over two miles) but lighter rigs are employed where the oil deposits are expected to be nearer the surface.

When a new well strikes oil, the rigbuilder replaces the drilling derrick with a production derrick. And if the well is a failure, he dismantles the rig and re-erects it elsewhere for another attempt to be made.

Indian rigbuilders and their crews play an important part in the operation of the Assam Oil Company.



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Joint Stock Companies

Growing Share of State

R K Hazari

THOUGH the Government has entered the corporate field only recently, it has already attained a position of considerable importance in corporate activities. As on June 30, 1958, the total paid-up capital of 96 Government-controlled public and private companies amounted to Rs 263 crores, while all private owned companies had a total paid-up capital of around Rs 1,100 crores. Since paid up capital is hardly a good criterion for measuring the importance of companies, it is not legitimate to draw too many inferences from this comparison. The fact nevertheless stands out that the Government now has a very large stake in corporate activity. It is Central Government investment which has brought about this change. Although 55 of the 96 Government-controlled companies are owned by State Governments, many of which have been inherited as a legacy from princely states, most of the paid-up capital of Government companies has come from the Central Government, which controls 41 companies, including 8 in which State Governments have a share and another 4 in which private interests have collaborated. The paid-up capital of these 41 companies has swollen to nearly Rs 234 crores, thanks to the fantastically large share capital of Hindustan Steel amounting to Rs 159 crores. Taking all these companies to-

gether, the Central Government has contributed roughly Rs 248 crores in all, the State Governments Rs 11 crores and private interests the balance of Rs 4 crores, to make up the aggregate of Rs 263 crores.

The Table below gives a breakdown of these 96 companies by their industrial occupation. Most of the corporate investments by Government has gone into Metals and Chemicals which have taken up Rs 220 crores, followed a long way behind by Mining and Quarrying which have absorbed nearly Rs 21 crores. In the absence of a combined balance sheet of all Government companies, it is difficult to compare their performance with that of privately owned companies, but it is possible, nevertheless, at a glance to see that the industrial pattern of Government corporate investments is gradually tending to offset the financial bias of operations in the privately owned corporate sector.

One intriguing feature of this investment, however, is the rather odd propensity of certain States to go in for the manufacture of articles that could easily be produced without Government participation. The promotion of dairy companies in Bombay and fruit preservation companies in Orissa is understandable in many ways, but it is difficult to appreciate why certain Governments

like those of Andhra and Kerala, for instance, have to own and manage companies that manufacture articles like fountain-pen ink, pictures, hosiery, cycles, and storage batteries. (A company registered in Orissa with the very attractive name of Konark Processing is interested in engraving.) While the industrially backward states are justified in promoting and financing enterprises that could help balance their regional economies and widen the avenues of remunerative employment, the experience of State Government participation in some ventures, at any rate, has been none too happy. The actual promoters behind these enterprises have generally little or no standing in leading capital markets but have sufficient powers or persuasion to lure gullible State Governments into providing capital for projects which they can well ignore without damaging their local plan. In view of the reported directive issued by the Planning Commission to discourage State Government participation in the capital of companies, it is desirable that Government corporate activities should be so planned as to satisfy regional demand without involving loss of valuable developmental funds.

Of Government companies, 40 out of 96 are public limited concerns, but their paid-up capital is only Rs 18 crores out of a total of Rs 263

Industrial Classification and Paid Up Capital of Government Companies

Industry	No of Companies			Paid Up Capital (Rs '000)		
	Total	Public	Private	Total	Public	Private
(1) Agriculture & Allied	1	1	—	12,45	12,45	—
(2) Mining and Quarrying	8	2	6	20,59,84	1,20,05	19,39,79
(3) Manufacture :						
Consumer Goods	18	13	5	2,28,36	2,27,62	74
Metals and Chemicals	33	9	24	2,19,81,38	5,46,78	2,14,34,60
Miscellaneous	5	1	4	5,38	3,05	2,33
(4) Construction and Utilities	4	2	2	5,48,26	14,26	5,34,00
(5) Trade and Finance	13	6	7	3,67,04	2,08,86	1,58,18
(6) Transport	6	3	3	9,36,25	5,81,25	3,55,00
(7) Research	1	—	1	10,00	—	10,00
(8) Pictures and Hotels	2	2	—	1,02,97	1,02,97	—
(9) Subsidiaries of Govt Coys	5	1	4	10,18	18	10,00
TOTAL	96	40	56	2,62,62,11	18,17,47	2,44,44,64

Source : Ministry of Commerce & Industry

crores. These are mostly legacies from the native states which now vest in Government.

Breakdown by year of registration shows that 57 companies, of which 48 are private, have been set up since the inauguration of the First Plan; these have a total paid-up capital of Rs 228 crores. 39 Companies, all but 6 of them public, were registered before 1st April 1951, and their paid-up capital totals barely Rs 35 crores.

The great preference which the Government now has for private companies, in which a second shareholder is artificially manufactured, perhaps follows the example of Tata Industries Private Limited, all shares except one of which are held by Tata Sons Private Limited. The only autonomy which these private companies are known to enjoy is their freedom from the financial control of the Accountant General, Central Revenues. So long as these companies are managed properly and their accounts are subject to independent audit, there need be no lament for this absence of control. For the commercial nature of the operations of these enterprises would

make their subordination to routine Government audit a great hardship and would also prevent the evaluation of their performance as business concerns. How far they should be answerable to Parliament is a much wider issue which can be satisfactorily resolved only over a long period of time. In the meanwhile, it would be useful if, unlike privately-owned private companies, complete accounts of Government-owned companies, public as well as private, could be made available freely and regularly for analysis and evaluation.

Aluminium Production Doubled

INDIAN ALUMINIUM Company announced the start-up on January 6 of operations at its new smelter at Hirakud in Orissa. The smelter has an installed production capacity of 10,000 tons of aluminium ingot per annum, which, at a stroke, more than doubles India's production of the metal.

Production at the company's Alupuram smelter in Kerala is about 5,500 tons of ingot per annum. Indian Aluminium plans to further

increase its production by expanding the Hirakud smelter to 20,000 tons annual capacity, and construction to the additional capacity is expected to be taken in hand as soon as negotiations with the Orissa Government for the additional power requirements are completed.

Second Newsprint Plant

A NEWSPRINT plant, with an installed capacity of 30,000 tons per year, is being set up in the public sector by the National Industrial Development Corporation at Shakarnagar in Andhra.

In 1957, production from the only newsprint mill in the country, Nepa Mills (installed capacity 100 tons a day), was a little below 14.5 thousand tons. Imports that year amounted to 63.8 thousand tons valued at Rs 5.64 crores.

The annual demand for newsprint, at present estimated at 80,000 tons, is expected to rise to 120,000 tons by 1960-61. To meet this growing need two more plants with a capacity of 30,000 tons each will be needed. No decision on their installation or location has been announced so far.

Around Bombay Markets

SELDOM do all the markets show such buoyancy at the same time as they did last week. Groundnut and cottonseed touched new highs for the season. Gold climbed to a new peak which is lower only than the all-time high established in 1951 under the influence of the Korean war. Cotton futures advanced to a new high level since the resumption of the upward trend in November. The performance of the stock market was no less encouraging, with equities recording all-round sizable gains. The gilt-edged market too displayed remarkable strength, despite the seasonal tightness in the short-term money market which has lifted the inter-bank call money rate to 3½ per cent even among the Exchange and bigger Indian banks.

Larger bank advances, increased borrowings from the Reserve Bank and a decline in investments—all these are indications of the seasonal demand for funds. The pressure will last till about the end of May but that may not lead to any large-scale dis-investment by banks. With the outlook for Government securities generally viewed bullishly, banks would probably prefer borrowing more from the Reserve Bank to selling their investments for meeting increased demand for funds.

The impressive improvement in Government securities has already brought about a marked change in the yield pattern and the Reserve Bank's recent refusal to allow the Ahmedabad Municipality to issue a ten year loan at 4¼ per cent has led most observers to interpret it as an indication of the interest rates which will be offered on new loans this year. If a Municipality is to raise a ten year loan only at four per cent, the State Governments will naturally be asked to offer 3½ per cent for a similar issue. Whether easy money conditions after the end of the busy season will enable the Government to borrow as much as it did in 1958, it is difficult to say. With the scheduled banks' investments in Government securities already amounting to a little over 40 per cent of their total deposits, banks might not find it easy to take

up new loans as generously as they did last year.

Equities Up

The Congress session is over. The tone of speeches at Nagpur was by no means encouraging for the market. Nor did the Congress Working Committee's revised draft resolution on planning contain anything to boost the morale of the market. Indeed, one could have easily expected the stock market to develop considerable uneasiness because of the talk of democratic socialism. But bears had already gambled heavily on that score and the worst had been fully discounted. Little wonder, therefore, that Dalal Street not merely resisted the decline but actually pushed its way up despite the AICC session.

The magic of fluctuations is now at work. Confidence is returning with the rise in prices. Offerings are drying up. Bears are beginning to feel uneasy. Bulls are picking up courage. Sentiment has changed. That is why the market did not show any uneasiness when the Investment Committee of the Life Insurance Corporation decided on January 8 to leave Ordinary shares alone for a while and take up only Government Securities, Debentures and Preference shares. Traders

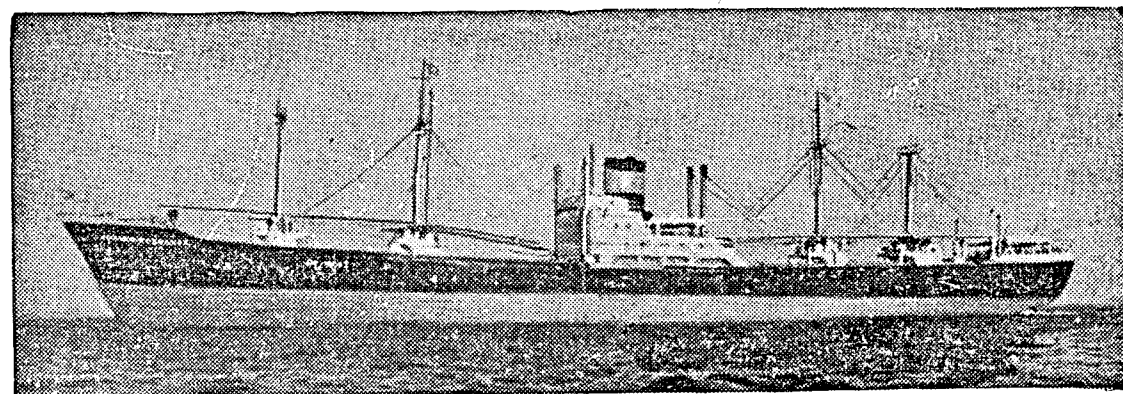
argued that the LIC could not be expected to continue to interest itself in Ordinary shares all the time and at all the rates, and that investment in Debentures, Preference shares and Government Securities was no less important a "bull" point than buying of equities. A fortnight ago when the market was in a diffident mood, traders would have argued very differently.

Sentiment has changed and that is what really counts. Not until the February Budget approaches quite near, is the market likely to indulge in conjectures about the fiscal measures the Finance Minister might take to mobilise internal resources for the Plan. Severe taxation measures alone can deflect the course of the primary trend in equities.

Oilseeds

Good Export Business

THE oilseeds market continues to be in good form. Prices recorded further sizable gains all-round, with groundnuts and cottonseeds rising to new high levels for the season. Groundnut February rose from Rs 164.87 to Rs 168.50 (per candy), May from Rs 169 to Rs 172.75, cottonseed February from Rs 120.25 to Rs 123 and castor May from Rs 142.25 to Rs 145.12. Lin-



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seeds alone were down over the week from Rs 31.81 to Rs 31.62 (May contract).

Bears in groundnuts were unnerved by the quick disposal of the export quota for expellers, large sales of HPS and satisfactory export business in groundnut oil. Of the 20,000 ton quota for groundnut expellers released in the preceding week, it is reported that only about 2,000 tons remain unsold. Not only that. Prices realised for expellers were also better than those prevailing at the time of the quota announcement.

The setback in the UK quotations for groundnut expellers which followed the quota announcement lasted only for a day. Thereafter prices recorded a sizable improvement, with the quotation for January position rising from £36-15 to around £38-15. Inquiries with the trade indicated that the rise in overseas quotations was less a reflection of the keen foreign demand than of the heavy "short" interest which exporters here had been carrying abroad.

Exporters who had put through large business much earlier, subject to quotas of course, are said to have incurred heavy losses because the then prevailing prices for expellers both here and abroad were substantially lower than the current prices. The exorbitant premium enjoyed by export licences is also a pointer in the same direction. The decision of the Karmahom Conference Lines to enforce the proposed increase in freight on bulk oil and oilcakes from March instead of February also seems to have prompted exporters to put through business quickly.

Fairly large business was reported to have been negotiated in HPS groundnut last week. Estimates varied from 2,000 to 3,000 tons. Canada was mentioned as the chief buyer, accounting for nearly 1,500 to 2,000 tons. The recent heavy reduction in freight has made business possible. The UK and the Continent were the other buyers. They paid between £ 71 and £ 73 per ton for bold and one pound more for Java type. The rise in prices of HPS offered by China, South Africa and Mexico has encouraged the trade to take an optimistic view of the outlook for Indian HPS.

Export business in groundnut oil

put through over the past ten days or so is mentioned between 3,000 and 4,500 tons. Burma and Hong Kong are said to have been the only buyers. Business with the UK remains unremunerative despite the incentive scheme. Hope persists that the export quota for expellers under the incentive scheme for oil might be revised upward to make good the loss arising from the export of oil. It bears repetition that the policy of giving independent export quotas for expellers does not go well with the incentive scheme for oil. The trade's claim for expeller quotas to exporters of oil who had effected sales before the announcement of the incentive scheme can be justified only on the argument that these sales had been made in the belief that the incentive scheme was almost a certainty.

While the strength in groundnuts is based on the encouraging export

performance of oil, oilcake and HPS, the rise in castor futures merely reflects a turn in market sentiment. Export business in castor oil continues to be at a standstill. The only deal put through over the past few months consists of 500 tons sold to the U K at the beginning of the year.

But bulls argue that if groundnuts continue to rise, castor futures cannot lag much behind. For, already castor May is quoted about Rs 27 per candy lower than groundnut May. There is certainly something in this argument. Of course the outlook for castor must depend essentially on the trend of overseas advices. Reports about increasing inquiries from the U S for Indian castor oil have led the market to think that business will materialise in the not-distant future. The U S importers are reported to be willing to pay up to 12 cents a pound for

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Commercial which is about half cent below the Indian parity. The export outlook for Indian castor oil may not be bright, but it is by no means dismal. The Iron Curtain countries alone can be depended upon to take up about 12,000 tons from here.

The position in respect of linseed oil is very different. Improved supplies abroad and the recent currency reform in the Argentine which virtually amounts to devaluation of the Peso, have brought about a substantial decline in linseed oil prices. The U K quotation is further down to £ 91, the lowest for the past four years. Export business in linseed oil in 1959 is unlikely to make a good showing unless Indian prices decline appreciably and/or overseas prices record sizable improvement. Domestic influences will discourage any big fall in prices here and larger world supplies this year will keep foreign prices on the low side.

Cotton

Further Good Rise

WITH a brief pause now and then cotton futures last week shot up from Rs 645 to Rs 664 per candy (Thursday's kerb rate), a new high level since the resumption of the upward trend in November. The rise might not have been so steep if a prominent bear had not taken a somersault and accumulated a big "bull" interest. Option business, which goes on merrily despite being illegal, accelerated the uptrend.

But the rise in futures is by no means merely speculative. Far from it. The futures market is only following the spot market and that too rather reluctantly. It bears repetition that Moglai fine 25/32" cotton, which forms the basis of the hedge contract, can be had in the spot market only at between Rs 30 and Rs 40 higher than the price of the hedge contract. Madhya Pradesh and Madhya Bharat Jarillas of the same staple length are quoted much too high in the spot section.

It was really the marked buoyancy in the Sewri spot market which compelled bears to cover their sales in futures and encouraged bulls to tighten their hold. Spot houses continued to support the futures market and sentiment was greatly helped by the persistently firm up-country advices. The strength in the spot material reflects the continued poor flow of arrivals, scar-

city of good quality cottons and satisfactory spinner inquiry.

Last week, however, export houses also reported brisk overseas inquiry and business for 10,000 to 15,000 bales was said to have been put through with Japan and Hong Kong. Old Jarilla 25/32" fetched about 19.25 pence per pound c and f Hong Kong and old Kalagin was sold at around 15.75 pence f o b Bombay. Japan was reported to have paid nearly 18.75 pence f o b for Bengal superfine. These prices hold out the promise of better business in due course of time. The U K and the Continent, however, continue to keep off the Indian market.

Figures of cotton consumption in December are expected to show substantial increase over November. Arrivals are still on the low side. Stocks with mills are small. Cloth off-take, both domestic and overseas, is picking up. The view is widely shared that increased agricultural production this season will lead to a sizable improvement in cloth off-take. These are important "bull" factors for the cotton market. Little wonder therefore that prices continue to show an upward tendency. Only a marked increase in arrivals, which might occur some time in February, can bring about a sizable setback in prices. Of course occasional technical reactions will continue to occur even when the market is seeking new high levels.

Trade Meets Shastri

It was amusing to hear Shri Madanmohan Ruia plead before the Commerce and Industry Minister, Shri Lal Bahadur Shastri, on Thursday evening for the removal of floors and ceilings on cotton prices to enable the hedge market function smoothly. For, it is not the floors and ceilings but the Forward Markets Commission's arbitrary interference from time to time even when the futures contract is well within these limits which has been hampering the functioning of the forward market. It is surprising that the E I C A chief should not have cared to touch that point. Not many will share Shri Ruia's view that the present contract is the best that could be devised in the present set up of things. Even a casual comparison of the spot and futures prices of the basic Moglai Jarilla 25/32" will convince that the hedge

contract serves little good as a hedge.

That the trade, while emphasising the need for an incentive scheme for boosting cotton exports, should not have not only not pleaded for the abolition of the remaining export duty of Rs 25 per bale but actually made a case for continuing the duty is no less amusing. For, incentive schemes have little meaning when export prices are inflated by fiscal levies such as export duties and only partial refund of excise duties. Whether or not export duty should be removed is a debatable point. But the trade's argument that the removal of export duty at this juncture would lead to considerable uncertainties and might give rise to other expectations on the part of the foreign buyers thereby resulting in further delay in business is funny for the simple reason that the removal of export duties sets at rest all uncertainties once and for good.

New Delhi's export policy has been quite helpful of late. An export quota for five lakh bales was announced right at the beginning of the season, but the export performance has been disappointing. Sales registered up to December 30 total only a little over 50,000 bales. Increasing competition, the sluggish conditions in the world textile trade and exchange difficulties with importers have seriously affected our cotton exports. Little can be done about the general conditions in the world textile trade. But difficulties of foreign exchange with our traditional buyers can be lessened through barter deals or by allowing importers to pay in their own currencies. These possibilities need to be carefully explored.

The success of an export drive depends partly on the initiative of the trade but essentially on the competitive ability of the commodity. And where domestic influences tend to keep prices out of world parity some sort of incentives need to be offered to exporters. Of course all the fiscal impediments in the way of exports have to go before any other incentive is offered. The cotton trade's proposed incentive scheme involves the retention of a certain percentage of foreign exchange earnings to be used for importing cotton to be sold at a specified profit to the nominees of the Textile Commissioner.

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1627.36	1602.00	1595.63	1540.72
2. Rupee Coin	134.10	135.85	135.81	130.81
3. Deposits				
Central				
Government's	66.15	52.99	66.25	49.69
Other				
Governments'	10.88	18.52	9.39	16.16
Banks'	69.39	76.56	73.45	60.29
Others'	116.12	118.14	116.12	115.66
4. Foreign Securities	164.68	164.68	164.68	270.26
5. Balances held abroad	27.04	24.52	19.95	19.63
6. Rupee Securities	1219.79	1194.79	1184.74	1032.10
7. Investments	239.57	265.67	280.26	231.87
8. Loans and advances to Governments	31.94	25.25	25.73	34.62
9. Other loans and advances	89.99	77.43	63.83	73.47
Scheduled Banks				
1. Demand liabilities (net)	705.72	694.66	682.74	691.34
2. Time Liabilities (net)	875.14	879.64	890.27	674.04
3. Cash	116.87	119.15	110.14	106.78
4. Borrowings from Reserve Bank of which against Usance Bills	22.82	10.95	1.85	30.59
5. Advances & Bills (inland & foreign) discounted of which State Bank's	383.16	365.78	340.93	373.24
6. Invst. in Govt. Sec. of which State Bank's	634.02	637.57	716.60	433.52
Cheque Clearance	203.17	149.76	163.92	162.99

†For Reserve Bank and Cheque Clearance Week ended 9-1-59. Scheduled Banks Week ended 2-1-59.

Bombay Money Rates
(per cent per annum)

	2-1-59	26-12-58	5-12-58	3-1-59
Call Money				
From banks	3½	3½	1½-1½	2½-4
From public	4	4	3½	3½-4½
Three Months	3½-4½	2½-4½	2½-4½	3-4½
Six Months	3½-4½	2-4	2-4½	2-4½

Bombay Bullion (In Rupees and nP)				
	8-1-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	115.12	114.50	113.19	109.19
Forward	115.50	114.81	113.31	109.06
Silver (per 100 tolas)				
Spot	193.62	193.25	192.12	187.09
Forward	194.31	194.31	193.00	188.19

JUTE STATISTICS

(1958-59)

	Nov.	Oct.	Sept.	July to Nov.
Production ('000 tons)				
Hessian	35.8	33.3	35.9	175.7
Sacking	44.9	43.0	46.7	226.9
Others	6.3	5.5	5.7	28.5
Total	87.0	81.8	87.8	431.1

.. in corresponding months :

1957-58	91.9	83.5	86.0	429.2
1956-57	83.8	80.4	84.5	432.4

Stocks ('000 tons)

Hessian	17.3	17.8	17.0	—
Sacking	75.5	77.5	80.2	—
Others	12.6	12.1	11.8	—
Total	105.4	107.4	109.0	—

.. at the end of the corresponding months :

1957-58	71.0	76.0	77.0	—
1956-57	101.7	116.7	125.2	—

Despatches :† ('000 tons)

Hessian	36.5	32.3	37.9	189.8
Sacking	47.6	46.0	52.4	241.3
Others	5.1	4.6	4.9	27.6
Total	89.2	82.9	95.2	458.7

.. in corresponding months :

1957-58	97.0	83.4	100.8	472.0
1956-57	97.5	88.5	81.9	457.7

Raw Jute Consumption : ('000 bales)

1958-59	508	475	504	2,481
1957-58	548	499	492	2,492

IJMA Mills' Purchase

of Raw Jute ('000 bales)				
Pakistani	Nil	Nil	40	132
In corresponding months :				
1957-58	56	96	87	364
1956-57	63	37	48	274
Indian	853	732	614	3,047

In corresponding months :

1957-58	712	593	542	2,526
1956-57	638	529	523	2,608

†Includes despatches for exports and sales for internal consumption.

Source : Indian Jute Mills Association

COAL PRODUCTION AND DISTRIBUTION

(Monthly Average or Calendar Months) ('000 tons)

	Raisings	Despatches	Stock at Pit heads*
1955	3,184	2,742	3,608
1956	3,286	2,913	2,766
1957	3,628	3,137	3,275
1958			
Oct	3,177	2,940	2,662
Nov	3,323	3,026	2,566
Dec	3,678	3,038	2,766
1957: Jan	3,627	3,138	2,780
Feb	3,519	2,841	3,029
Mar	3,653	3,251	3,000
April	3,726	3,158	3,087
May	3,794	3,187	3,246
June	3,330	2,915	3,252
July	3,331	3,045	3,091
Aug	3,376	3,239	2,780
Sept	3,647	3,193	2,755
Oct	3,555	3,321	2,538
Nov	3,930	3,160	2,835
Dec	4,051	3,163	3,275
1958: Jan	3,947	3,321	3,418
Feb	3,712	3,063	3,655
Mar	3,701	3,351	3,523
April	3,802	3,433	3,422
May	3,884	3,372	3,464
June	3,554	3,103	3,452
July	3,749	3,358	3,537
Aug	3,539	3,479	2,922
Sept	3,836	3,469	—
Oct	3,737	3,463	—

* At or about the end of each period. — = not available.
Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

COTTON IMPORTS AND EXPORTS

(bales of 392 lbs each)

Imports from Sept 1 to Jan 8

	1958-59	1957-58	1956-57
Pakistani	6	—	—
American	4,184	30,690	52,537
Sudan	16,155	21,359	25,114
Egyptian	18,846	19,131	9,917
East African	35,556	24,561	59,265
Others	499	—	765
TOTAL	75,246	95,741	147,598

Exports from Sept 1 to Dec 22

	1958	1957	1956	1955
United Kingdom	2,908	1,005	4,953	24,799
Continent	6,581	420	2,443	53,244
Hong Kong	25,611	1,280	2,473	24,734
China	6,446	—	3,027	34,651
Japan	58,091	10,774	30,713	128,378
U S A	557	324	425	1,798
Other countries	1,275	391	314	2,035
TOTAL	101,469	14,194	44,348	269,639

— = nil

Source : East India Cotton Association

INDEX NUMBER OF WHOLESALE PRICES

Base 1952-53 = 100

Group and Sub-Group	Week Ended				Monthly Average		Annual Average	
	27-12-58	20-12-58	29-11-58	28-12-57	Dec 58	Dec 57	1958	1957
Food Articles :	112.1	112.9	115.1	102.9	113.3	104.0	112.0	106.8
Cereals	104.1	104.5	107.1	97.4	105.0	98.0	104.7	101.7
Pulses	110.3	110.8	112.1	79.8	110.9	80.0	94.0	84.5
Fruits and Vegetables	112.2	113.3	116.4	96.2	115.4	101.3	111.9	116.8
Milk and Ghee	101.1	104.3	106.8	98.1	103.6	99.0	106.2	103.8
Edible oils	116.6	117.9	121.7	124.8	118.0	125.3	123.2	128.3
Fish, Eggs and Meat	108.4	109.8	108.6	98.4	107.6	98.6	106.9	96.6
Sugar and Gur	120.8	120.7	119.3	107.3	120.6	109.1	122.8	104.6
Others	151.3	150.4	153.7	131.5	152.7	133.0	145.7	132.0
Liquor and Tobacco :	97.8	96.5	97.2	97.3	96.4	97.7	93.7	91.8
Tobacco	96.4	95.0	95.7	95.8	94.9	96.2	92.0	90.1
Fuel, Power; Light & Lubricants :	115.1	115.1	115.1	114.8	115.1	114.9	115.2	115.6
Industrial Raw Materials :	112.4	112.7	112.8	114.8	112.6	115.4	114.8	118.1
Fibres	106.1	105.3	104.4	115.3	105.5	115.4	109.4	119.8
Oil Seeds	120.5	122.2	124.0	117.4	122.1	119.1	123.6	122.4
Minerals	107.3	107.3	107.3	107.1	107.3	107.1	106.9	108.5
Others	109.6	109.3	108.2	109.0	109.0	109.0	108.9	107.3
Manufactures :	108.0	108.1	108.5	108.0	108.3	107.9	108.2	108.0
Intermediate Products :	110.2	110.5	109.9	105.6	110.3	105.7	109.4	108.5
Finished Products :	107.6	107.7	108.2	108.3	108.0	108.2	108.0	107.9
Textiles :	101.5	101.5	102.4	106.3	101.9	106.3	104.3	107.9
Cotton	110.0	110.0	111.2	116.9	110.6	116.2	113.0	116.3
Jute	84.8	84.9	85.8	90.8	85.3	92.8	87.7	97.7
Woollen	105.9	105.9	105.9	103.0	105.9	102.3	104.9	102.1
Silk and Rayon	90.2	90.2	90.2	81.8	90.2	81.8	92.5	85.0
Metal Products	143.1	143.1	143.1	143.4	143.1	143.4	143.1	138.2
Chemicals	110.9	110.9	110.7	99.0	110.8	98.8	104.0	97.6
Oilcakes	141.0	143.7	142.5	123.6	143.0	122.2	128.6	114.7
Machinery and Transport Equipment	104.3	104.3	104.3	102.3	104.3	102.3	103.2	101.2
Others	114.0	114.1	114.2	111.8	114.1	111.6	113.2	107.7
All Commodities :	110.7	111.2	112.5	106.5	111.4	107.1	110.0	108.7

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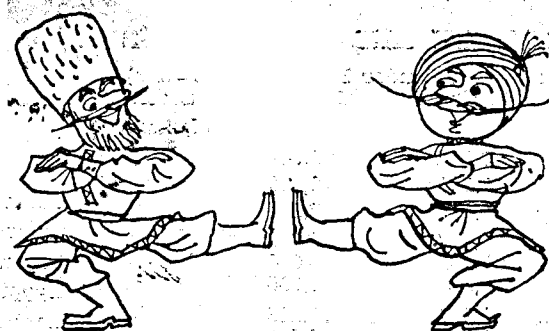
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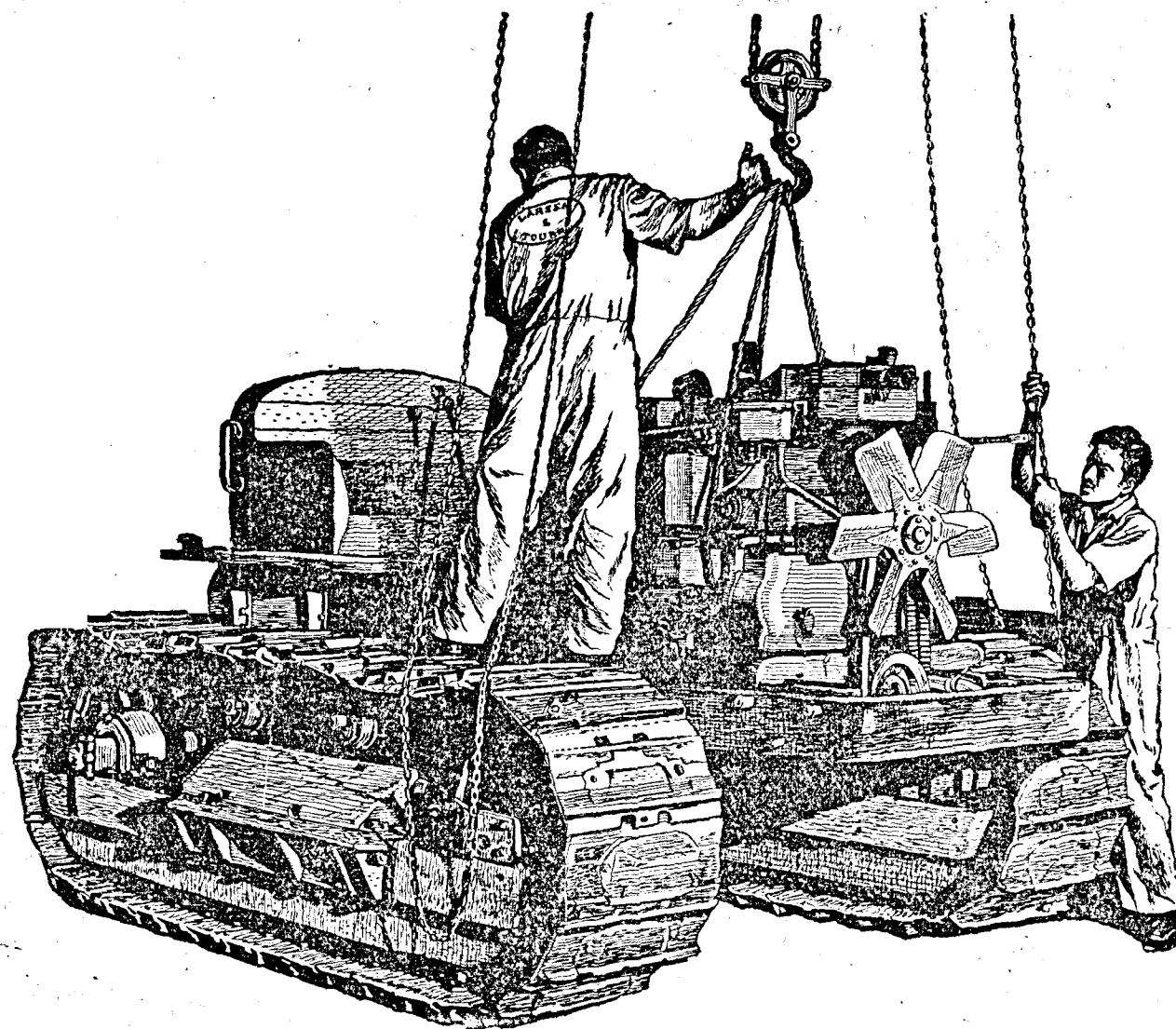
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Now an Established Order

THERE are indications in plenty that India is fast becoming an established order, that the pattern of development — social, economic and political—has been set; variation there will be and is, but it is variation largely within a fixed pattern. Politically, the fortunes of the Congress may wax or wane, if one goes by the results of bye-elections. There may be dissensions within the Congress Cabinets and occasional changes in ministries. The organisational wing of the party in some State may fall out with the parliamentary wing. But all these are fixed under the 'gently guided democracy', operated by the High Command from Delhi. At

the top, Nehru's towering personality reigns supreme; there is no dissension between the organisational and parliamentary wings here and none, on the surface, within the Cabinet nor can there be.

In the economic sphere, the pattern is getting set just as firmly. The administration has built up an industrial wing which runs the public sector of industries. It has acquired experience and gained the confidence to run the enterprises under its care in the way it finds most suited to it. The private sector operates within the frame-work set by a developing economy with such frictions and under such vexatious restrictions as are made

inevitable, among other things, by shortage of foreign exchange and the existence of a growing public sector in industry. However, the largest private industry in the country, which is agriculture, follows largely the traditional pattern and so do the cottage and household industries. Both receive benevolent attention from the Government, agriculture for such improvement in its productivity as can be rendered by a skeleton extension service thinly spread over a wide area, and cottage industry, as a welfare measure and a substitute for social security which is beyond the resources of the Government to organise or operate. Neither has been inte-

grated into the plans of economic development of which the third one is in the process of formulation, more or less on the lines of the second, which is now more than half way through.

The pattern that has evolved and is getting hard-set is therefore one of bypassing, by and large, the stagnant sectors of the economy, agriculture and cottage industry, which, quantitatively and spatially, happen to be by far the largest, and to push ahead where the administration and organised industry can function to the best advantage, with the help of as much of foreign assistance as the country can get and these sectors can absorb or utilise.

The political set up upholds and reinforces this pattern of economic development and is upheld and reinforced by the latter in turn. Since by no divine providence are children of this soil born Whigs or Tories, and since India inherited from the British only Parliamentary Democracy but not the ready-made apparatus of a two-party-system to work it with, no party looks like coming up yet, which can seriously challenge the Congress or threaten its majority. So whether it is social change or economic development, it is the Congress which has to initiate it and if people's participation at the political level is necessary for sustaining such development, it is again the Congress which has to secure it. The Congress has solved the problem partially, by merging itself with the Government — by a complete surrender of the party — so that it has left it to the administration to organise the people. Those who do not see eye to eye with the Congress or Government, naturally resent that in effect Congress should claim to stand for the country. But even those who are within the party do not like that the Congress organisation should be reduced to a mere adjunct of the Government and the administration.

Nevertheless, while Nehru is able to guide or even to dictate the professions of his party and incorporate in them people's felt needs as also their aspirations, felt only vaguely, he does not seem to be able to get his colleagues in the Government or the top leaders of the party to subscribe to these professions without mental reservations and, therefore, make them put these into practice.

While his colleagues in the Government and the top leaders of the party do not, understandably, air their differences in public, the proceedings of the A I C C and the open session of the Congress suggest that the Congress bosses, particularly those representing the landed interests and organised industry, would, if they could. They do not subscribe to the professions of the Congress and accept neither the Avadi nor the later socialist resolutions; nevertheless, they continue in the Congress and benefit from the association. There are also the Gandhians in the Congress who have perhaps as grave or graver mental reservations, though for very different reasons.

But if there is failure of communication between Nehru and Congress leaders, communication at the lower end, with the masses, is absolutely non-existent. Shri Dhebar tried valiantly to stem the rot within the party by trying to organise Mandal Committees, but his attempt has proved a flop. The well-wishers of the Congress have been compelled to put up Indira Gandhi as their nominee for the Congress Presidency because they feel that little can be achieved at the organisational level by anybody who is not supported by the Prime Minister. And there is so great a gulf between Nehru and the rest of the leaders that the only possible, tolerable link between the organisational and governmental wings seems to be his daughter!

The isolation of Nehru from the party and of the party from the people have produced this strange paradox that the Communist party, which is violently opposed to Congress party, happens to be the only party to extend its fullest and unreserved support to the Congress' profession of building up a socialist pattern of society, here and now. It is not surprising, therefore, that the Communist Government in Kerala should surpass all the other States in the implementation of the Congress programme.

This political set-up has its inevitable impact on the pattern of development that is aimed at or can be achieved by the Congress Government. There are unutilised real resources in the system, there is idle man power, there are skills which can be drawn upon. Yet, these cannot be brought together

and fused, to initiate accelerated development — the so called take off—for which the industrial framework is being erected. According to Government experts, the current rate of investment, high though it is, is not high enough to push forward the economy into self-sustained growth. How much higher has it to be?

Surely it cannot be a matter of pure arithmetic. If one thinks of the growing popular distrust in and the slackening pace of community development or considers why 'household and hand' industries could not be pressed into the working of the Plan or why it has not been possible to stabilise agricultural production so far, not to speak of realising even a fraction of its known and proven possibilities, one begins to question the wisdom of relying on a particular percentage figure as the key to the better life that the Indian people have been so long waiting for. Yet, crossing the development barrier is no longer so formidable an enterprise for any country which is willing to profit from science, technology and the experience of other countries.

Government has been finding it increasingly embarrassing that people come to depend on it more and more. The community projects are therefore no longer Government administered programmes, with people's participation. They have been re-defined as people's programmes with Government participation. There is also an uncomfortable feeling among Congressmen themselves that popular initiative and participation are essential even at the ground level. It is likely that both will be sought in raising resources for the Third Plan and that development blocks will have elected bodies with taxing powers to raise resources. The emphasis on curbs on consumption and austerity is too negative and dismal to sustain people's enthusiasm for development for long. If the Congress does not initiate a more positive programme and ask people to participate in productive activity, in the fruits of which they can have a share here and now, the people will not wait, for long. Adult suffrage without economic development and social change, does not make sense. Neither does economic development make sense without social change.

A Tale of Two Cities

THE story of 1958 was a Tale of Two Cities: The world, very unnaturally, moved around two cities, Moscow and Washington. But by and large, Moscow seemed to have the edge on Washington: successes, it seemed, almost came to it naturally. The sputniks went up into the thinning air with alarming regularity and ease. Some stayed in their orbits as if to tenancy born. In size they were breath-taking; in their tale-telling capacities, unmatched. Their beep-beep-beep added a new dimension to science and a major headache to western publicists. And then, most stupendous achievement of all, a lunik went beyond all expectations into the sun's orbit—the first man-made planet to mock at the works of God.

In contrast, Washington, London, Paris and Bonn, not to mention Rome and Brussels and Tokyo, seemed deeply immersed in more mundane problems. From Cape Caerney went up sporadic space-travellers, small in size, limited in equipment. And from Washington came wails of slips here and slips there and a loss of position in Baghdad, Cairo and other fronts. Both on the scientific, technological and diplomatic fronts, the West was slipping—and slipping badly.

And watching this unending panorama of human action with what-seemed well-concealed interest was Delhi that somehow gave the impression that men may come and men may go, but Delhi was deflecting neither to the right nor to the left. The year 1958 certainly was not Nehru's year; though it did register fresh triumphs for neutrality.

In the United States the Democrats took over; in the Soviet Union, Krushchev took over; in France, De Gaulle took over; in parts of Africa, the local leaders took over; in the Middle East, the nationalists took over; in many parts of Asia, the generals took over; in China, the communes took over. In the United Nations, nobody took over, not even Mr Hammarskjöld.

The success of the Democrats in the U S elections was almost inevitable; the Republicans had lost their sparkle and Mr Eisenhower gave the impression that he was

on his way to political, if not personal, oblivion. In the Soviet Union, the pace of de-Stalinisation was halted, though decentralisation of the industrial organisation was effected on Krushchev's initiative. In China's equally vast domain an even more fascinating experiment was being undertaken: the organisation of communes. Involved were hundreds of villages, thousands of China's 600 million people. The slogan was "Overtake Britain" and well the Chinese might, for they went about their task with a single-minded devotion and unflagging zeal that was both painful and stunning. Tradition was being jettisoned in the technological field. What was thought of as "impossible" was being achieved, such as the making of steel in home-made blast-furnaces. People lived in communes, shared kitchens, dining halls, dormitories, all in preparation for that one "big leap forward" to communism. Nothing of that kind had been done before, though, in the process Mao Tse Tung gave up his Chairmanship and fresh thought was being given to the entire experiment.

But elsewhere in Asia, the generals took over. In Thailand and in Burma, in Pakistan as in Iraq, the generals came into their own. There never was democracy as we know it in Thailand, but nevertheless, the change in regime there was full of portent. In Burma, Premier U Nu, as good a man as ever breathed the scented air of Rangoon gave up the task of governing the land to General Ne Win who straightway proceeded to straighten up the administration. Rangoon, the capital, looked up, its sagging face getting a new lift. In Iraq, the corrupt regime of Nuri Said was swept overboard, Nuri himself losing his life in the process. Nationalists, long smouldering against the corruption that was rife in the Iraqi administration came to power, making mockery of the one-time Baghdad Pact. And in Cairo, Nasser finally had his way: even the United States, after major deliberation, agreed to make its peace with him and concede that he was no front-man for any body else in the Middle East.

What do all these events, in their totality, amount to? What pattern can one perceive in these scattered items that made front-page headlines in the world's papers? Some things are clear: that the diplomatic offensive last year was in the hands of the Russians; that the western powers are on the defensive; significantly, the Asian African powers failed, by just one vote, to secure in the United Nations a two thirds majority recognising Algeria's "right to independence"; that the African people do not feel bound by emotional ties to their former European rulers. It did not escape General de Gaulle's attention that Guinea, so recently emancipated from colonial rule, voted against France on this point and that the United States pointedly abstained.

The policy of divide and rule, so favoured by the west is getting discredited. Witness the debate over Cyprus in the General Assembly. The umbilical cord tying the United States to Latin America is being severed; witness the Cuban revolt and the subsequent speeches of the rebel leader—Castro. Indeed, a whole new world is in the process of birth, and India is watching.

Watching, especially, in the field of disarmament. Keen eyesight is needed to spot what is happening here for both the East and the West are eyeing each other and not the ball. The score, at the moment is nil. But—and here the metaphor has to be changed—doors are being kept open, rays of light shimmer through chinks giving promise of better things and soon, if all goes well, the 82-member Disarmament Commission may be given something really useful to do, besides being mentioned in Mr Hammarskjöld's report on his organisation. Though the Soviet Union shows scant sign of giving up its insistence on the dismantling of the whole Atlantic defence system, there are other signs, such as the relative success at the Geneva talks on suspending nuclear tests, that possibilities of real success in disarmament talks are none too remote. In the success of such talks India is interested, though, for reasons that are not explained, India has been quiet.

Setting the Sights — For the Third Plan

'Pragmatist'

WE are now almost over the hump, so far as the Second Plan is concerned. Sufficient foreign assistance is now in sight to implement at least the core of the Plan. The back-log of import licences has been largely worked off and the drastic import cuts are becoming increasingly effective. Thanks largely to a favourable monsoon, agricultural production has reached a new high this year and agricultural exports have started looking up, in spite of a persistent slump in world commodity trade. In contrast with large deficits every week about this time a year ago, Reserve Bank's foreign balances are now steady, if not actually improving. The new iron and steel mills are shortly due to go into production. The money market is easy and Government loans are being over subscribed. Some of the Central and State taxes have also produced larger yields than in the previous years. The pendulum, therefore, has been swinging from the extreme pessimism of last year towards optimism this year. The situation is somewhat reminiscent of 1954-55 when the Second Plan was being formulated.

Those who are still worrying about the problems faced in 1957-58 are pressing for a "safe" or modest plan or even for a holiday from planning. Others who had predicted that the crisis of 1957-58 would not be so intractable or persistent as to warrant a drastic change of policy are now feeling more confident and are pressing for a "bold" plan. Those who favour laissez faire and pin their faith on private enterprise want less of taxation, less public expenditure and hence a modest plan. Others, who believe that the real choice before the country is not between a "bold" plan and a "modest" plan, but between "bold effort" now for breaking the "development barrier" and a "spirally increasing population and poverty" in future, are pressing for more machine-making plants, more fertilizer and chemical factories, and more steel plants during the Third Plan.

If this debate on a "bold plan" is not new, similarly the current discussion about the emphasis to be

given to producers goods and consumers goods, on production for exports and for domestic consumption, on industry and agriculture, on austerity for mobilizing savings and enthusiasm for mobilizing human resources, is also not unfamiliar. The discussion, however, is invariably in terms of over-all magnitudes and for the country as a whole or over a period of five or fifteen years. No attention is being paid to the problems of regional development, or phasing from year to year. In preparing the Third Plan, the same sort of mistakes that were committed in the preparation of the Second Plan may be repeated. We may be spending months discussing generalities without examining the details. We may be striking bold postures without making the necessary preparation. The danger is that, inevitably, snap decisions will be taken at the last moment, because carefully considered decisions are not taken in good time. And in the end, we will produce another bulky volume called the "Third Five Year Plan", full of platitudes, seeking to compromise all sorts of conflicting interests, trying to mean all sorts of things to all sorts of men, but giving little or no definite direction to the economy.

One may as well learn from experience. Before one even starts thinking about the size of the Third Plan, would it not be worthwhile to make a thorough examination of the mistakes that we made in the First and Second Plans, both in formulation of policy and in administration? But no one seems to have either the patience or the courage to do that. First, take the question of resources. Everyone agrees that more internal resources will have to be raised but no one wants to take the unpleasant decision of imposing such taxes as would raise these resources. Where a 300 per cent increase in land revenue would be economically justified, even a 25 per cent increase is not found acceptable. Any increase in the profits of State enterprises like Railways, Post Offices, etc., are frowned upon because so unpopular a measure may lose votes. The Taxation Enquiry Commission's recom-

mendation about fiscal monopolies on sugar, matches, salt, etc remain forgotten. True, some revenue is raised by indirect taxes like sales tax and excise, but it is naturally found to be most inadequate and deficit financing is prescribed as the easiest way out.

Faced with the difficulties of finding resources, escape is sought in (talk of) austerity as a means of increasing savings and in spurious enthusiasm for 'mobilizing human resources'. While the slogan of austerity may be desirable in urban areas, very few seem to realise that it may have a very undesirable effect in rural areas if pressed too far. In our rural areas, people's wants are very few and these are satisfied easily. But this very contentment tends to become an obstacle to all progress. The only way of inducing progress in the rural areas is to create incentives for a higher standard of living, and for this purpose, new wants may have to be deliberately created, if the economy is to be raised from its age-old rut. People's ideas about a desirable standard of living have to be raised far beyond the existing level of living, if they are to feel an urge to work more, produce more, and sell more.

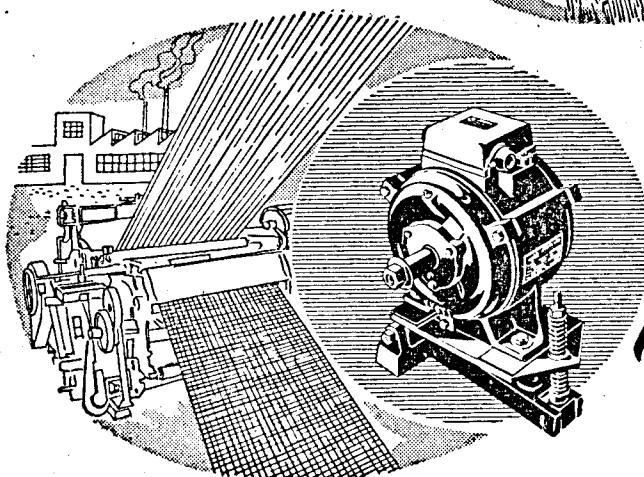
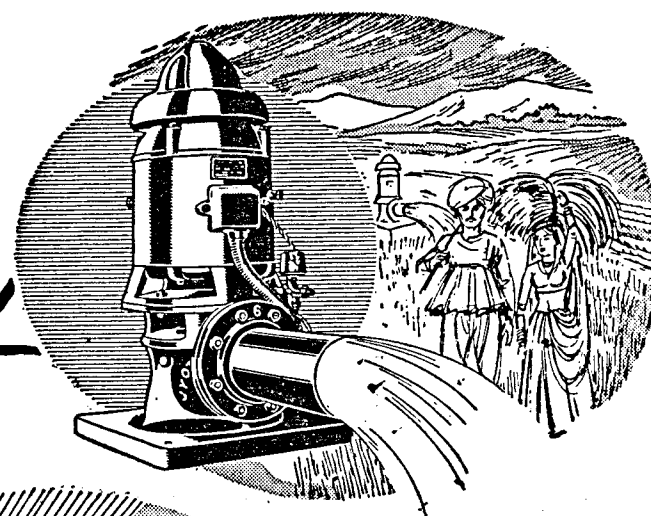
Similarly those who believe that merely by making speeches they can create enthusiasm for harder work and for "shramdan", may also find that their efforts are often misdirected and fruitless. Enthusiasm may be good enough for a short spell, if the object is, say, just to get over the hump. But if it is continued for long, it is bound to lose its edge. Moreover, an enthusiastic crowd of even 10,000 is no match for a disciplined group of 100 soldiers. If people talked less in terms of enthusiasm and more in terms of organisation and incentives, they would be doing a much greater service to themselves and to the nation.

Again, whenever people talk about organization they talk as if there is no middle way between what exists and what is ideal. The "unattainable better" very often becomes the greatest enemy of the "attainable good". For instance, we have lost ten precious years

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talking about ceilings on existing land holdings and cooperative farming. But we have not dared to impose progressive surcharges on land revenue for bigger holdings, even as an interim measure, nor have we imposed stringent standards of cultivation on those holdings as has been done even in industrially advanced countries which are wedded to free enterprise.

Again, we have not tried to develop in a big way alternative organisations, because we believe that a co-operative organisation is the ideal, and the smaller the cooperative, the better. But we should have recognised that in practice in a country which is not yet prepared to go the China way and proposes to stick to the middle path, the organisation of such cooperatives must take a long time or lack the necessary drive. Organisations, therefore, like State agencies or joint stock companies or individual enterprises have to be developed *pari passu* during the next few years.

Then we have a strange antipathy to the question of incentives. To many of our intellectuals, the word smacks of filthy lucre. But they forget that although profit may be taboo in socialist countries, incentive wages and incentive prices are paid to labourers and farmers in all these countries. Even the Russian communists lay very great emphasis on the need for creating "material interestedness" for all workers. Lack of incentives may lead to higher spiritual life but not, certainly, to more material wealth. While our intellectuals tend to paint the profit of the big businessman and the small farmer with the same brush, in actual fact the big businessman usually gets his profit, but the small farmer is told that he must continue to produce, even if his remuneration is most inadequate. Obsessed with the "rentier" theory that the lower the price the more the farmer grows, they forget that the farmer does have a choice not only between greater input and less input of manures and other physical resources, but also between labour and leisure.

Another strange theory which persists in the country is that in agriculture, our largest industry, one can easily get large additional output without any material input. When the judicious use of chemical fertilizers has enabled other countries to increase the yield per acre 4 or 5

times, to do away with fallowing and even crop rotation, to introduce 2 or 3 crops where one was grown before and yet to improve progressively the fertility of the soil, we are still clinging to the old belief that chemical fertilizers are bad, that green manure and exhortation by themselves will do the trick and that no other input in agriculture is necessary. A more obscurantist attitude towards science and technology would be really hard to find anywhere else. People do not realise that if we are not prepared or able to go the Chinese way in respect of organisation of labour, the only alternative is go the Japanese way, and rely on modern techniques and incentives. The result is that we are constantly falling between two stools.

Some experts have already started talking about the Third Plan in overall figures, e.g. Rs 7,500 crores or Rs 10,000 crores. These figures which have a well-known tendency to stick in people's minds are likely to determine what the size of the plan will ultimately be, and more likely than not, a snap decision will be taken in the end as between these two. It may be Rs 200 crores or 400 crores less or more but the final figure is not likely to vary very much from the two figures which the authorities have now in view. Everyone now seems to assume that Rs 10,000 crores will represent a bold plan and Rs 7,500 crores will not represent a bold plan, but very few realise that if in a plan of Rs 10,000 crores the emphasis is more on consumption goods, it is not really a strenuous plan at all. It will create less difficulty during the Third Plan period but more difficulty later. On the other hand, if in a plan of Rs 7,500 crores, the emphasis is more on capital goods, it may be a strenuous plan and may create lot of difficulties in the near future but it will ensure a higher rate of progress later. The problem of right proportion of consumption goods and capital goods, and of agriculture and industry, is thus generally overlooked or insufficiently studied.

Similarly it is not merely a question of a total figure for five years. How that figure is phased from year to year is equally important. If the phasing is such that there is a hump, it may create difficulties although the total plan itself may not be a big one. If the phasing is such that there is a slump somewhere in the middle, there may be other kinds of

difficulties even if the total plan is relatively big.

The correct thing, therefore, would be not to think so much in terms of these overall figures to start with, but first to estimate what is the level of development likely to be reached by 1960-61 in the different sectors of the economy, and what is the minimum investment required to maintain thereafter the level of employment in each of these sectors. This may be followed up by an estimate of what is required to provide necessary employment for the estimated increase in the labour force in the urban areas and in the rural areas. That would give the minimum plan. Then the planner should think of supplementary investment which could be carried out in a properly phased manner with the internal and external resources likely to be available. Once it is accepted that developments in certain sectors have to be given priority, one has to go into details of what should be done to provide the technical manpower needed, to secure the equipment and capital goods that will be required, to raise the requisite internal resources by methods which will provide the minimum disincentive for production, to promote exports, economise on imports and secure loans from abroad to meet the gap in foreign exchange that may emerge. Then a broad political decision has also to be taken about the extent the authorities are prepared or able to make the people undergo the necessary sacrifice. Unless a definite stand is taken on these issues, it will be giving the country a wrong lead if the size of the Third Plan is set at a particular level, be it Rs 7,500 or Rs 10,000 crores or even higher.

It is, therefore, time now that Government should take certain basic decisions which are specific and concrete: They should in particular pay immediate attention to the following points:

(i) Our objective should be to take up only such projects during the Third Plan as would maximise the rate of development during the Third and Fourth Plan periods only. We should give lower priority now to projects which are designed to promote growth primarily in the Fifth and subsequent plan periods. The proper occasion for considering them would be the Fourth Plan.

(ii) The Plan should be in two parts. The hard core should be

based on assured internal and foreign exchange resources and should include agriculture, fertilisers, insecticides, minor and medium irrigation, machine building, power and fuel, expansion of existing steel plants, equipment needed for utilizing to the full the idle capacity of important industries, especially those which are export-promoting or import-saving, and technical education. The second part may be based on less assured tax and loan revenue, deficit financing, less assured export earnings and *ad hoc* foreign assistance, and should include all other desired schemes. There should be also a supplementary list of quick maturing production schemes and also schemes of economic and social overheads which should be drawn upon in a strategic manner as a balancing factor in the case of unforeseen booms or slumps.

(iii) Agriculture must be regarded as the hard core of the Third Plan, and we must provide all the inputs necessary for developing agriculture to the maximum extent that is physically possible during the Third Plan period. The only limiting consideration should be trained manpower and organisation and not finance. We should not worry at this stage about producing too much of agricultural commodities. We are hardly likely to do that, but in case we do in one or two commodities, we could export the surplus and earn foreign exchange. To this end we must take a number of steps right now:

(a) We should arrange for the adequate import of chemical fertilisers, insecticides, irrigation equipment and farm implements during the first half of the Third Plan and take up their manufacture during its second half. We should not allow the mirage of green manuring and night soil to divert our attention from this essential first step. Let the green manure and night soil enthusiasts be given full scope to popularise their panacea, but these should be only supplementary to and not a substitute for chemical fertilizers.

(b) We should set up Technique Popularisation Stations on the Chinese model in every extension block and reduce the charge of the Village Level Worker—the key figure in agricultural improvement—from 10 villages to 5 villages and give him

a much more intensive agricultural training than he has today.

(c) We should arrange for the adequate supply not only of producers' goods but also durable consumer goods for sale, on instalment or other deferred payment terms, to all agriculturists in order to provide them with the opportunity and the incentive to produce more and to sell more. This may be done through cooperative or state agencies wherever possible but we should not hesitate to employ trade agencies also until the former mature.

(d) We should fix minimum prices for important agricultural commodities to assure the farmer that if he manages to produce more, he will continue to get a fair price.

(e) We should give as high a priority to the production of export goods like jute, oilseeds, cotton and sugarcane as to foodgrains and try to derive the maximum benefit out of territorial specialisation.

(iv) We must be prepared to tax agriculture much more than we do today. We must impose a "development surcharge" on land revenue on all holdings above 10 acres on a progressive scale and a "development levy" on all rent, and we must make the proceeds available to Panchayats or Panchayat Samitis to be spent on approved local development projects. These local bodies should be also empowered and encouraged to impose additional surcharges or levies and sell National Savings bonds locally and be permitted to use the proceeds for the same purpose. What is proposed here should not be difficult to justify if what has been proposed in the previous paragraph is accepted.

(v) We must impose, as a counterbalancing measure, a betterment levy on urban land, a development surcharge on urban rent above a certain minimum exemption limit, and heavy taxes on certain items of "conspicuous consumption". We should also impose a "development excise" on important factory products of a semi-luxury or luxury type.

(vi) We must phase our industrial programme in such a manner that all expansion projects are completed in the first half of the Third Plan, new projects are properly phased throughout the Plan period,

all the consumption goods industries are equipped in time for working multiple shifts and sufficient stocks of consumption goods are built up to tide over the hump which is likely to be met sometime during the Third Plan period. The preparations necessary for the programme to be carried out during the first two years of the Third Plan should be completed during the last two years of the Second Plan.

(vii) We should be very discriminating about the choice of equipment and techniques. For export industries, private or public, we should select, no doubt, the most efficient equipment. For the public enterprises which cater primarily to the local demand, we should go in for relatively cheaper machines, although they may be less durable and less efficient. For private enterprises which produce for the domestic market only, we should not only restrict imports to cheaper varieties of new machines but also encourage the use of second hand machines to a certain extent.

(viii) We should do our best to promote exports to the maximum extent and give the highest priority to production for export. We should give heavy rebates on excise duties and railway freight for all export goods. We should reserve at the source a large portion of the additional production of commodities like vegetable oils, tea, coffee, sugar, cement, jute goods, cloth, iron and steel, etc and export them at subsidised rates, if necessary, preferably through the State Trading Corporation or through some variant of the arrangement that we have today for sugar. In case, on account of diversion for export, the price of some consumption goods go up in the internal market, we should mop up the windfall profit by imposing countervailing excise duty if rationing is considered impracticable.

(ix) We should auction import licences wherever it is not likely to interfere too much with the established channels of trade, or alternatively, impose a countervailing import duty whenever import restrictions are tightened, so as to mop up the windfall profit that the trade may earn, when licences are not given directly to actual users.

(x) We should tighten up the collection of income tax, wealth tax, expenditure tax and gift tax, pub-

lish the names of assessee together with the assessments above a certain minimum so that any under-assessment may be checked by the public and brought to the notice of the authorities, and we should gradually change the rates of these taxes to the levels suggested by Mr Kaldor, and abolish some of the minor "nuisance taxes" which earn only small revenue. The business classes should appreciate that a growing national market is the most attractive compensation that they will have from a "bold" plan.

(xi) We should aim at earning a reasonable profit from all public utilities and state enterprises. In no country in the world are railway rates, postal charges, etc, so low as in India.

(xii) We should present countries like the U S A, U S S R, U K and Germany with a well-conceived plan for Marshall Plan type assistance and demonstrate that in the absence of sufficient foreign aid India will be unable to make any appreciable progress and continue to be a source of trouble and misery.

(xiii) We should introduce incentive wage-rates like piece-rates in as many industries as possible (as has

been done in the U S S R), and persuade the Trade Unions to give up their outmoded attachment to daily wage-rates.

Since some of these policies will be unpopular, all the three main political parties, the Congress, the Communist and the P S P should agree not to make any of these an election issue. Strong opposition from groups like the Forum for Free Enterprise and the Jan Sangh will, no doubt, be there and cannot be helped. But once the three major parties agree, it should not be difficult for Government to take these decisions. These three parties, all of which have expressed their faith in a bold plan, should realise that in our Prime Minister the country has a valuable asset today which will not last for ever, and unless we are able to make the economy break the "development barrier" during his life time, we shall never do so, except after a very long and painful interval.

U S Department of Commerce
Trade Mission to India

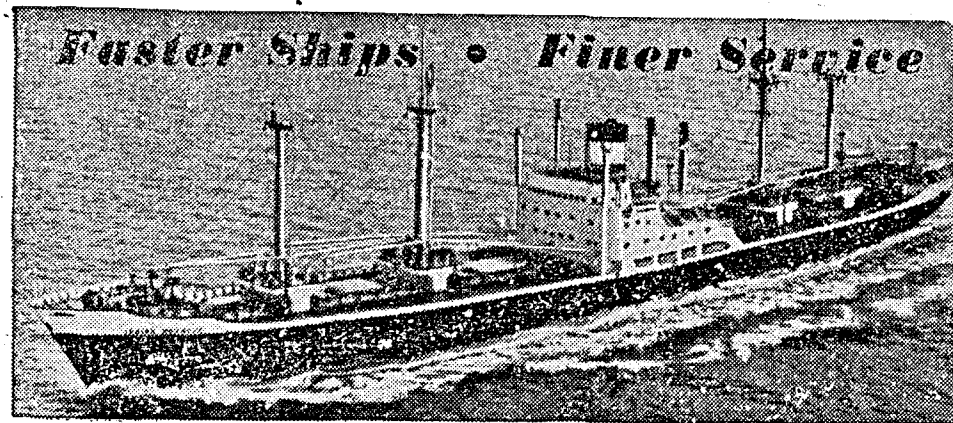
AN expanding market in India for a wide variety of essential products is ensured as standards of

living are gradually raised....Even slight improvement of the standard of living can open large market to new customers and snowball into a tremendous business potential....

The interest of the mission was especially focussed on India's plan for the development of small industries, and in proposals for the collaboration of American enterprise in such projects. The number of small individual production units using machinery and serving as suppliers to larger companies, must be increased rapidly. As this is brought about, the demand for machines of all types for the use of small industry will grow. American machines are preferred but the present dollar shortages make it impossible to import them in anything like the quantity needed to meet present demands....

A large volume of machinery should be produced in India. This situation presents an opportunity for American businessmen to enter into collaboration with Indians to provide production machinery and technical assistance through joint ventures or licensing arrangements.

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Soviet and American Economic Organization

A Comparison

Andrew Gunder Frank



The advent of the Soviet H-bomb stirred economists, Congress, and the Press to compare industrial output and economic growth in the Soviet Union and the United States. More recently, Sputnik has drawn our attention to the extent of Soviet education compared to our own.*

This concern with "how much" is well within the American tradition. For the future, however, it may be more important for us to devote increasing attention to "how" as well as to "how much". "How" the Soviet economy is run, "how" the Russians come to be educated at all, and comparison of the Soviet "how" with our own demand our attention as well. It is this second approach, then, which underlies the present paper:

How do the Soviets organize their economy, and how does Soviet economic organization compare with our own?

Once we are better acquainted with the "how", we shall in the concluding section of this article, inquire as well into the "why" of the similarities and differences between Soviet and American economic organization.

TO compare, we need a basis of comparison. The basis to be used here, a convenient yet important one, is the question: "How does the society provide for the fundamental decisions necessary to run a complex economy?" The fundamental decisions, or questions to be answered, or problems to be solved, may be distinguished as follows:

(1) What portion of total output shall be consumed and what portion saved and reinvested? This question will be referred to as the consumption/investment decision.

(2) Given the consumption/investment ratio, just what consumer and investment or producer-goods shall be produced? In other words, precisely what shall the product-mix be?

(3) Given the product-mix, how shall the selected products be produced? How shall the available resources or factors of production be combined to produce the selected goods? This question may be labeled the "factor-mix".

(4) Once the products are produced, which consumers shall receive what products; or what shall the distribution of consumer goods be?

(5) How shall the total purchasing power in the hands of buyers be equated to the total amount of goods available for purchase? This is the problem of aggregation.

(6) Who shall receive what slice of the total income pie, or what shall the distribution of income be?

(Note that tasks (4) and (6) differ; task (6) involves only the division among the society's members of total purchasing power; task (4) refers to the additional decisions required to determine who gets what particular goods). All these problems are, of course, interrelated; and each economy solves them simultaneously. But we can understand the entire process better if we visualize the economy as though it solved them separately and if we take them up in the order just presented. Our answers to the questions will then permit us to explore whether the similarities and differences in methods of economic organization may not be explained by similarities and differences in objectives between the Soviet Union and the United States.

How Does the Economic Organization Compare?

* See, for instance, Warren Nutter writing in the 'American Economic Review', May 1957 and 1958; Joint Economic Committee of the Congress, 'Soviet Economic Growth, A Comparison with The United States'; and such publications as 'U S News and World Report'.

We may conveniently begin the analysis by asking how the Soviet Union and the United States decide how to divide total output between consumption and investment. The Soviet solution to that question determines the remainder of the Soviet economic organization in

important ways. It is also in deciding the consumption/investment ratio that the Soviet Union and the U S probably exhibit the most apparent and actual differences; though, I suggest, the actual differences are not nearly as great as the apparent ones. The Soviets definitely determine the consumption/investment ratio centrally; and it is difficult to ascertain just what, other than the strong desire for growth, guides their selection. The consumption/investment ratio is not the outcome of interaction among previously determined prices, product mix, factor mix, profitability, or inflation. On the contrary, it appears that the consumption/investment ratio is the mainspring decision which itself gives rise to them. How the decision is implemented will then appear in our examination of these other matters.

Does American determination of the total consumption/investment ratio differ substantially from the Soviet one? Apparently, yes. At first glance it appears as though total American investment is the result of many relatively decentralized decisions which producers make in response to market conditions. These investment decisions are related to market profits and to conditions on the financial market. But these decisions primarily determine the allocation of total investment among particular goods and particular firms. The level of investment, on the other hand, is very much influenced by the government. Whenever the government regards the privately determined level of investment as unsatisfac-

tory (whether too high or too low) it uses its various monetary, taxing and spending (uscal), powers to change the amount of investment. Economically speaking, it is mere happen-chance that the privately determined level of investment in the U S is usually more nearly satisfactory to the people and their government than has been the case in the Soviet Union during the last generation. Thus, the U S government may be said to determine total investment sometimes by permitting private producers' decisions to stand; sometimes, such as in most post-war years, by amending private decisions through mild monetary and fiscal measures; and sometimes, notably during the thirties and early forties, by employing more direct measures analogous to the Soviet materials plan. As for allotting national income to defense, which requires restraints on consumption similar to those posed by investment, the Soviet Union and the United States equally permit the government to have first claim on the national output.

Product Mix

Disposal of the consumption/investment decision introduces the problem of selecting the particular types and quantities of consumer and producer goods to be produced. In large complex economies such as those of the Soviet Union and the United States, the number of decisions involved in this selection process is much too large for a central authority to handle. In the U S the product mix for the bulk of the goods and the large majority of the decisions involved are relatively decentrally made. The American product mix occurs in the context of a market. The Soviets resort to a planning agency to "plan" a larger share of the product mix. The planned product mix is communicated to the various enterprises; nonetheless, each individual enterprise must purchase its inputs, and dispose of its output on a market. Individual enterprises typically deviate considerably from planned output in response to market and other pressures. Moreover, in setting up the materials plans, central planners are dependent for their information on enterprise decisions as to what information about output possibilities and needs to communicate to the center.

Both central government and producer decisions about the product

mix must in some ways reflect consumer preferences as expressed through the market and political processes, for surely neither the planner nor the enterprise could long afford to produce goods which the consumers do not choose to buy. In other words, the Soviet consumer exercises some degree of consumer sovereignty in determining the product mix just as does the American consumer. The Soviet consumer exercises this sovereignty over a smaller portion of total national product because a smaller share of Soviet output than American output is channeled into consumer goods, and because Soviet producer goods are typically used to make still more producer rather than consumer goods. Administrative pricing and the sellers' market limit Russian consumer sovereignty still further. But these matters are better dealt with in our comparison of the Soviet and American market.

Factor Mix and Factor Reward

In discussing how factors of production or resources are allocated to uses and users, it is convenient to distinguish between materials and labour. In the United States both kinds of productive factors are generally allocated among users through market bargaining between owners and potential users of these factors. The more competitive the market, the better do prices reflect the public's wants and thus the more likely is it that the resultant factor allocation is in the public's interest. Competitive conditions do not, however, prevail universally. The American labour market, particularly, seems to be beset by either monopoly, monopsony, or both at the same time. Thus, the most desirable use of resources is not universally achieved. Additionally, factor prices frequently differ from those which would be established by bargaining alone, either competitive or monopolistic. We might call these prices "administered", though they may not be administered centrally.

Turning to factor allocation in the Soviet Union, it is immediately obvious that factors are allocated both through the centrally appointed materials and financial plans and through a factor market. The year 1940 saw the introduction, and 1956 the repeal, of several measures imposing severe legal restrictions on worker occupational

choice. Nonetheless, actual allocation of labour both within industry and between industry and agriculture, has throughout the Soviet period been organized primarily through a free labour market. The Soviets have relied mostly on market incentives both to recruit labour into industry and to allocate it within industry. They rely heavily on piecework wages to provide worker incentive on the job. Although labour allocation directives and administered wages have generally been included in the plan, enterprises have much more often than not honoured them in the breach. Only trained personnel, which is more scarce than ordinary labour, is largely allocated centrally. Managers, engineers, and people just out of professional school are placed in their jobs.

Materials Plan and Factor Market

The following additional observations may be made: In the Soviet Union, since many workers live in company housing, workers' freedom of movement is probably limited more in their capacity as buyers on the sellers market for housing, than in their capacity as producers in which they are themselves sellers on a sellers market. In the U S, on the other hand, worker's movement is more likely to be restricted because they are sellers of labour in a buyers market, in which supply exceeds demand and the result of quitting a job may be unemployment. It may be possible to explain many of the 1940 Soviet laws which attempt to circumscribe labour mobility and to enforce labour discipline by observing that they were designed to place the pressure on workers there that the buyers market, particularly with unemployment, places on them here.

Soviet allocation of material productive factors among uses and users is handled both through the materials plan and the factor market. Materials are divided into three classes which reflect their relative scarcities. The more scarce the factor, the more its use is centrally determined. But the more anxious also are producers to purchase these materials in excess of the legal limits specified by the plan. Managerial attempts to procure these scarce materials have resulted in the birth of "five-percenter type" purchasing agents and a widespread illegal procurement system, or black market, for producer goods.

Enterprise Demand Related to Price

Enterprise demand for and use of materials is, of course, related to price. The opportunity to administer prices, therefore, provides the Soviet central authorities with additional power to determine factor use. The Soviets have tried to price producer goods so that they reflect simultaneously their actual value at the present time as well as their hoped for value at a future time. That is, they have attempted to make factor prices reflect current consumer desires as well as government investment objectives at the same time. These objectives are, of course, more often than not in conflict; and pricing of producer goods has, accordingly, given the Soviets no end of trouble.

Since 1950 the Soviets have increasingly compromised their objectives by resetting factor prices so that they reflect the factors' real values much more than they used to, more nearly as American prices do. This change in pricing procedure has meant gradual abandonment of the subsidies previously granted to certain infant industries. Just as Western economies found it necessary to grant certain industries tariff and other protection to stimulate and permit their growth, the Soviets had protected their capital goods industries by price subsidies. As these industries cease to be infants, the economic costs of over- and under-pricing can no longer be justified, and the subsidies are withdrawn. While withdrawal of subsidies has raised protest among spokesmen of some of the industries concerned, these objections appear to have had less impact in the Soviet Union than the same objections have in the United States.

Economic Role of Profits Differ

The payment received by productive factors, or factor reward, is in both economies determined largely on the factor market. By and large, each unit of factor, such as an hour of labour or a ton of steel, is paid for by sale and purchase on the market. We may distinguish reward payments for labour, termed wages and salaries, and payments for materials, which I shall call profits (though they include rent, interest, etc.). In both economies wage payments make up the bulk of consumers' money income. The

major exceptions in both countries are the income of farmers, and in the U S, part of the income of small business people, mostly merchants and real estate owners, which contain substantial profit components. Neglecting this complication, we may visualize wage receipts as the source of most consumer expenditures and non-wage receipts as flowing into producers' expenditures in both economies.

The economic role of these non-wage payments, or profits, appears to differ in the two economies, however. In the U S the extent and distribution of profits substantially determines who produces what consumer and producer goods; and, in the absence of government intervention, they determine the amount of investment. In the Soviet Union, however, profits play only a minor role in distributing investment and producer goods among producers. As we have seen this task is left primarily to the materials plan and other centrally and decentrally determined forces. Profits certainly do not determine the amount of Soviet investment. Indeed, we might say that in the Soviet Union profits merely reflect other decisions and, like taxes, are largely siphoned off by the government in order to reduce inflationary purchasing power. In short, America places relatively more reliance on a free competitive market to allocate materials than it does to allocate labour. The Soviet Union relies relatively more on the market to allocate labour than it does to allocate materials.

Economic Role of Profits

Any large economy which relies on specialization of labour to produce a large variety of goods cannot practically distribute these goods among consumers by central fiat. The only practical way to cope with the number of decisions involved in distributing goods among consumers in the U S and the Soviet Union is through decentralized market decisions. Moreover, we noted that both economies allocate labour through market incentives. If these incentives and the resulting inequality of income distribution is to be meaningful to workers, they must, in their capacity as consumers, be able to exercise a substantial degree of choice among consumer goods. In both

economies, each consuming unit commands a certain amount of income, each good bears a price; and each consumer divides the income available to him among the goods in accordance with his relative desires for goods and their relative prices. Consumer goods are thus distributed automatically and decentrally. All available goods are taken off the market if the price of each good is such that the market demand clears the market supply. In the United States the price is by and large set through implicit bargaining between consumers and suppliers. In the Soviet Union the government sets most consumer goods prices; but it sets these prices pretty much so that they will clear the market; or else the market organization would not work at all.

Three amendments which introduce some differences between the Soviet and the American situation may be made to this description of Soviet consumer good distribution.

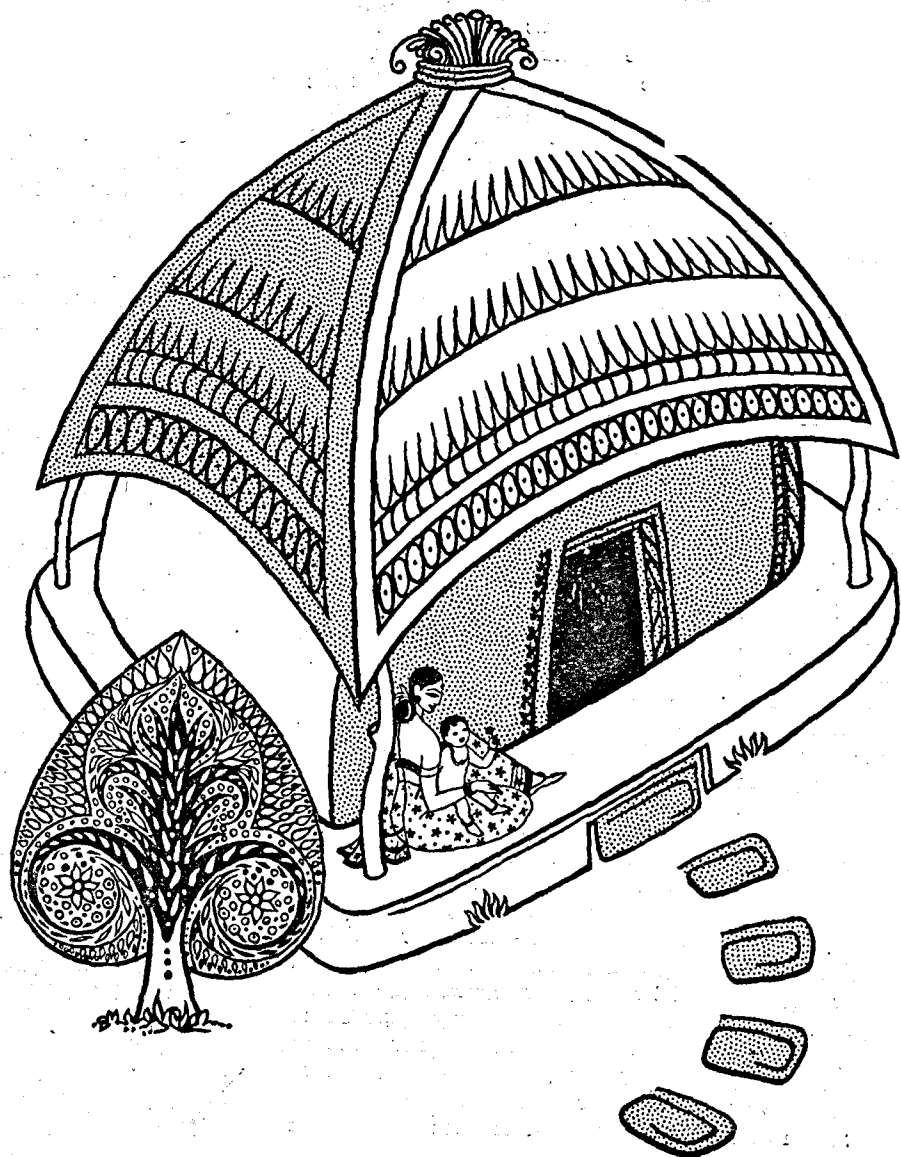
(1) Although America distributes some important goods, such as education, communally, the Soviet Union distributes a larger share of her output communally. But it may be presumed that both societies forego consumer choice in the distribution of "social services" for either of two reasons: (a) either consumer wishes and/or production conditions are such the government can effect the desired distribution more cheaply than the market (defense) or (b) the society wishes to enforce a distribution of goods which differs from that which consumers would choose individually (education, health).

(2) The second amendment is that for some goods, notably foods, the Soviets maintain two or three markets each with a different price for the same goods. In that case quantity supplied is inadequate to meet quantity demanded on the low price state markets; but the high price free market, where existent, helps to redress the balance.

(3) The third qualification is that for consumer, as for producer goods the Soviet economy maintains more of a sellers market and the U S more of a buyers market. We shall return to this difference.

Aggregation

Any non-barter, exchange economy faces a problem of aggregation: equating total purchasing power to



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the value of goods available. Both the Soviet and American economies divert a large share of their total production away from the consumer goods market. But wage earners are rewarded for the production of all goods; producer, defense, and socially distributed goods which do not appear on the consumer market as well as for the consumer goods which do. Enter the aggregation problem: equating purchasing power—derived from the production of all goods—to the value of only those goods that do appear on the consumer goods market. Any market economy could have recourse to the same three general solutions: (1) keep pay rates (wages) low enough to equate total receipts to the value of goods; (2) keep prices of consumer goods high enough to absorb all of the purchasing power received; (3) match the diversion of producer and other goods out of the consumer goods market by a similar diversion of purchasing power. The Soviet Union and the United States both reject the first two alternatives and place their principal reliance on the third. Acceptance of either of the first two solutions to the aggregation problem would result in market prices which do not reflect the real values of factors. Thus, in using prices as guides, producers would base their production decisions on misinformation; and organization on the product market would be bought at the cost of disorganization on the factor market. We may presume that this cost explains the rejection by both economies of the first two methods.

Both the U S and the Soviet economies, then, elect the third alternative. They divert enough receipts from the consumer goods market to achieve at least a rough balance of demand and supply. In the United States this diversion takes the form of taxation and of private and business savings (or undistributed profits). Since, compared to the American economy, the Soviet economy distributes a larger share of total output outside of the consumer goods market, the Soviets also divert a larger portion of receipts from that market. In the Soviet Union the diversion used to absorb purchasing power or to close the inflationary gap is enterprise profits which are largely turned over to the government for re-investment, the turnover tax, various "budgetary adjustments"

to that tax, the personal income tax on urban people, the income tax on peasants, the tax on cooperatives, and the sale of government bonds. Of these, the turnover tax including its auxiliary, the budgetary difference, is by far the most important.

The essentials of price and tax determination seem to be the following: The price to the final consumer is set so as to equate quantity demanded and quantity supplied at that price for the particular good and to help equate the quantities demanded and supplied for all goods. The total production and distribution cost of the good is calculated. The difference is a residual and is designated to be absorbed by the turnover tax. But turnover taxes, which are generally applicable to the whole Soviet Union and infrequently changed, can effect very rough demand/supply adjustment only. Since cost and demand conditions differ from place to place and from time to time, further geographical and temporal adjustments are necessary to close the inflationary gap throughout. These adjustments are achieved through the so-called budgetary difference which mops up purchasing power not caught by the general turnover tax.

This interpretation of the turnover tax as a residual designed to close the inflationary gap is supported by three additional observations: (1) About 75 per cent of the tax revenue is derived from consumer expenditures on good and apparel, which renders the tax very regressive. The more regressive the tax, the more it falls on low income receivers who typically spend rather than save, and the better suited it is to combat inflation. (2) The regions in which per capita tax payments are high are also regions in which a relatively large share of income is received from production of goods not entering the consumer goods market. (3) The tax yield has been similarly highest in those years in which the greater share of output took the form of producer and defense goods. In summary, the data suggest that the higher is the inflationary gap, regionally or temporally, the higher is the turnover tax yield.

Distribution of Income

The distribution of income among individuals in the Soviet Union as

well as in the United States, is very much effected at the pleasure of the Central government. In both economies, given the distribution of wealth and skill, income is distributed among individuals in the first instance through market reward for services individuals render and in the second instance through government amendment of the resulting income distribution by taxation and transfer payments. The extent of market reward to each individual is in turn determined firstly by the amount of resources he owns and secondly by the prices his resources or their services command in the market.

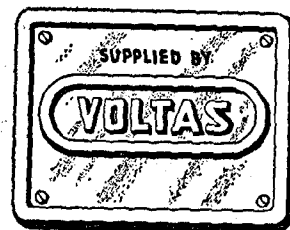
Although factor resource prices are set more centrally in the Soviet Union than in the U S, the final distribution of income is centrally determined in equal degree in the two economies. Each government, after all, has the option of altering the market determined income distribution through taxation—and both governments exercise that option through a differential income tax and each society has the option of altering the existing distribution of resources—and both societies exercise that option, primarily through free or subsidized public education. The principles underlying the distribution of income differ in the Soviet Union and the U S however. In the Soviet Union, for instance, the income tax is graduated with respect to source of income, such as labour, professional practice, handicraft, art, etc, rather than by amount of income as it is in the U S. Both the Soviet and the U S government seem to be fully aware of effects of income distribution on personal incentives and product and factor mix. Both try consciously to use income distribution as a means of promoting the desired selection of goods and production methods.

Market and Pricing

We have seen repeatedly how both economies use markets to handle many important economic functions. But efficient though the market mechanism is, it is not perfect. Any economy whose output changes through time is likely to experience difficulty in relying on a market for the simultaneous solution of both the resource use and the aggregation problem. Growing economies, particularly, will find it difficult always to equate demand



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and supply for each individual good and for all goods put together. Both the U S and the Soviet economy do experience this difficulty continually: they both operate with a disequilibrium system, to adopt the apt phrase which Galbraith applied to the U S World War II economy. If one's market cannot be in equilibrium, and equilibrium is difficult for growing economies to achieve, then one must settle for a buyers market or a sellers market, or some of each. The U S has typically elected to rely on a buyers market and the Soviet Union on a sellers market. The buyers/sellers market difference between the U S and the Soviet Union is most conspicuous in their respective labour markets, but it is generally apparent in all their markets. The U S generally maintains relatively high prices and low purchasing power so that supply tends to exceed demand at present prices; and the Soviet Union maintains relatively low prices and high purchasing power so that demand tends to exceed supply at present prices. As we have already seen the resulting tendency is that in the U S buyers enjoy more freedom of choice than do sellers, including sellers of labour; while in the Soviet Union buyers of all kinds suffer at the expense of sellers, including sellers of labour.

Some of the institutional results of this selection of sellers and buyers markets by the Soviet Union and the United States are purchasing agents (tolkachi) and waiting lists there and salesmen and advertising here. Both are costs or results of relying on disequilibrium markets. By using the appropriate monetary and fiscal instruments, each economy could, no doubt, rid itself of the particular type of disequilibrium with which it is beset; but it might well do so at the cost of getting the other disequilibrium. We might well regard the American attempts to guarantee full employment in the face of downward inflexible wages and the resulting inflationary pressure as a case in point: it appears as a step toward substituting the sellers market familiar from the Soviet and the U S wartime experience for the buyers market familiar from our own past experiences. So much for the "how"; what about the "why"?

* More extensive discussions of how the Soviet economy works may be found in H. Schwartz,

Why the Similarities and Differences?

Can we account for the similarities and differences between Soviet and American choices among organizational methods? Probably not conclusively. But, by focusing on as few as two major objectives among the many that both the Soviet and the American people have, we can find a pattern between their respective objectives and their observed selection of organizational methods. Consider the objectives, (1) economic efficiency and (2) economic growth and/or defense. Both stand high in the list of each people's major social objectives. Unfortunately, however, the demands these objectives make of any society are frequently in conflict. Neither the Soviet Union nor the United States appear yet to have found it possible to meet both objectives equally and simultaneously. Accordingly, occasions arise when each country finds it necessary to sacrifice some satisfaction of one objective to attain more satisfaction of the other. We should not be surprised if, upon examining the relation between objectives held and methods selected in the Soviet Union and the United States, we find that the methods chosen and sacrifices made correspond to the relative importance of the objectives.

Thus, we may observe: The more emphasis each economy places on efficiency in a given situation, the more does it sacrifice growth/defense and the more does it rely on decentralized decisions. The more emphasis each economy places on economic growth or defense, the more does it sacrifice efficiency and the more centralized are the relevant decisions. Consider the evidence.

Insofar as both economies emphasize allocation heavily, both economies employ relatively decentralized organization. Thus, we find that both economies use markets to

'Russia's Soviet Economy'; F. Holzman, 'Soviet Taxation'; D. Granick, 'Management of the Industrial Firm in the U S S R'; J. Berliner, 'Factory and Manager in the U S S R'; A. Frank, 'The Organization of Economic Activity in the Soviet Union,' in 'Weltwirtschaftliches Archiv', vol. 63, No. 1, 1957, pp 104-156. Additional comparative examination may be found in A. Oxenfeldt, 'Economic Systems in Action'.

distribute goods among consumers, and to some extent determine both the produce and the factor mix of non-investment and non-defense goods. Insofar as the Soviets emphasize growth relatively more and allocation relatively less than we do, they resort to more centralized decisions than we do. Thus, the Soviet product and factor mix is more centrally determined than ours. Within the Soviet Union itself, the more scarce or strategic a good or a factor is, the more centrally is its distribution determined. For instance, centralized decisions predominate more for the distribution of steel and skilled labour; decentralized ones predominate more for the distribution of paper and ordinary labour. We may similarly observe that the sellers market predominates in the Soviet Union which can ill afford the large stocks of materials and goods necessary to operate a buyers market and which wishes to restrain consumer sovereignty. The buyers market on the other hand is more usual here where these circumstances do not prevail.

The more both societies emphasize growth or defense, the more do both determine the allocation of resources by their central governments. Thus, the Soviets value a high rate of growth relatively more highly than we do. They also place greater reliance on central determination of the important consumption/investment ratio than we do. However, when during the nineteen forties defense replaced allocation as our prime objective we immediately adopted not only centralized decisions of the investment defense to consumption ratio, but as well the whole gamut of Soviet organizational methods including planning of factor use, human as well as material, administered prices, inflationary instead of deflationary disequilibrium, etc. In other periods of our history also, when we experienced the spurts of economic growth associated with railroads and automobiles, the American government also helped to pave the way with railroad grants and road building, and it is conceivable that the American government may again take an active role in the future of atomic energy. At the same time, the evidence amply indicates that as the Russians evaluate increased growth relatively less highly, and pressure allocation rela-

tively more highly, so also do they increasingly substitute more decentralized methods of decision making and freer prices for centralization and administered prices. In short, it does seem that we can associate centralization with the solution of growth or defence problems and decentralization with the solution of allocation problems.

The Soviet and American economies, in conclusion, exhibit substantial organizational similarities. They exhibit some dissimilarities as well. Is it accidental that the organizational methods selected by the Soviet Union and the United States correspond, at particular times in their respective histories, to the relative importance they accord to their common social objectives of economic efficiency and growth-defence? Or is it possible that another people's choice of economic organization, and may be aspects of political and social organization as well, can be explicable, and hopefully acceptable, in terms even of our own values and objectives?

Foreign Exchange Revenues from Oil Companies Down in Indonesia

NEXT to the difficulties as a result of the increasing demand but dwindling supply of oil, the oil question will entail a further decline too of the foreign exchange revenues of the State. The oil companies are entitled to use their own foreign exchange for their investment if these are cleared with their foreign exchange earned by their exports. On the other hand, if they want Rupiah for wages, taxes etc they sell their foreign exchange to the Government in order to get Rupiah.

The production of the oil companies shows a decline, except for Caltex. Stanvac is threatened with a decrease of her production as it has not got new concessions. It is learned that the production of Shell and Stanvac will go down further, whereas the home need of oil will still increase. The home consumption (has been increasing as) can be seen from the figures of oil sold in the home market.

The Shell exports of refined oil were in 1956-59 million barrels and in 1957 41 million barrels. The more gasoline Shell and Stanvac sell at home, the less Rupiah they

will want and less foreign exchange the government will get from them. Caltex forms an exception as it exports the oil wholly, so that it will need more Rupiah if it expanded its business.

As a result of the dwindling amount of oil for the refineries, Shell is now importing more and more crude oil, viz, in 1956 21 million and in 1957 27 million barrels.

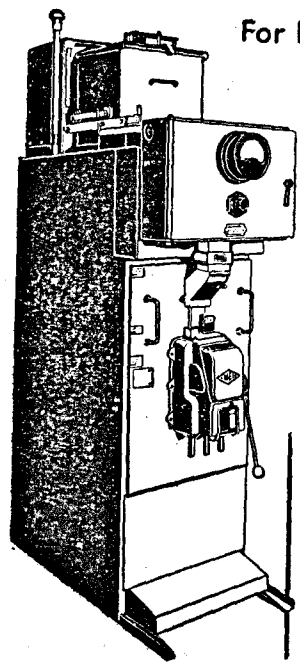
As the Caltex production of crude oil is rising it would be better if Shell is refining this oil, but it seems that the adagium (sic) "business is business" is still prevailing with

Shell, so that it prefers to import crude oil from her own company abroad, to keep their refinery-plant running.

The oil committee set up by the government to examine the oil question have met several times to discuss these problems. Would not it be better to have the Caltex crude oil processed by the Shell refinery than to urge Caltex to build a refinery plant here, as the existing one is not working at full capacity? —'The Commercial Weekly', Dja-karta, December 29, 1958.

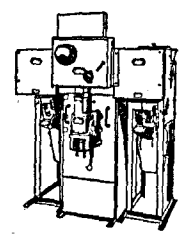
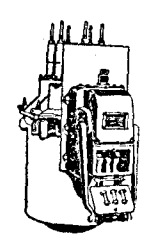
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Is the American Trade Cycle a Thing of the Past?

Paul W Samuelson

Americans are naturally interested in our economy. But foreigners too are fascinated by developments here. For what happens today in the United States may in a few years be happening to Sweden and the United Kingdom. And even if a country is far removed in its stage of development from that of the United States, it still cannot help but be much affected by fluctuations in activity of one of the biggest sectors of the world economy.

I propose, therefore, to examine briefly an important question that has been the subject of recent debate here. Is the old-fashioned business cycle a thing of the past, a remnant of an earlier stage of historic capitalism?

LET me say at the beginning that if your vision of the business cycle is that of the 1929 Crash and the great depression that followed, then the question can be given a more confident answer. Within the next couple of decades I do not think the United States is likely to experience a prolonged slump of magnitude comparable to the great crises of earlier capitalism.

Note how cautiously I phrase my answer: I speak in terms of likelihood because nothing is certain in economics and the social sciences; and I date the period of my concern because the social world is a developing one, with truths that may hold for one era and cease to hold for another. But though the answer has to be phrased in terms of betting odds, I feel quite confident in giving it. Here are a few reasons.

No Serious Downturn

First, there is the simple fact that we have gone some 20 years now without experiencing a serious downturn. In the minds of those who are most enthusiastic to proclaim that we now live in a "new era," this fact is probably uppermost. But not in my mind. I recall too well similar talk based upon some years of prosperity during the 1920's; and also the historical fact that the great depressions of the past—of 1837, 1873, 1893, and 1932—occurred after intervals of more than two decades.

Second, all important in my view, is the changed role of government in the modern economy. It is today unthinkable that we would let our banking system go to ruin as the result of internal runs on our decentralized banks. If necessary, the government would take over the banks, printing in an emergency whatever amount of money was needed to satisfy panic liquidity needs. On the fiscal policy front, our

"automatic stabilizers"—tax collections that fall as income falls, transfer expenditures that at the same time rise — would go into action. Spurred on by an electorate that is today very sensitive to what in earlier times would have been regarded as moderate amounts of unemployment, any government in power when a depression threatened would undoubtedly resort to discretionary fiscal policies—tax reduction and expenditure programmes aimed at raising incomes. Coordinated with anti-depression fiscal policies, monetary policy of a conventional and unconventional type also has a considerable contribution to make toward economic stability. Modern governments have the will to avoid serious depression, and sober study of the facts and mechanisms of national income determination have convinced me that they have the power to succeed in this aim.

Small Rhythms

Does all the above mean that the trade cycle is dead? Not necessarily, if we mean by the trade cycle the small rhythms of business activity that have affected our economy at three or four years intervals in the historic past. I suspect that these will continue to be a characteristic of our economy, but with the important difference that they will no longer be permitted to snowball into major depressions.

Let me be specific. Since the end of the last war, we have had three minor recessions—1948-49, 1953-54, and the recent 1957-58. Even though the Employment Act of 1946 committed the United States government to the maintenance of prosperity, we have not avoided periodic contractions at four year intervals. I for one shall not be too surprised if our record in the future were to turn out to be little better than this postwar experience.

But let me hasten to add that this is by no means a pessimistic forecast inasmuch as the postwar period has been a very prosperous one for us with the months of contraction being very few indeed. While admittedly we can hope to do better, there is no guarantee that we shall succeed.

Why this expectation of a continuance of minor cycles? Is it because I think them due to sunspots, weather cycles, or other phenomena beyond the control of man? Not at all. Repeated study of sunspot and similar theories convinces me—even though I can't prove it in so inexact a field as economic science — that all such theories are completely nonsensical.

But when you look at the repeated tendency of stocks of inventories to undergo small variations relative to sales and production, and when you realise that small changes in stocks can have large effects on the rate of growth of stocks and therefore on production, income and employment—then you realize that periodic destocking and restocking movements are not a thing of the past. Just as such movements contributed to past minor cycles, we can expect them to help create future undulations.

A great deal of modern production consists of durable producers and consumers goods. It remains a fact about such goods that their production and purchase can readily be postponed or stepped up, thereby giving rise to fluctuations in employment and income. The case of automobiles, which sold well in 1955 and poorly in 1958, reminds us that many of the dollars the modern consumer spends go for luxury items that are especially subject to capricious and volatile gyrations.

I could go on to list the other major items going to make up the

Gross National Product and to show that none are immune to variation. Indeed the wonder is that so many of them behave so well. Unlike smaller nations, the United States has never had to worry too much about importing great irregularities from abroad. We have been lucky too in that our postwar pattern of construction activity has, thanks to orthodox and unorthodox credit policies, tended to act in an anticyclical, stabilizing fashion. There is no guarantee that this will always be the case.

The Big Change

Suppose we tentatively split up the forces that make for cycles into (1) initiating forces and (2) secondary, reinforcing forces. It is only prudent, then, to expect the initiating forces to be subject to their old variability. Indeed, in this troubled modern world's unpredictable pattern of evolving politics, one of the greatest sources of economic instability is to be found in defence and aid expenditures. These are powerful initiating forces for instability, as the 1950 Korean episode and the 1957 defence retrenchment programme have reminded us.

The big change, in my opinion, has come in the role of the secondary reinforcing forces that used to make for deep depressions and runaway booms. With the government ever in the picture, ever "leaning against the wind," so to speak, the secondary cumulative forces of instability are now held in check. Actually, with businessmen and labourers confident that the government will be able to keep the situation from getting out of hand, many of the most powerful secondary forces that plagued historical capitalism will never come into play at all! I refer to extreme market panic, bankruptcy, avalanches of debt liquidation, cumulative price-wage deflation, and catastrophic postponement of all new investment.

It is for the above reason that I believe the prudent betting odds concerning the tendency of the American economy to undergo major business cycles have truly changed.

Peril of Inflation

I should like to end on this note of optimism. But candour forces me to mention one spectre that still haunts modern capitalism—the peril of inflation. By this I do not mean

that we have any reasonable fear of galloping inflation of the German, Chinese, or South American type. But a slow, and rather steady upward creep of wages and prices does seem to have become built into our present day institutions.

Can a creep of inflation be kept from turning into a trot? That is

an important question but not one to which we are, yet, forced to give a pessimistic answer. Will concern over steady inflation force the government into actions which are inconsistent with the maintenance of really high employment? This too is an important question—and one to which I should like to know the answer.

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Washington Letter

Maginot Line against Inflation

Twelve months ago, when Mr Eisenhower presented the budget for fiscal 1959, the attitude he took in his message to the Congress was almost academic. Here are my proposals, he said, and if you want to mould it to your heart's desire, go ahead and do it.

This January, he was chosen to don the colours of a crusader and talk like one too. He has given notice that should the Congress challenge his budget, he will fight it all the way.

The Democrats like it that way and have indeed opened fire already. But as likely as not, it will be the Republicans who will carry the fight from Capitol Hill to the White House, the Gettysburg farm and even the Atlanta golf links.

The Republicans are, at the moment, looking for votes in 1960; and they see no votes in Mr Eisenhower's budget for fiscal 1960.

MR EISENHOWER considers his budget balanced, responsible, confident, positive and attainable. Not even the old guard Republicans see all these qualities in it. It certainly is balanced, but in the accounting sense and not in the context of needs and available resources. It is attainable, but only on the receipts side—for the simple reason that there are no tax cuts and the American economy will naturally grow in the next eighteen months. But to call it positive in the face of its philosophy of 'not-spending' seems, to say the least, paradoxical. Nor does the frequent citation of the threat of inflation as the reason for cutting down Federal spending lend the proposals any air of confidence. What else remains? The claim that it is a responsible budget. Here again, to pare the budget when the Government's international and internal obligations are bound to increase, to even those who like Ike smacks of a 'couldn't-care-less' attitude. More so because on the internal side, at any rate, Mr Eisenhower's proposals necessarily imply ignoring the welfare needs of the community or adding greatly to the burden of State Governments.

It is arguable that the President knows what he is doing, and is doing it in good faith. Or one can add a negative to either part of this proposition and question Mr Eisenhower's awareness of things or sense of responsibility. The pity of it, in so far as the Republicans are concerned, is that none of these offers them a tenable position to take. Small wonder that they have preferred to remain non-committal so far. What they will do in the next six months will largely be coloured by the balances of forces within the party; even so, it seems

a fair guess that what the party will be fighting about is how best and when to make Mr Eisenhower retreat and give it an appearance of statesmanship. All this will be fascinating for the student of American politics. But Mr Eisenhower's budget also throws up certain issues in economic philosophy and statesmanship which are, perhaps, of far greater significance for students of national economic management.

First a few facts about the budget for fiscal 1960 and the economic background to it. Total budget receipts in fiscal 1960 are estimated at \$ 77 billion, compared with \$ 71 billion in 1957, \$ 69 billion in 1958 and \$ 68 billion (estimate) in 1959. Increased receipts are anticipated not so much from new tax imposition as from larger yields from existing levies. In fact, Mr Eisenhower has not proposed any worth the name. Postal rates are to go up, and the excise on motor fuel will increase by 1½ cents a gallon. That is about all. For the rest, the corporation and excise tax rates which were due to expire on June 30, 1959 are to be extended by another year. Receipts from new taxes and increases in non-tax resources all add up to not more than \$ 600 million.

Bumpy Recovery

The President has, in other words, elected to follow the economy and hope for the best. Basically, his position is not an unreasonable one to take, because the Federal tax yields are significantly income-elastic. At this point of time, few will dispute the likelihood of the gross national product maintaining—and perhaps exceeding in the coming months—the annual rate of \$ 453 billion it reached in the last quarter of 1958. But whether this

is an adequate enough base for the estimated tax yields is debatable. The fiscal year 1960 is apparently comparable to 1956 in that it follows a recession and provides enough time-lag for the actual tax payments. But the recovery of the American economy in 1955-56 was more spectacular than the one now in process. The present one has been slow in gathering momentum and as likely as not will 'bump about' a bit. Indeed, this year's budget may, by curbing Federal expenditure in several fields, contribute to the bumpiness of the recovery. However, it may be argued that Mr Eisenhower believes that the dollar left in the pocket of the man-in-the-street helps the economy more than the one routed through the Treasury. We shall come back to this later.

It is on the proposed spending that Mr Eisenhower has drawn most fine. With his determination to balance the budget, he has anticipated the Federal expenditure for fiscal 1960 at \$ 77 billion. This is comparable with the actuals of \$ 69 billion and \$ 72 billion in 1957 and 1958, and the estimate of \$ 81 billion in fiscal 1959. Indeed, allowing for the new obligational authority, the expenditure in the 1959 budget year is put at \$ 82.4 billion. The President hopes to achieve the lower level of expenditure in the coming budget period by reduced spending under all major heads except "Interest". The biggest cuts are under foreign economic and technical assistance (\$ 1.5 billion), stabilization of farm prices and income (\$ 900 million) and aids to housing (\$ 880 million). The rise in interest charges is in anticipation of an increase in interest rates rather than in the size of the public debt. These expenditures do not, by the way, in-

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clude payments out of trust funds —just as receipts to trust funds are not included in the revenue estimates. These add to the size of cash outflow from Government; but it is not expected that they will increase in fiscal 1960 to such an extent as to bring total government spending anywhere near the 1959 levels.

Cut Back under Military Assistance

The major element in the Federal budget on the expenditure side is, as in the past, defence spending. Estimated at \$ 45.8 billion, this is about \$ 300 million less than in 1959, due entirely to a proposed cut-back under 'military assistance'. The critics of the budget argue that the military budget is entirely inadequate for two reasons—first, that it does not provide for the technological revolution needed for 'catching up with Russia' and secondly, that in terms of the higher prices for defence goods, the financial outlay represents a much smaller physical volume than seems at first sight. From the standpoint of those who believe that the 'peace-through-armament' approach in world affairs is most deplorable there is much to be said for Mr Eisenhower's proposal for curbing military expenditure. What is confusing is that neither the President nor Mr Dulles nor the Pentagon brass deplores the peace-through-armaments approach.

Furthermore, the axe has fallen mostly heavily on the economic aid programme. Here again, one has to remember that foreign aid authorities may have the benefit of past obligational authority to carry out some of their programmes; but to reduce current requests on that account is to assume that aid programmes can be both effective and one-shot or short-term affairs. It seemed for some time past that the Administration was trying to get the Congress to agree to longer-term arrangements in this field, so that the aid-receiving countries could plan with some degree of confidence. Now that the Congress is likely to take a sympathetic view of continuity in aid programme, Mr Eisenhower has reversed his position in spirit, if not in words. This, as Mr Adlai Stevenson says, is not the way to 'wage the peace'.

Talking Points for Democrats

The befuddled implications of the budget in the security and inter-

national finance fields are only half the talking points for the Democratic Congress. The other half is the plethora of 'backward-looking' proposals on the internal side, and the side remarks on the role of labour organisations in the country. Mr Eisenhower has, apparently, decided that inflation is round the corner and his job is to put up a Maginot line against it. The President sees in the coming months an expansion of private spending and is trying to offset it in a manner of speaking by having the Federal Government spend less. This, of course, has all the appearance of compensatory financing—the Government withdrawing from a position of deficit spending as the rest of the economy increases its outlays. But there are two things which undermine this position. Mr Eisenhower depends, as already mentioned, on the income-elastic nature of Federal tax receipts—and this means that personal and corporate expenditures will rise less fast than personal and corporate incomes. Secondly, there is already a move towards tighter monetary policy; and a tight budgetary policy on top of it might make the liquidity position in the economy rather inadequate for an expansionary phase.

Against Creeping Inflation

This raises a point on which it might be worth while to digress. It is possible to say on the basis of experience in 1958 that the American economy has certain built-in stabilizers of significant efficiency on the downturn. No doubt the Federal government's cash deficit of about \$ 13 billion in fiscal 1959 has contributed to keeping up domestic expenditure; but this was not the only buttress available to the economy. A good part of the credit is attributable to such things as spending by the State Governments, easy credit and — not the least important—the rigidities in the cost-price structure. For those who know their Keynes well, this last item is not a paradoxical explanation. The point, however, is whether these stabilizers are operative only in a down-turn as Mr Eisenhower believes and therefore the inflationary menace is as large and imminent as is made out to be. It will be recalled that everything that was done last year to contain the recession was overshadowed by the fear of doing

too much and thus paving the way for an inflation. The fear was particularly due to the relative inflexibility of prices and wages as compared to output and employment.

Against this background and in view of the fact that the American economy has withstood 'creeping inflation' (whatever that means) for quite a few years, it seems odd that the President in his address should be so apprehensive of the recovery turning into a run-away inflation. There is still a considerable amount of unused capacity in the economy; and there is still some way to go before money, and credit become really hard for business purposes. But Mr Eisenhower is afraid of higher demands for wages and as a result an increase in prices. He holds, much to the displeasure of organised labour, the level of wages to be the determining factor in regard to the price-level and takes it as an axiom that when wages rise, the producers are entirely justified in putting up prices. In addition, he assumes wage-demands to run ahead of increases in productivity per man-hour and therefore as the prime cause of inflation.

The entire philosophy of Mr Eisenhower's budget is, in other words, drawn from what Professor Galbraith calls the 'conventional wisdom' in economics. The President, obviously, does not agree with Professor Galbraith that what he has to deal with in America is the 'Affluent Society' and that the rules of the game for such a society are different from those of fifty or a hundred years ago.

Desirability No Criterion

It might well be that opportunities for economy exist in a variety of Federal programmes now under way and no one will quarrel with Mr Eisenhower's aim of avoiding responsibilities that "could swell expenditures unnecessarily and inconsistently". It is perhaps also true that "desirability alone is not a sound criterion for adding to Federal responsibilities." But these are not used by the President as criteria for evaluation of the real benefits attributable to Government spending. He aims rather at producing a surplus which can be used to reduce taxes and the size of the public debt in the long-run, and he claims that his proposals will help

reduce expenditures not only in 1960 but also in later years. This is significant, because it implies that the President is, fundamentally, unhappy with the size of the Federal budget. It is perhaps fair to say that given the choice between \$ 77 billion and \$ 82 billion as the level at which the budget could be balanced, he will choose the former. Schools and hospitals might, for instance, be desirable things; but that alone is not a sound criterion for him.

To pursue such desirable objectives will inevitably mean a larger budget and that is anathema. It will not be very convincing to say that the American economy cannot afford more schools and hospitals; they are, in other words, not only desirable but eminently practicable. And yet their supply will not increase sufficiently unless government at all levels sponsor such programmes. That this is true is clear from the pressure of welfare and developmental expenditures on the States budgets. But Mr Eisenhower will have none of it at the Federal level. As said earlier, he believes that sound fiscal policy should aim at reducing taxes and

public borrowing and restricting the role of government in economic matters. When one takes this position, one depends to a greater or less extent on the argument that public expenditure is inherently inferior to private expenditure and therefore should, as far as possible, be avoided. And the best way of doing it is to argue like the President that what is desirable is not always necessary and what is necessary is best done by somebody other than Government. Small wonder the Democrats call this budget the work of an Administration that has lost respect not only for the American people but for itself as well.

U K Ends Curb on Tin Imports From Sino-Soviet Bloc

IN view of the statement by the International Tin Council on Soviet exports of tin, Britain's Board of Trade announced that the restrictions imposed on August 30 on imports of tin from the Sino-Soviet bloc have been withdrawn. The Tin Council's statement is as follows:

"An understanding has been reached between the head of the Trade Delegation of the U S S R in the United Kingdom and the chairman of the International Tin Council regarding exports of tin from the U S S R during 1959.

"The U S S R is not a member of the International Tin Agreement and, accordingly, is not obliged to make any commitments in respect of tin. Nevertheless, the U S S R has moved towards the desires of the exporting and importing countries, members of the Council, and has confirmed her intention to reduce her tin exports outside the Socialist countries in 1959 as compared with exports in 1958. The answer given to the council is that it is the intention of the Soviet foreign-trade organizations to consider the figure of 13,500 tons the limit for such exports.

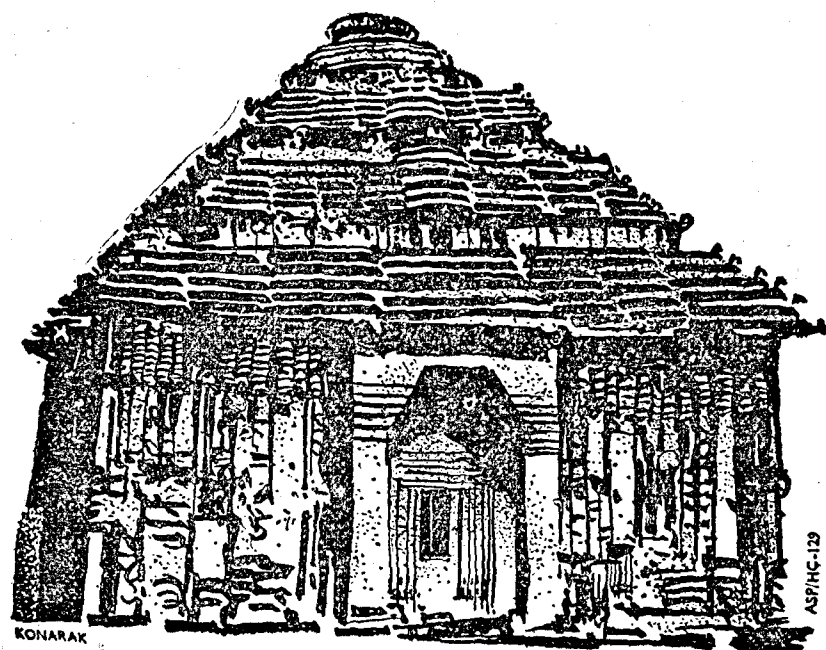
"The head of the Trade Delegation of the U S S R in the United Kingdom and the Chairman of the International Tin Council, with a view to co-operation between the U S S R and the council, will maintain close contact to resolve questions which might arise in connection with this understanding".

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The State of World Payments and Foreign Exchange Prospects for the Under-Developed Areas

In 1957 when the down-turn in the U S economy first became noticeable, it was widely feared that the recession would quickly generate a new dollar crisis. In fact as 1958 was to show, there was no dollar problem for Western Europe or for any part of the industrialised world.

In terms of the U S dollar, there appeared in 1958 no marked pressure on international liquidity. Most of the West European countries in fact found themselves more liquid and in more favourable external economic circumstances.

What appeared more important, by contrast, was the resulting exposure of the contrasting payments experiences of the industrial countries on the one hand and the primary producing countries on the other.

MUCH of the economic discussions of 1958 were dominated by the need for an increase in international "liquidity"—the argument was advanced that there was a close causal relationship between the growth of world trade and the size of the available gold and convertible currency reserves in the non-dollar world. On this ground, major initiatives in international negotiations were taken and as early as April 1958, the British Chancellor of the Exchequer announced that Britain was discussing with the United States, "long-term financial liquidity and other problems" and that the time had arrived "for another forward move in international economic co-operation". One particularly interesting feature of these discussions was the recognition in the United States that insofar as there was a liquidity problem, it applied more to the less developed countries who, as President Eisenhower, noted "suffer great variability in foreign exchange receipts". The upshot of these discussions, as was to be witnessed later in the year, was a 50 per cent uplift in the resources of the International Monetary Fund and an increase in the authorized capital of the World Bank. How far, in fact, do these solutions really help in creating the conditions for an expansion in world trade and thus generally an environment for an easier availability of foreign exchange to the under-developed parts of the world? In a word, does there exist, at least today, all that close causal relationship between world trade and international liquidity?

There can be no doubt that at a purely theoretical level, the relation between gold and currency reserves and the volume of trade is

definite and clear. But what appears more relevant is the problem of how far national policies in the major industrial countries may subvert this relationship. An examination of this assumption will be attempted below and for this, the more pertinent developments in world payments in 1958 need some emphasis.

No Dollar Problem

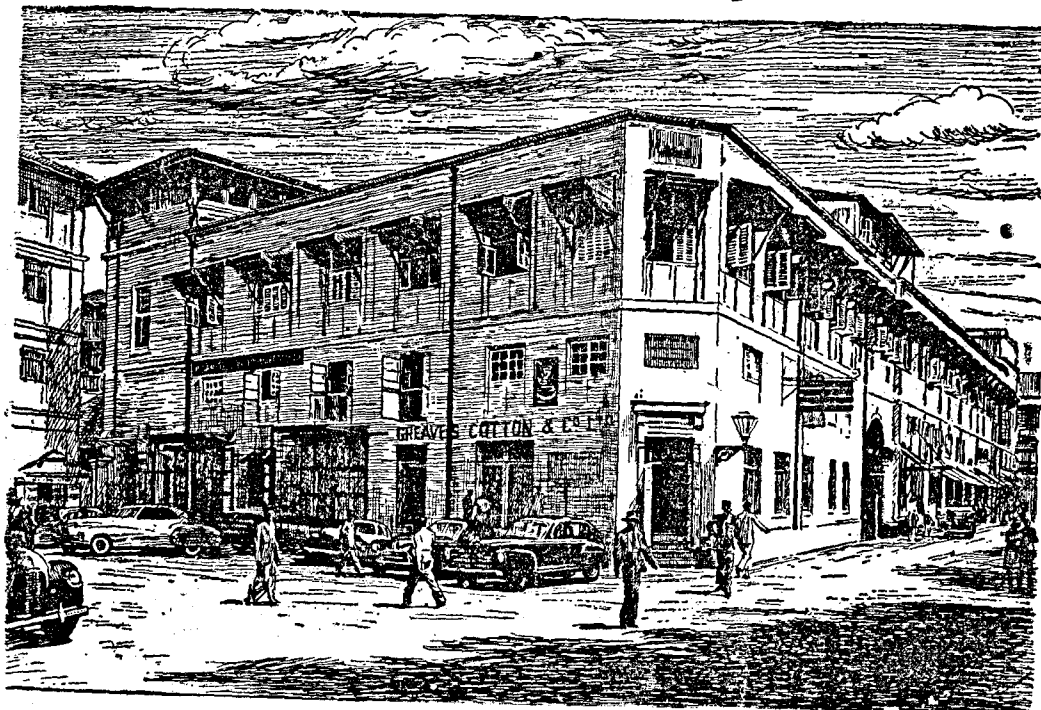
One of the most remarkable features of the payments situation in 1958 was the expansionary way in which the United States balance of payments responded to the international recession in production and employment. In 1957 when the down-turn in the U S economy first became noticeable, it was widely feared that the recession would quickly generate a new world dollar crisis. It was expected that, as in 1949, a dollar shortage would emerge through a more or less parallel fall in U S imports to match the decline in U S production while at the same time sharply increasing the American export competition in world markets. In retrospect, it is clear, that it was this type of analysis which gave rise to the question of "international liquidity". In fact as 1958 was to show, there was no dollar problem for Western Europe or for any part of the industrialised world. The value of U S imports has been falling from about mid-1957, but the decline, though small, has been almost wholly confined to primary products and raw materials. By contrast, the U S demand for manufactured products (particularly from West Europe) actually rose in 1958. On balance, therefore, the trade accounts of the United States did not cause any contraction in the international supply of dollars.

Another interesting feature of the payments aspect of the U S recession was the speculative reaction to the dollar. In past periods of economic uncertainty, there used to be, almost automatically, a speculative flight of capital funds away from West Europe to the United States, creating a sharp increase in the demand for dollars. On this occasion the opposite appeared to have happened. The speculative element in short-term capital flows was certainly present, but the down-turn in the U S economy was interpreted as a weakening in the international value of the dollar and hence there was some conversion of dollar balances into gold and European currencies. Finally the staving off of a dollar shortage in 1958 was also helped by the continued high level of U S military spendings abroad and the continued (though somewhat reduced) out-flow of U S long-term investment funds.

No Marked Pressure on Liquidity

In terms of the U S dollar then, there appeared in 1958 no marked pressure on international liquidity in the generally accepted meaning of the term. Most of the West European countries in fact found themselves more liquid and in more favourable external economic circumstances. What appeared more important to the world payments system, by contrast, was rather the increasingly international character of the economic recession, that is, its rapid transmission to almost all parts of the capitalist world and its resulting exposure of the contrasting payments experiences of the industrial countries on the one hand and the primary producing countries on the other. For once, the post-war division of the non-communist world into "dollar" and "non-dollar"

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areas proved a bit meaningless, and the old division which characterised economic discussions in the 1930's—between industrialized and primary producing countries—was brought into sharp focus. For what, in fact, the course of international trade has shown since 1957 is the sharp reaction of world commodity prices to the rapidly developing international recession and the crucial role which terms of trade continues to play in the payment experiences of all countries.

In terms of exports, the value of trade among the non-communist countries in 1958 was running at some 6 per cent below that of 1957. In the case of the United States, the decline in exports was substantial, about 10 per cent, but this is partly explained by the ending of exceptional shipments of oil with the re-opening of the Suez Canal. For Western Europe the decline has been less—about 3 per cent. Taking the industrial countries of the West as a whole, the fall in their exports between 1957-58 has been of the order of 4 per cent. By contrast the value of the exports of the primary producing countries in 1958 was as much as 10 per cent below that of the previous year. What is particularly significant about these declines in export values is the relationship between import costs and import values in the industrialized countries.

In almost all cases it was shown that the balance of payments surpluses of such countries was the consequence of substantial declines in import costs and this more so where imports were dominated by raw materials and primary products. (See Tables I and II).

Burden Shifted to Primary Producers

The data in Tables II and III pinpoint the degree to which the international economic recession was able to shift its payments burdens on to the primary producing regions of the world. According to calculations made by the National Institute of Economic and Social Research in the United Kingdom, the transformation of the changes in the terms of trade of the primary producing parts of the world into equivalent changes in their balance of trade and the size of their reserves was particularly rapid since 1957. (See Table III)

It is therefore evident that the expansionary directions in which the U S balance of payments moved in 1958 was by no means the only factor which staved off the pressures expected on reserve liquidity in the industrial countries and particularly to West Europe. The other, more substantial factor has been the increasingly negative direction of the balance of trade of the primary producing parts of the world following the fall in international raw material prices. And yet there can be little doubt that this experience was more the result of the recession in production in the industrial countries than that of any other single factor. Never before in the post-war period has the continued dependence and vulnerability of the under-developed and primary producing parts of the world on what happens in the industrial West been so clearly shown as in 1957-58.

Liquidity of No Consequence

The conclusion of the foregoing review of the differing payments experience of the industrial and primary producing parts of the world is that the decline in world trade in 1958 was by no means a consequence of the shortage of liquid reserves of gold and dollars to the countries of the industrial West as such; the decline has rather been the consequence of the industrialized countries having passed the peak of the trade cycle and of entering, at least, a period of protracted stagnation and more likely of decline and crisis. For all the rapid increases in West Europe's gold and dollar reserves in 1958, imports actually fell because industrial activity stagnated or declined. And as for prospects, the authoritative 'Economic Review' of the National Institute declares that "it cannot yet be said that there is evidence of a genuine recovery in the markets for primary products"

Table I—Percentage Change in Imports of Industrial Countries
1st half of 1957 to 1st half of 1958

	Volume of Imports	Import Prices	Import Costs
United States	+1.0	-3.5	-1.2
United Kingdom	-3.5	-10.0	-12.0
West Germany	+5.5	-8.0	-3.0
France	-2.5	-3.0	-5.0
Belgium	-6.6	-7.0	-12.0

Table II—Terms of Trade
Percentage Change 1957-58

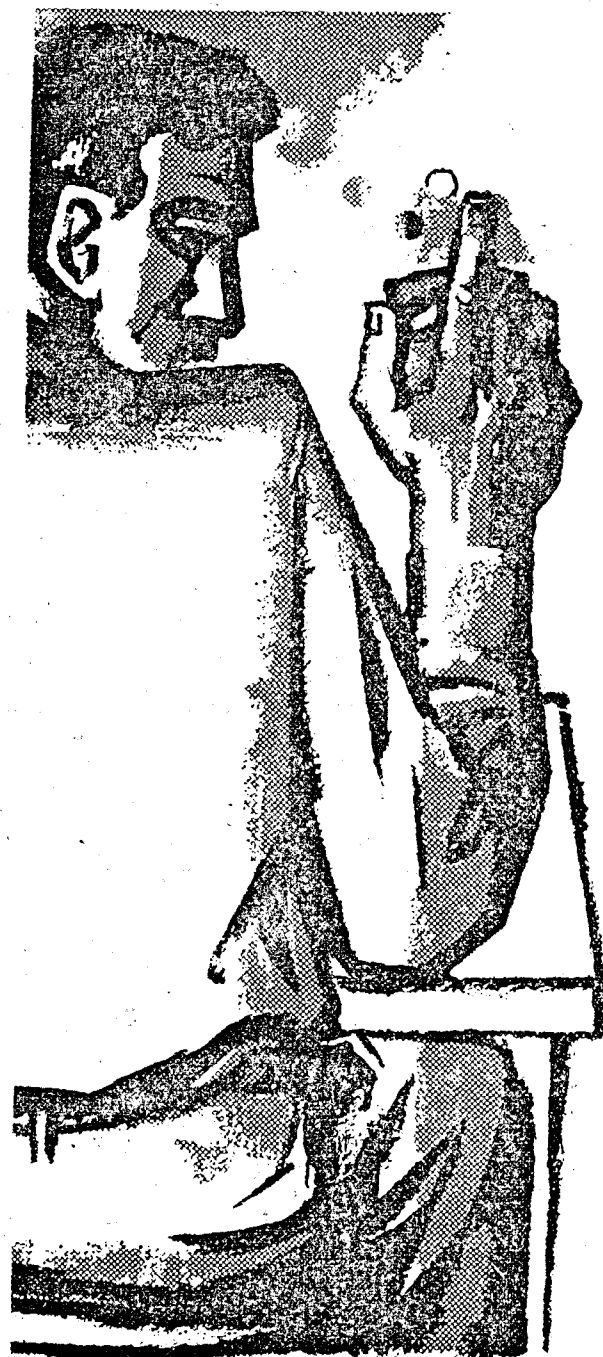
Industrial Countries	Import Prices	Export Prices	Terms of Trade
USA	-5.0	-1.0	+4.0
UK	-9.0	-0.5	+8.5
West Germany	-9.0	-1.0	-8.0
Belgium	-7.0	-1.0	+6.0
France	-7.0	-2.0	+5.0
Primary Producing Areas			
Latin America	-2.0	-5.0	-3.0
UK Colonies	Nil	-3.0	-3.0
Other Sterling Area	-0.5	-4.0	-3.5

Note: The figures relate to the latest month in 1958; a plus sign means an improvement.

Table III—Trade and Payments of Industrial and Primary Producing Countries
(\$ billions)

	Industrial Countries		Primary Producing Countries	
	Balance on Trade	Exchange Reserves	Balance on Trade	Exchange Reserves
1955	-0.41	40.03	-0.67	10.64
1956	-0.42	41.08	-0.53	11.02
1957	-1.08	42.69	-0.43	10.36
1958 1st quarter	-0.85		-0.31	9.80
2nd "	-1.10		-0.06	9.39
3rd "	-1.14			

Note: Balance of trade data are given in quarterly averages.



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and that "any substantial revival in export earnings of the primary producing countries must wait upon an increase in demand for primary products in the industrial countries".

There is another factor which is likely to make an increase in "liquidity" of little consequence to world trade and hence on the disposable foreign exchange proceeds of the primary producing countries. The West European move towards currency convertibility represents, it is suggested, a particularly serious contractionist element in world trade and the flow of productive investment funds. It is to be remembered that the American agreement for an increase of the I M F's resources followed West European assurances of less antidollar discrimination in exchange policy. At the same time there can be little doubt, having regard to the British conditions for sterling convertibility, that much of the I M F's increased resources will not be earmarked as cushions for the European convertibility operation. The operation itself is far-reaching and irrevocable and such open economies like Britain, France, West Germany, Belgium and Holland (all major importers of primary products) will now not only make callings on the I M F every time sustained pressures on the foreign exchange market develop, but be forced to employ all the classical instruments in their hands to maintain their own external balance.

Contractionist Policies

The pursuit of policies designed to bring balance of payments surpluses in these countries, having regard to the generally right-wing economic ideologies which condition their economic policies, means not only the holding back of production, investment and employment in their domestic economies, but ipso facto of maintaining a low level of raw material imports and depressing raw material prices. It also means that the flow of investment funds outwards will be retarded by high internal rates of interest. Such consequences must necessarily follow from policies primarily designed to maintain exchange rates and no doubt the drive towards restoring currency convertibility in 1958 must have been crucial to the desire of most of the West European countries concerned to convert their balance of payments surpluses into liquid

reserves. For 1959 this pre-occupation with external balance in West Europe, and it is believed in the United States as well, will continue to guide economic policy presenting the prospect of a further decline in world trade and in the exports of primary producing countries.

These consequences of convertibility are perhaps most clearly illustrated by the behaviour of the U K balance of payments in 1958. It is customary for the whole of the U K surplus on current account (of the balance of payments) with the overseas sterling area to be invested in the sterling area. From about the second half of 1957 only about one-half of this surplus was so invested. At the same time the United Kingdom was seen now to be a net importer of capital from the non-sterling world (see Table IV). More important, insofar as data are available, a major part of the capital outflows from the industrial countries to the primary producing parts of the world was of a non-autonomous character in 1958. The countries of Latin America and India were recipients of substantial loans—India to the extent of about \$500 million and Argentina about \$329 million. New Zealand and South Africa negotiated loans from a consortium of New York banks and in various instances the practice of prolonging export credits to primary producing countries (particularly from the United

States, Britain and West Germany) was undertaken.

The foreign exchange prospects for the primary producing countries are by no means good when considered in terms of their exports. It is likely that the international demand for raw materials will continue to remain weak and depressed and many of the primary producers will as a consequence force upon themselves a line of policy which was already perceivable in many countries in 1958: restricting imports to the barest minimum. Insofar as development plans in such countries are concerned, reliance on export proceeds to finance such plans (where they involve an import element) is likely to prove disappointing if not disastrous. What in essence is now the problem of world trade is not the lack of liquid reserves as such, but rather the recession in the industrial countries made worse by policies of securing balance of payments surpluses and of the immobilisation of these surpluses into monetary reserves for the largely emotional purpose of giving the new convertible currencies an air of strength. For the under-developed countries with plans for industrialisation, the break-through in 1959 appears unlikely in terms of exports-surpluses; their prospect is one of a rising dimension of international indebtedness; for them there is little or no alternative to capital loans from the industrial world.

Table IV—U K Transactions with the Sterling Area
£ Million

	1957	First Half	
		1957	1958
U K Surplus with Sterling Area	+360	+112	+279
U K Investments in Sterling Area	—295	—170	—127
Reductions (—) in Overseas Sterling Balances	—156	+ 69	— 76

Table V—Sterling Area Balance of Payments with Non-Sterling Countries
(£ Million)

	1956	1957		1958
		1st half	2nd half	
Current Account:				
U K	— 48	+ 6	— 94	+ 55
Overseas Sterling Area	— 2	+ 31	—165	— 65
Surplus or Deficit	— 50	+ 37	—259	— 10
Capital Account:				
U K	—106	— 69	+ 82	+113
Overseas Sterling Area	+161	+120	+139	+184
Balance	+ 55	+ 51	+221	+297
Increase in U K gold and dollar reserves	+ 5	+ 88	— 38	+287

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In Search of Dignity

Nasserism's New Dilemma

(From Our Beirut Correspondent)

President Gamal Abdel Nasser of the United Arab Republic and Prime Minister Abdel Karim Kassem of Iraq planned almost identical revolutions to sweep away the cobwebs of history — corrupt monarchy, the absentee landlord and foreign dominance.

Today they are facing almost similar problems of success.

For six years President Nasser has capped triumph on triumph. He broke the power of the Wafd, smashed the Muslim Brotherhood, suppressed the communists, secured the Suez base, nationalised the Suez canal and took a leap towards pan-Arab unity across the sea. Once Cairo was plunged in war; often it hovered on the brink. Without resource or ideology, President Nasser repeatedly staked all on improvisations of the moment.

The fashionable debate as to whether Nasser is more lucky or plucky is perhaps besides the point. Taking chances on the might of Arab awakening, say the dialecticians, cannot be regarded, in the second half of the 20th Century, a gamble.

But what is pertinent to ask is: Will Nasserism live in 1959 and thereafter, as hitherto, from crisis to crisis?

IT has been said that President Nasser never acts; he reacts. By its mistaken prods, the West has so far kept the giant of Arab nationalism not only tense but kicking. What if such external stimuli cease and the meddlesome foreigners tacitly accept the right of the Arabs to fill in their own so-called vacuum? Has Nasserism the content and the vision to comprehend the problems of the vast Arab nation sprawling over a stretch of more than 7,500 miles from the Persian Gulf to the Atlantic? Can it satisfy the urge for freedom from hunger and freedom from the four walls of a police state of the wide-awake giant, no longer distracted by mortal danger to its life? Can Nasserism of today survive the peace of tomorrow?

Wheel Goes Back

Ostensibly the second half 1958, in contrast to the first half of the year, saw the beginning of a historical process in which Arab nationalism was no longer synonymous with the pan-Arab feeling. In January last, the sudden merger of Syria and Egypt ended Cairo's psychological isolation from the Arab East. It was a turning point. Since the days of great Egyptian nationalist, Saad Zagloul, who scoffed at Arab unity by saying "zero plus zero is equal to zero", till the early years of Nasser, Cairo had looked southwards rather than northwards. Educated Egyptians were prepared to entertain the "unity of the Nile valley" concept but saw in the

unification of the Fertile Crescent project — only a challenge to their own country's leadership in the Arab world. In 1958, all this was over. Before however the echoes of the rejoicing thousands in Damascus had died and theorists had finished saying that the Egyptian-Syrian merger was the precursor of the great movement towards the annihilation of all inter Arab frontiers, came the civil war in the Lebanon. Followed the revolt in Iraq. Within four months, came the coup in the Sudan. The emergent Governments in all the three countries, more or less popular, are committed to maintain, at least for the time being, their independent entity. The wheel has gone back more than half-circle.

Threat from North Africa

And above the rest of Arab North Africa, towers the hostile personality of President Bourguiba. One can discount the influence of his West-backed Government and indeed, thanks to the "Voice of the Arabs", President Nasser is more popular among the Tunisians, Moroccans and Algerians than the Tunisian President. But the fact remains that objectives of genuine North African nationalists, in the order of priority, are:

- (1) Independence of Algeria,
- (2) Federation of North African states (the Mogharab concept), and
- (3) Pan-Arab confederation.

It requires no profound study to

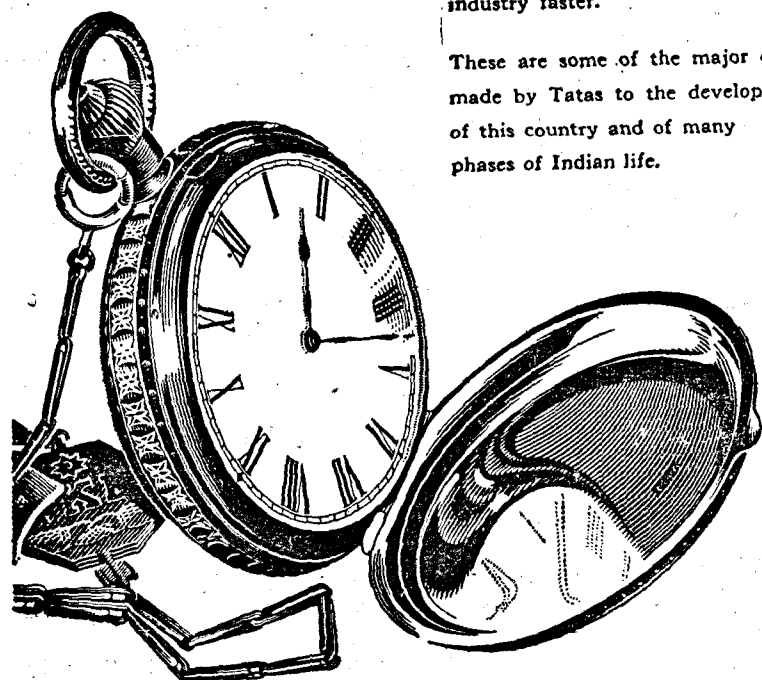
observe that pan-Arabism of North Africans is skin-deep.

Confining oneself then to the Arab East, the astounding fact of today is that the so-called reactionary regimes in Jordan, Saudi Arabia, Kuwait, Qatar, Bahrain and the Trucial States have been left alone while "progressive" United Arab Republic and Iraq are fighting a long range pressure war against each other. It is true that the scaffolding of governmental power in the princedoms is moth-eaten and hollow, and no one would be surprised if any of the ruling Shaikhs goes the way of King Farouk or Faisal. It is also true that Egypt's example is the beacon for all Arab East and the next revolution in the area, as was in Iraq, would be in the name of Nasser. Still, the unconcealed mud-slinging between Cairo and Baghdad points to the presence of a microbe deep within the heart of Arab Nationalism itself.

National Independence —Not Arab Nationalism

What is that microbe? The answer that readily springs to mind is: Iraqi Communism. That is certainly what Nasserists would have us believe. That is also probably what the Western propagandists would like to say. There is no doubt that the Communist Party is today the biggest single political party in Iraq and perhaps the most effective as well. But are the Communists in a position to

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take over power? For the moment, it is extremely doubtful if they can. The Iraqi army is the strongest force in the country; General Kassem's hold over the army is unchallenged, if only because there is no alternative and indications are that more the Communists assert themselves, the greater will be the opposition of the entrenched Iraqi bourgeoisie. In any case, Iraqi Communists will not disappear with a scarcely veiled campaign against General Kassem or a drive against the Communists in the U A R.

If therefore Iraq-U A R tensions are a symptom of the present-day crisis of Arab nationalism, then Cairo's anti-communist measures are no cure for the disease: they merely show up that the microbe exists elsewhere. Admittedly it is difficult to discover, for the giant of Arab nationalism has just worsted its enemies and stands triumphant, in no mood to brook any clinical scrutiny from a meddling well-wisher. Yet it is important to know what is causing the Baghdad-Cairo rift to grow from officious frigidity to a festering sore.

Built on Despair

Perhaps the best way of diagnosing the trouble is to delve into the obscurity of President Nasser's background. In his "Philosophy of the Revolution", he lays it bare with remarkable candour. In 1952, a handful of patriotic army officers found Egypt, as President Nasser puts it, "grovelling in the dust, with vile ambitions, insidious intrigues and inordinate lusts clawing at its destiny". The debacle of the Israeli war quickened their conscience and they struck, matching intrigue against intrigue, force against force. Their ambition was to "wash the nation's dignity with blood".

"Our despair is a structure of huge dimensions", President Nasser had written to a friend as a school boy. That nervous emotion, he later recalled, implanted the seed of revolution in his soul.

Thus despair-born defiance, in pursuit of dignity, has given President Nasser the immense power he wields today. But once that power is acknowledged and the dignity vindicated, there remains nothing to defy. Then one has to define new goals or face disintegration.

Pan-Arab Movement Floundering

It might however be an oversimplification to say that the discovery of the Communist bogey in the U A R, was a hang-over of the days of defiance. The Communists had laid their fingers on two of the weakest chinks in Nasserism's armour: its denial of democracy and the economic problem of Syria. By contrast with the U A R, General Kassem's young, inexperienced, and faction-ridden Government in Iraq was showing the way of reconciling party life with the insurance of military rule and forging ahead in months with economic reforms that Cairo took years to accomplish. Thus the anti-communist drive had both an intrinsic and diversionary value: it tended as much to scotch an internal nuisance as to throw a veil on the re-appearance of civil liberties in Iraq. Above all, it was a tactical move to befriend the West when collaboration with the East, on the basis of Panch Shila, was reaching the point of no return.

The immediate advantages of a smokescreen campaign, however, cannot relieve Cairo of the fundamental problem raised by its recent "victories". Once the masses are stirred, they would demand prosperity as well as the vote and no talk of "imperialist danger" will stop them for long. In Syria, where living standards are higher than in Egypt, the clamour has already begun. But Egypt too will catch up in a year or two.

Indeed, President Nasser has shown a distant awareness of the problem by appointing a high power committee for Syria and toying with the idea of reviving the National Union in the UAR. By temperament, he is no despot; his dealings even with those who have differed from him have been more than fair. Unassuming, he was shocked by the luxuries with which the President of Socialist Yugoslavia had ostentatiously surrounded himself. In Cairo, he continues to live in the small villa which he occupied in a suburb when he was an unknown lieutenant-colonel. A man of pious temperament, he has deep feeling for the poor and perhaps wants to go down in history as a friend of the fellahin. He now wants to organise thousands of co-operatives without coercion and make the desert bloom by tapping

subterranean water in Egypt's western oases. But his problem is to find the men for doing the job, from the limited cadre of his "revolutionary" friends or throw open the ranks by permitting more democratic selection. He feels that either course is risky and while he dithers and looks for a political alibi, the pan-Arab movement is floundering.

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IT'S ALL A QUESTION OF ECONOMICS, FRIEND, OR IS IT?

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Book Reviews

Sugar and Spice

F G Bailey

Indians, like most people, cannot resist a glance in the mirror; and when the mirror is held up by a foreigner, there is the bonus of recognizing good points and blaming blemishes on the mirror.

I shall be surprised if this book does not become well-known in India.

MRS ZINKIN writes about the people of India during the last ten years—about, as she says, 'a generation in transition'. It is a record based on 'personal observation', and, this being so, it departs at times from detached and impersonal analysis, and becomes informed with likes and dislikes (p 83 'hell-holes like Calcutta'). My own impression is that Mrs Zinkin wanted not only to describe and analyse, but also to 'present' India, to justify, to make an apologia—perhaps, even, (to use the idiom of the country to which the book is addressed) to 'sell' India.

The book* is in four parts. The first concerns rural India: a description of villages; a statement of why villagers like being villagers ('the warmth of belonging'); and a short chapter on Hinduism. In the second part Mrs Zinkin talks about 'personal changes': the position of women; marriage and the family; and a chapter on sex and family planning. The third part (Chapters 7-12) describes social changes, the leaders of change, how new ideas are communicated, the position of untouchables, the position of minorities, and finally, awkwardly disposed between these last two chapters, Indian and European ideas of hygiene. In the final part, on political changes, Mrs Zinkin writes about Gandhi, Bhoodan, Community Projects, those whose power has diminished in the last ten years ('the dispossessed'), and, in her peroration, the glory of India's 'silent revolution' and the futility of Communism. Marxists will enjoy sharpening their teeth on these last two chapters.

Mrs Zinkin is at her best when she is describing that section of India which has already undergone 'the silent revolution'. When she is writing about the middle-classes of the big cities, the businessmen, the

politicians, the intelligentsia; when she talks of the work being done by middle-class women, or when she is assessing the part played by Gandhi, or the character and ideas of Vinoba Bhawe; or when she describes and evaluates Community Projects, her writing seems to me well-balanced, reasonable, and often penetrating. She appears to like and understand people of this class, to sympathize with their work and their difficulties, and at the same time she pays them the compliment of treating them as adult and saying straightforwardly where they have failed. The one lapse here (apart from lapses of style and taste which I will discuss below) is her stout optimism and in particular her easy dismissal of Communism.

In the last two chapters she seriously underestimates the organizational ability of the Communist Party, and seems to think parliamentary democracy a much harder plant than it has in fact proved to be in warm climates. It may be true that the Communists won Kerala because people wanted to 'protest against Congress corruption and the personality of the ex-Chief Minister'. It may also be true that the 'Communist Party of India has an inglorious past history'; or that particular Communist campaigners have been inept. But, in the end, these things are irrelevant. The issues in Kerala will be judged at the next election. And, even then, to talk about Communists winning or losing an election is in many ways beside the point. Communist revolutions are not usually 'by consent'. And, if the Indian villager is 'old-fashioned, religious, and sentimental', he is no more so than was the Russian peasant at the beginning of this century. But, as Mrs Zinkin says, no-one can 'foresee what India will be a century from now'. Who can foresee even twenty years ahead?

When Mrs Zinkin deals with rural India, she becomes 'old-fashioned'

and 'sentimental' herself. One gets a cloying impression that all peasants are basically wise and lovable: even when they were being stupid, Mrs Zinkin had only to make a telling point and 'they shuffled and looked down at their toes uncomfortably' (p 196). 'The men shuffled in silence and creased their weather-beaten brows in thought' (p 68), and then an elder ('his face was hewn in time, his beard was white' p 68) or (on p 106) 'the eldest of the elders, a man of great dignity with a gray beard and fiery eyes' would get the point and everyone would smile their weather-beaten smiles at Mrs Zinkin and restore her confidence in the innate wisdom of the peasants. On p 12 we are told, on the authority of 'many visiting sociologists', that Indian children never cry. As a visiting sociologist I have always thought Indian children quite normal: when they are hungry, or ill, or neglected, as they sometimes are, they cry. On the following page we learn that no-one is cast unwanted out of a village. They may not be cast out of a village: I know several from a single village, old people, who were kicked out of their homes and told to shift for themselves.

This kind of white-wash does no-one any good. The peasant can be kind or cruel, sentimental or hard-headed, religious or materialistic, just like anyone else. The emotional attachment engendered by a slum-tenement is probably not so very different from that which is supposed to attach exclusively to the villages. This patronizing style of writing is first-cousin to the 'noble savage' romances and the myths of 'Merrie England', and it is unworthy of the eminently realistic and balanced discussions found in other parts of Mrs Zinkin's book.

Style is peculiarly important in a book of this kind, for, it will be remembered, Mrs Zinkin is not out to give a literal and factual description of what has gone on in the last ten years. She wants to con-

* 'India Changes!' by Taya Zinkin. Chatto and Windus, London, 1958. Price 25 s.

vey an 'understanding' of what India is and what Indians are trying to do. This understanding depends not only on what is said, but also on how it is said. Once again, when Mrs Zinkin is dealing with the larger world and its relatively abstract questions, her style seldom falters. The short chapter on Gandhi is a model of lucid well-mannered writing. But in other places the tinsel brightness of modern journalese shines through. It quite spoils the effect Mrs Zinkin is seeking, unless, of course, I have failed to recognize intended satire. The ladies' market research team, whose noble dedication Mrs Zinkin wishes to convey (pp 47-49), sounds to me like Fred Karno's army. Take the following example: notice, by the way, the echoes of Time magazine's peculiar brand of English: notice also the pert and spurious intimacy sought by the use of proper names: 'Tiny Mrs Dixit crossed mud pools and irrigation channels and tore her sari over thorn bushes; Mrs Shah fell flat on her face across a stone; but they smiled and went on.' Brave Mrs Shah! But she is not the only lady to fall flat on her face.

Let me, at the end, raise some general questions, which may help to interest Indians in Mrs Zinkin's book. Mrs Zinkin, who presents modern India to the Americans, is herself a foreigner. So, as it happens, is the writer of this review. From one point of view, we are both well-qualified: Mrs Zinkin because she sees with the sharp eye of a stranger; the reviewer, who has a much less extensive knowledge of India than Mrs Zinkin, because he is one of the audience to whom the book is addressed. How, then, does India look through Mrs Zinkin's rose-coloured (but never red) spy-glass?

Above all, I get the impression of an enlightened and dedicated minority, working hard and sensibly to achieve social reform. Some noble and outstanding persons are skillfully and sympathetically presented. Here and there one catches an unpleasant whiff of 'customs none, manners beastly'. Communism, contrary to what Americans might believe, is far far away and is mere water on the duck's back of peasant religiosity. Peasants shuffle their feet and hang their heads. Mrs

Zinkin is a messy eater when they do not provide her with a spoon. Behind all this is a 'silent revolution', moving inexorably and by consent towards equality.

It is a generous and optimistic book. But what do Indians think of it? Are they so optimistic? Do they think that a foreigner is the right person to 'sell' India to the Americans? Is this the picture of India which they would like to be sold? Would they prefer a slower, more finely etched, more dignified

book? Indeed, do they want any picture of India to be sold?

Where, finally, will they place Mrs Zinkin? Will they, in spite of her evident goodwill, decide that she is a distant—very distant—connection of Beverley Nicholls and the author of 'Mother India'? Or will they put her beside such novelists as E M Forster, R K Narayan, and Mrs Jhabwala, all of whom, in their different ways, have made India and Indian life, intelligible to the non-Indian?

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Nehru's Letters

D P Mukerji

This bunch of old letters is a political testament of India in the last twenty five years, the twenties, thirties and a half of the forties.

Jawaharlal writes in the preface, 'Reading them again, they revive old controversies and almost forgotten memories come back to mind'. Forgotten they will not be, because India is becoming conscious of her history. The volume is laden with history.

LETTERS are of as many types as of those who write them, and those printed correspond to the interests involved; literary, philosophical, political, personal, and so on. But letter-writing is a self-centred act and is often narcissistic. This pitfall Pandit Nehru has, however, avoided. By and large, he has not written much about himself. Usually it is his correspondents who do so, and when he himself does, he writes purely about political issues.

Political objectivity, however, could not be a cold-blooded affair. The letters to Jinnah, Lord Lothian, and Azad breathe a cold passion. Jawaharlal could turn his wrath from Jinnah, answer Lothian, write to Azad about world-politics, showing a deep emotional involvement in the problems at stake. But his feelings were controlled, very controlled indeed. Jawaharlal and Subhas were friends; Subhas wrote a strong note; Jawaharlal replied, calmly. They became unfriendly, but they remained friends. This dignity was responsible for the coldness of his passion. All the letters of Jawaharlal are dignified despite affection or dislike. He was politically objective, very human, and above all dignified.

It was Jawaharlal's intention at first to publish only Gandhi's letters to him. But this was not done,—and wisely. Gandhi's letters were short and crisp, relevant, and wise. Nothing but the bare essentials are there. He had political genius, but his letters were not purely political. He was human, yet his humanity was mingled with politics. He was wise in politics, wise in action, and wise in concentrated humanity. He was downright (vide his letter to Agatha Harrison: 'But though Jawaharlal is extreme in his presentation of his methods, he is sober in action.... My method is designed to avoid conflict. His is not so designed. My own feeling is that Jawaharlal will accept decisions of the majority of his colleagues'.)

Jawaharlal too was straight and direct to Gandhiji. Gandhiji says again, 'You are going too fast,' 'I see quite clearly, that you must carry on open warfare against me and my views.' Of course, Jawaharlal yielded, and at every step. (There was a brilliant letter of Virendra Chattopadhyaya, Berlin, December 4, 1929. 'On the one hand you support the majority of the Working Committee in their acceptance of Dominion Status and on the other hand you support the majority of the workers in their demand for independence. Some step has to be taken to remove this discrepancy. Internationally your position will be quite untenable unless you do what great leaders have often done, namely, publicly admit a mistake and take the right line'. Jawaharlal's answer is not there. In practice, however, he did not admit his mistake, although regretting it. There is the difference between Gandhiji and Jawaharlal. Gandhiji initiated and Jawaharlal followed, not blindly, but very intelligently. Therein lay Gandhiji's wisdom. Jawaharlal belongs to the clay, but a different clay at that. Gandhiji was the potter. Jawaharlal had much too much of humanity, but he was controlled.

Three or four types of letters belong to the political arena. In a sense, they should not have been there but for the greatness of two of the correspondents, Sarojini Naidu and Tagore. Edward Thompson's long, ebullient letters could have seen omitted, since they make no sense. Nor did Tagore's. He was certainly the most brilliant letter-writer in India, and one of the best in the world. It seems that here he was handicapped. But Sarojini was brilliant as ever. Emotional, no doubt but she could not but be emotional. Hers was the sincerity of emotions. She was what she was, a nonpareil, unique of her kind.

In all, about 19 letters out of 366

come from Jawaharlal's pen. Very few of them are personal; the rest too are political. Among the political ones, two or three of them are the best of the bunch, two to Lord Lothian, and one to Azad. Two of them to Jinnah betray a weakness. Two letters to Subhas show the clash of iron, and a few of them to Gandhiji the will to conflict but unwillingness to wound. Lothian was an accomplished debator, but Jawaharlal raised him to a higher level. The best is no doubt the one to Maulana. It attained the high water mark of political excellence. Very few better political pronouncements on the international scene have been written. The Maulana admits it, and Jawaharlal accepts the compliment.

This volume is thus a political testament of India in the last twenty five years, the twenties, thirties and a half of the forties. Jawaharlal writes in the preface, 'Reading them again, they revive old controversies and almost forgotten memories come back to mind'. Forgotten they will not be, because India is becoming conscious of her history. The bunch of old letters* is laden with history. Subhas, Lothian, Jinnah, Maulana, Sarojini, and a host of others are not 'almost forgotten memories'.

*A Bunch of Old Letters—Written Mostly to Jawaharlal Nehru and Some Written by Him'. Asia Publishing House, Bombay. 1958. Price Rs 12.50.

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Company Management

M L

Much of the controversy that has followed the Companies Act of 1956 emanates from those provisions relating to managing agents, and in particular from Section 324, which confers upon Government the power to prohibit this form of management in any particular industry or business.

A system of business organization, which has played no small part in the development of Indian industry, is thus threatened with piece-meal abolition.



A school boy, writing an essay on Dunlop, said: "When Dunlop first came into being it came out of a tree. There were two men walking in the forest one day one man kept throwing his knife in the trees. He came to one tree and through his knife in it and something sticky came out. After a while it stopped coming out and at the bottom of the tree there was a big ball of rubber. After a while they started playing football with it and that is how it came into being. I will now tell you what Dunlop is used for..." At this stage, perhaps, we should rescue our readers from school boy language and list the products that Dunlop make in India...

TYRES AND TUBES

ACCESSORIES.

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TRANSMISSION, VEE

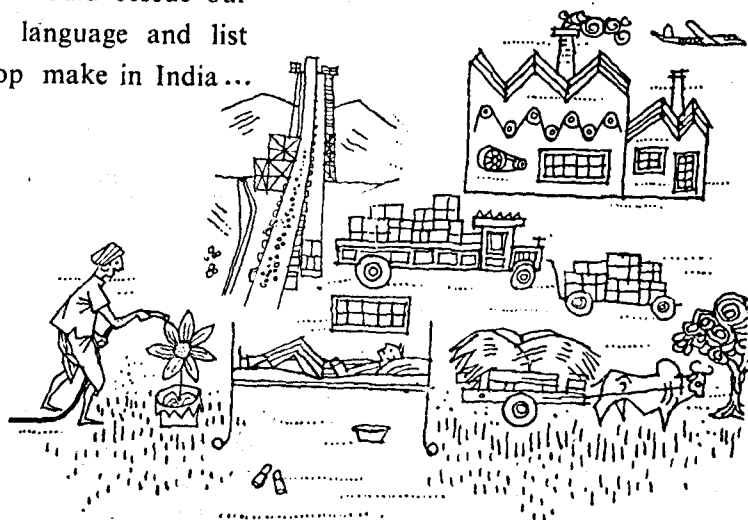
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NOW that the question of managing agency has joined the ranks of "topics of current interest", it is not surprising that books should be written on it. What is surprising is that while there has been no dearth of works on various aspects of our economy, a long silence should have been observed on this uniquely Indian institution. Dr P S Loknathan's 'Industrial Organization in India' dealt with the structure of the system prior to the beginnings of legal control. In the two decades since its publication, this book has remained the standard work on the subject. Efforts to gain further insight into the working of the system have been limited to a few articles in journals and some chapters in books dealing with Indian industry or finance. The latter, however, were for the most part summaries of the ground already traversed.

Professor Basu has attempted, in some measure, to bridge this gap by giving his book* a historical content. This is reflected in the title of his book, which presents the system "In Prospect and Retrospect". But one wonders if it is at all possible in this case to reconstruct the developments of the past. Obtaining reliable and exact information, even in regard to current business practices, is no easy task. Professor Basu's own experience, as referred to in the preface, illustrates this. Full accessibility to business records would appear necessary for an adequate historical assessment. Professor Basu does give in his introductory chapter an interesting account of the growth in the power of managing agents through the means of an agency contract. However, he devotes too much attention to the rekindling of old issues. The entire chapter on the earnings of managing agents, for instance, is devoted to questions such as

whether remuneration should be charged as a commission on sales or profit (which was settled by the Amending Act of 1936), and the desirability of an office allowance and allowances for subsidiary services (both of which are prohibited by the new Act).

The retrospective incursion in the first half of the book is interrupted by a presentation of factual data on the extent of control of managing agents over the corporate sector. This is, in some respects, the most outstanding feature of the book. In the debates and discussions on the system, frequent references have been made to the power wielded by managing agents. But the approach has almost invariably been qualitative, and apart from a few estimates—more in the nature of intelligent guesses—no data on the coverage of the system have been presented. Now, for the first time, we know that there are 3,944 managing agencies, managing 5,055 joint stock companies whose aggregate paid-up capital amounts to 48 per cent of the paid-up capital of the entire corporate sector. We are also given various other details, such as the prevalence of the system in the different States and in some selected industries and the size pattern of agencies and managed companies. Some notions, that have gained currency in recent years, are proved to be false. For instance, we learn that the shift towards corporate organization by managing agencies is by no means as general as some would have us believe; on the other hand, the majority of managing agencies continue to be unincorporated firms. Further, contrary to the accepted rationale of the system—the provision of similar services to a number of independent units—nearly 90 per cent of the agencies manage only one company each. Professor Basu has obtained all this information from a statistical study by the Department of Company Law Administration,

which is understood to be at present in Press. It is understandable that a task of this nature and magnitude can only be undertaken by the Government. What is of significance is that valuable basic data are now available for further analysis and that this is the first book to have made use of them.

However, the author does not explore all the implications of the statistics he quotes. This is to be particularly regretted in at least one instance. Nothing is offered by way of analysis of the preponderance of agencies managing only one company each. What lies behind this relationship? What are the reasons for the agencies thus limiting their operations? Do the companies so managed stand to derive any benefits that might be considered to counterbalance the loss of economies derived from group management? These are some of the questions that suggest themselves which, unfortunately, are not answered.

The discussion of the functions of managing agents, particularly that of financing, is based on an official (Company Law Administration) study of loans and advances made to managed companies and on the author's own analysis of the finances of a sample of companies in Calcutta. The main conclusions drawn from these are that, the share holdings of managing agents in managed companies are generally not significant, and that, even in the matter of guarantee of loans, the services of the managing agents are not indispensable.

Professor Basu also brings out some interesting side-lights on recent changes in the functioning of managing agencies in the Calcutta region. He touches on some differences in the system as in vogue in the west and east of India and between Indian and British agencies. More work would be necessary for elaboration of these points. There is much truth in the author's statement: "Managing agencies are not

*The Managing Agency System—In Prospect and Retrospect' by S K Basu, World Press, Calcutta, 1958.

Company Law Administration,

a homogeneous mass and their behaviour does not lend itself to aggregative analysis". (p 58) Perhaps, then, the study of the system should best proceed on a regional or industry-wise basis.

In this book, the remarks on practices in the Calcutta region have the ring of authority stemming from personal knowledge and special research. When it comes to the operation of the system in Bombay or Ahmedabad on the other hand, the author has to resort to somewhat dated material, such as is contained in the evidence volumes and reports of the Central Banking Enquiry Committee and the Tariff Board.

The final verdict on the system is that while at one time the services of managing agents were essential for industrial development, social and economic conditions have now altered sufficiently for their elimination. In the discussions of the functional role of managing agents in modern conditions, it

would seem that the conclusions reached could have been strengthened with some further evidence. Statements like "The figures collected by us for a large number of managing agency managed companies did not show loans from banks guaranteed by the managing agents" (p 193) could have been given extra force by the addition of some statistical data. As it is, one gets the impression that the author's own enquiry related only to the share-holdings of managing agencies (vide tables at the end of Chapter 4). Further, some of the indictments of the managing agents appear a little sweeping and not entirely justified. It is said: "Another quality which made the managing agency system so successful in the past was the efficiency of the agents based on their experience and technical knowledge. The new fangled managing agents have no knowledge of manufacture—engineering, technical or scientific. They have no expert knowledge of purchase nor of sales" (p 79). Surely, this is a

statement that can sustain further enquiry.

There is much useful and interesting information in the book. There are, for instance, data on the effect of the new restrictions on remuneration on the income of some managing agents of Calcutta in the Coal and Jute industries, and on the alternative forms of management that have followed the Act. There is also an appraisal of the progress of Indianisation in European firms.

The inadequacies in this study appear to arise principally out of the lack of cooperation from the managing agents themselves, to which the author refers in his Preface. The business man's distrust of the outsider is a great handicap to research in this area of economics. Despite this, however, the effort put into the writing of this book is well worth its while. Future writers on the subject—and there are bound to be many—will have reason to be grateful to Professor Basu.

Parliamentary Democracy in India

Some Aspects of Its Working

C V H

Parliamentary democracy in India is for all practical purposes only nine years old, though we had it in a rudimentary form for nearly four decades.

During this period we have acquired considerable experience of parliamentary forms, procedures and techniques and established a number of conventions. Nevertheless there is still a number of problems relating to that system, solutions to which have yet to be found. Some of these stem from the federal character of our Constitution, others from the need to evolve constitutional precedents appropriate to special needs.

Some of them have also an intimate bearing on the smooth functioning of Parliament or the State legislatures as representative law-making bodies, such as the place to be accorded to Opposition viewpoints and the relations that should subsist between the Treasury Benches and the opposition parties.

Lastly, there is the issue of the extent of parliamentary control over public corporations.

AT the last session of the Speakers' Conference held at Darjeeling, an attempt was made to come to grips with some of these problems. But the conclusions arrived at at such a conference have to reckon with the fundamental fact that in the working of the parliamentary system there is a constant interplay of human factors and emotions, that the predilection is for settling differences of opinion in public matters through discussion and debate and that Parliament as a law-making body has to function according to certain rules of procedure and that all sections represented in it pledge themselves to the observance of those rules and are willing to play the game fairly and justly.

It is also essential to remember that the parliamentary system is not an end in itself but the means to an end, which is the effective implementation of the democratic principles of mutual consultation, discussion and a spirit of give and take among representatives of the people. If this pre-condition is not fulfilled, there can be no democracy and the foundation would have been laid for its undermining and eventual disappearance.

Treading on States' Subjects

In his address to the Darjeeling Conference, Shri M A Ayyangar, Speaker of the Lok Sabha, mentioned among the issues that confront parliamentary democracy in India, and give rise to a considerable amount of disquiet and confusion, is the spate of adjournment motions, interpellations and other attempts to raise discussion on subjects which are essentially

State subjects or which fall in the Concurrent List. The Speaker had to do some tight-rope walking in deciding the admissibility or otherwise of such motions, and eventually had to ask for authoritative notes from Ministries as to the scope of Central and State responsibility in such matters.

As clear-cut a division as possible between the Central and State spheres of legislation and administration is desiderated under a federal system in order to obviate a conflict of jurisdictions, which may become sharp and pointed, if it so happens that the political complexion of more and more State Governments is different from that of the Centre. It is essential to the exercise by Parliament of its law-making and other powers that these jurisdictions should be clearly defined so that Opposition parties would not be tempted to use the forum of Parliament for political fireworks in support of or against State Governments which happen to differ from the Centre, and also to avoid the irksomeness involved in the Government at the Centre having to defend or condemn policies of State Governments, with whom they have no political affinity.

No Short-cut

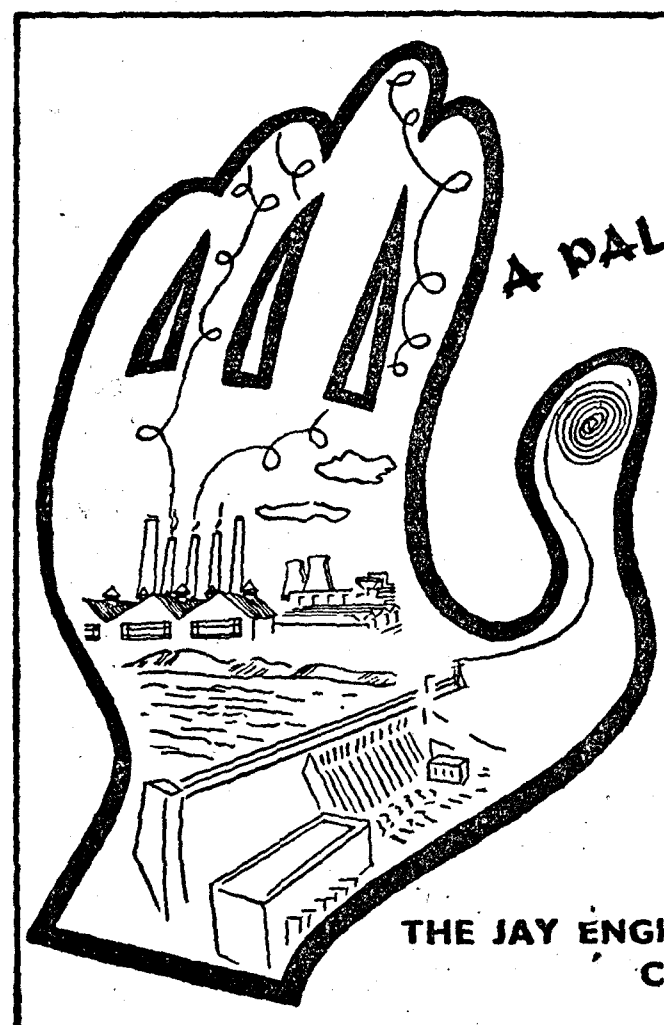
There is no short-cut to success in parliamentary democracy. There must be a will among the people as a whole to make a success of it and the will to do so should be measurable in terms of the display of a spirit of tolerance of different viewpoints and the preparedness to give and take among the political parties. This is the hard way to

success, but there is no easy way, if the problem is considered in the perspective of the history of parliamentary system.

The apparently simple proposition may be reiterated here that the responsibility for creating and preserving these pre-conditions for the successful functioning of the parliamentary system rests squarely on political parties and on various organs of public opinion in the country representing diverse interests, which have a stake in the preservation of the fundamental postulates of democratic government, e.g. free discussion, acceptance of the majority viewpoint, a deep faith in constitutional methods for bringing about changes in such viewpoints and a firm resolve to stick to peaceful as apart from violent methods of agitation.

Jayaprakash Narayan's Thesis

In this context, the Jayaprakash Narayan thesis that first rank leaders of Congress should assume the leadership of public opinion and create the mass enthusiasm for self-help and development, which is the bed-rock foundation for democracy and the parliamentary method of implementing it, is significant. That thesis may sound rather unpractical and unrealistic in the context of the more or less irrefutable argument that in a parliamentary democracy the best men in public life and politics should engage themselves in the work of Government because it is vitally important in the national interest that they do so. Critics of the thesis, however, miss the point that the task of laying the foundations of the democratic sys-



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tem on a firm basis is as important as, if not more important than, running the administration, and that presently, under Indian conditions, the former is as significant as the latter. If the foundations of the parliamentary system are built on sand, the superstructure must be in perennial danger of toppling over.

Jayaprakash Narayan's thesis, therefore, has both validity and force in the context of the present situation. Its 'unrealism', if any, lies in his calling upon Pandit Nehru to abandon his position as Prime Minister, because in suggesting it, Jayaprakash Narayan has not probably given adequate consideration to the prospect of such a development at this stage leading to a deterioration in—and probably disruption of—our administration. Nor does he seem to realise that if Nehru were to leave the Government, it would shake up the governmental structure to the roots, which the country cannot afford. On the other hand, the country and its democratic constitution would gain enormously, if a large number of sincere democrats devoted themselves to the vitalisation of the democratic system at its grass roots.

Why All-Party Government?

Another of Jayaprakash Narayan's theses is that in order to ensure democracy, the Government to be established in India has to be one in which all parties believing in democratic socialism would participate. "I have suggested" he said in a statement at a New Delhi press conference on October 16, "that all the parties that profess democratic socialism should sit round a table to find out what they mean by that term and to what extent they agree, not so much in theory but in practice, about what needs to be done to create a democratic socialist India I suggest that all the parties that are able to come to such an agreement should agree further to work together the common programme, reserving the right to propagate their respective viewpoints regarding matters where agreement had not been reached." On other occasions he commended the Yugoslav system under which a Socialist (?) party has been able to work for socialism without the kind

of iron dictatorship enthroned in Soviet Russia.

Cooperative and joint action by parties believing in democratic methods to promote public interest and to rouse the masses to active participation in national development is an attractive ideal. What renders it of dubious value, however, is not so much the impediments—formidable as they are, ideological, personal and party—to agreement on joint action as its inconsistency with the acknowledged basis of the parliamentary system. That basis is the existence of two (or more) well-organised parties, having profound faith in constitutional methods of working and systematically and continuously educating public opinion on various issues of public importance. Jayaprakash has not, so far as the present writer is aware, advocated at any time the complete abrogation of the parliamentary machinery as such.

Dissolution of Parties No Solution

So long as that machinery, and the system of which it is the symbol, remain, the recognised apparatus of that system, namely, an elected Parliament, the party system, and executive responsibility to the legislature would also remain. If all the democratic parties in India agree to disband themselves, where is the prospect of the parliamentary apparatus functioning and a democratic balance being maintained among differing viewpoints? Are not these the most effective safeguard against one party or totalitarian domination? We cannot have a coalition of all democratic parties in running the government and also a democratic socialist opposition at the same time!

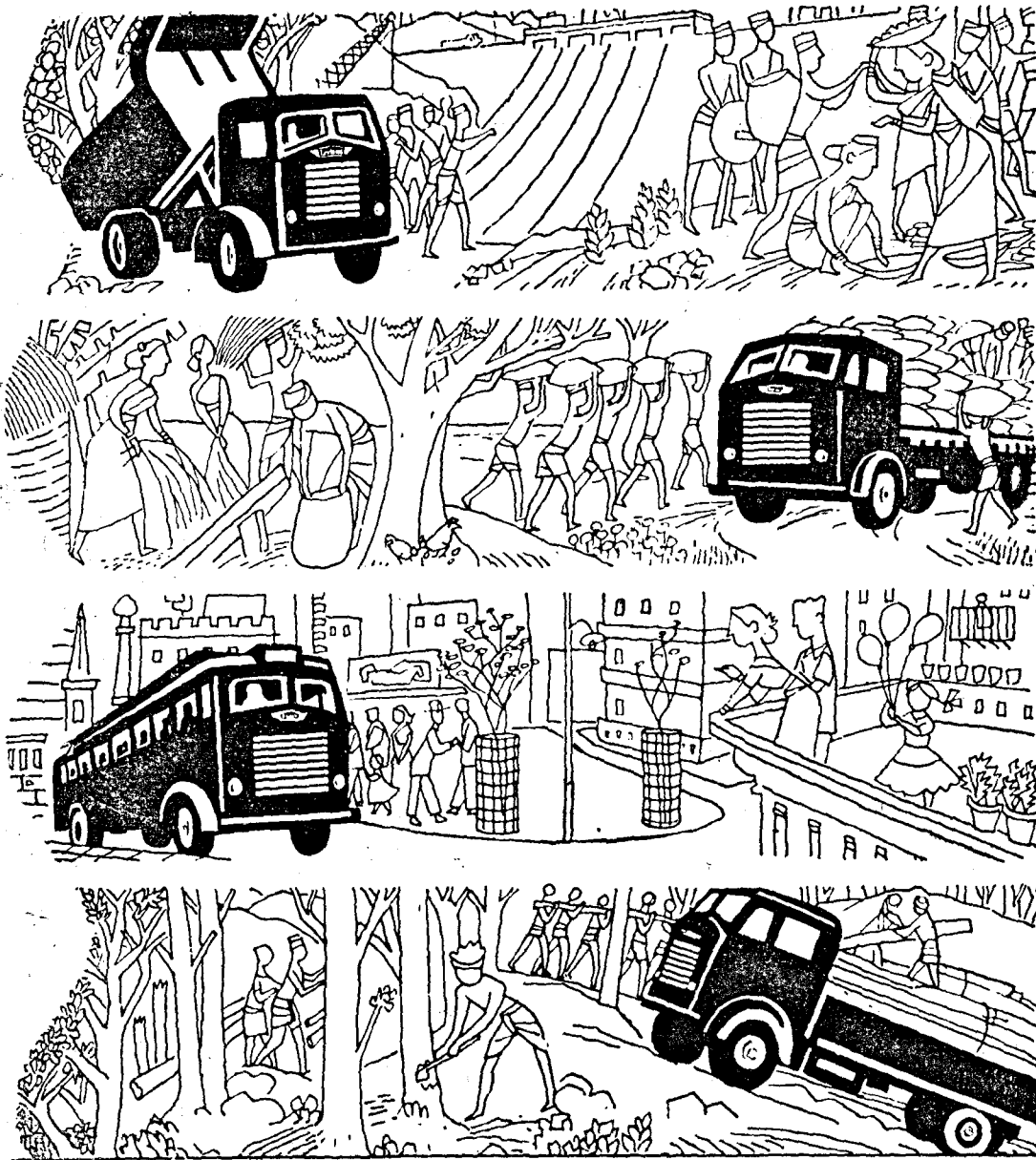
We cannot have an all-party (or an all-democratic party) Government without giving rise to the internal tensions and stresses which would render its stability doubtful, particularly if, while being partners in Government, each of them exercised the liberty of propagating its own viewpoint. In a national emergency, and only in a national emergency such as a war or a grave economic crisis, such a coalition would be desirable and might indeed be indispensable. But in times of peace, the conditions for successful functioning of an all-party coalition are necessarily

slender, if not non-existent. On the other hand, were such a coalition possible, and if internal discords did not disrupt it, the ground would be prepared for the most important and the most powerful party to the coalition grooming itself for a sort of semi-dictatorship, which would not be very different in actual practice from a totalitarian dictatorship.

Necessity for Opposition

The need at present appears to be not so much a hotch-potch coalition, much less merger, of all democratic socialist parties as the evolution of a strong and virile opposition party to the Congress—one which takes its role seriously and earnestly, one which will command a growing amount of public support and which can, in course of time, if not immediately, replace the Congress party in office and power. Presently a serious drawback of the Indian situation is that political thought and theory in India are much in advance of the political education of the masses in democratic practices. We have drawn copiously on the political theory and practice in Great Britain but we have not prepared the soil sufficiently to ensure the full fertilisation of the British theory engrafted on it. Nor have we accepted in full the implication of the American system of Separation of Powers, which in the United States of America constitutes a powerful bulwark against concentration of power either in the Legislative or the Executive organ and which has a judiciary with wide powers of interpretation of constitutional provisions, and other appropriate checks and balances to prevent either of these State organs becoming over-powerful.

Because practice has not caught with theory in India, we have a situation in which a very dominant party has been holding the reins of power continuously for more than a decade, resting its claim to popular support on performance in the pre-freedom struggle and unable to outgrow its role in the past or to consider that the fruits of freedom should be shared by all sections of the population. The position is of considerable complexity and is, in a sense, unique. We have a situation in which the Congress and other parties which profess faith—in various degrees—in democracy and



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the parliamentary system but in which there is not much prospect of the fulfilment of the first essential condition for the success of that system, namely, the existence of a strong party which can, in a reasonable period of time, form an alternative Government. The one party which can fulfil the last condition has so far displayed only a dubious faith in democracy and parliamentary democracy in particular, while the others are mere splinter groups none of which can claim to be in the all-India picture, though they command varying degrees of support in different States.

Congress Unwilling to Help

The other significant factor is that Congress by itself is neither willing nor anxious to foster the development of any other party and help it to grow into a powerful rival all-India party which can challenge its supremacy. At Avadi it had stolen the socialist thunder by deciding on a 'socialist' pattern of society, and at Nagpur, it has made an attempt to steal the Communist thunder with its programme of co-operative joint farming and service cooperatives, and with the fire and the brimstone it has rained against the private sector. Thus changes in the Congress programme along more and more radical lines do not afford any chance to the other parties to make headway in their distinctive, economic, social or political programmes which would be attractive to the electorate. The opposition parties find themselves stumped even before they grow to any height. They can only thunder outside and filibuster inside the legislature, but all that they can present are only the mistakes and derelictions of the Congress party and not an alternative constructive programme.

There is no indication that the position will substantially change in the next few years though it is possible that some dents may be made in the Congress position in some States and to some extent at the Centre. The resultant situation would most probably be the clustering of Parliament with a number of party groups as was the case in France during the period of the third Republic, all of them contending for a share in power and showing themselves willing to enter into ad hoc and transient coalitions which carry the seeds of disintegration

within themselves. May it not be that then a new Republic of India would emerge, the complexion of which would not be the same as that of the one which we have now and which would result in a one-man dictatorship replacing the parliamentary democracy with its other antecedents? The Congress cannot certainly commit political hara kiri to help the Opposition parties to strengthen themselves. But if parliamentary democracy is to grow into a mighty tree, it is essential that the Congress and the non-Congress parties, which want it to grow should impart more intensive education to the electorate on the theory and practice of parliamentary democracy, its implications and the conditions for its success.

Education of Electorate Vital

One of the points on which such education is essential is the realisation that parliamentary democracy functions on two fronts. On one front, opportunities are afforded under the system for matters of public and national interest to be discussed under proper rules and safeguards but without restraint or inhibition, and from different viewpoints, so that a policy which would be the best in the interests of the country and of the community will emerge. On the other, it is designed to impose an effective check on the Executive by subjecting its actions and administrative decisions to constructive criticism, as a safeguard against encroachment on the liberties of individuals and groups. Constant vigilance is the price of liberty; and it is the vigilance exercised by popular representatives in Parliament and by the press and other representative organisations of public opinion that produces that desirable result.

In paying too much attention to the forms of democratic expression through Parliament, the legislatures and so on, we are probably in danger of losing the substance of democratic liberty and individual freedom. The former is undoubtedly indispensable to the latter. But if the decencies and proprieties of parliamentary system are sacrificed by the political parties at the altar of pettifogging political manoeuvres to gain some immediate political advantage, Parliament as the reflector of the will of the people will automatically cease to be the instrument for fulfilling its essential role

of preserving the liberty and the rights of the individual and of concentrating attention on vital national issues. That will be a propitious situation for any ambitious person to toy with the idea of personal dictatorship.

"Party-ocracy"

We should note, with a certain misgiving, if not alarm, the fact that parliamentary democracy, in some of the newly free democratic countries, among which unfortunately India also has to be included, faces a challenge in the existence of a strong, monolithic party side by side with a number of relatively insignificant parties, which are striving for public support. Inherent in this situation is the danger of the party machine usurping, in greater and greater measure, the function which really belongs to the Government formed by the party in a majority. Major decisions of Government policy are first discussed and arrived at in party conclaves and are later brought forward before the Government in a blueprint for the latter to sign on the dotted line, as it were. This trend is noticeable in India too, both in the Centre and in the States under the Congress rule, as also in the State where the Communist party is the ruling party. This development, which has been described by Ignazio Silone as "Party-ocracy", constitutes a potent threat to the legislative supremacy of Parliament enshrined in the Constitution. The form of government is of course parliamentary but it is doubtful if it is wholly correct to say that the mainspring of political action is parliamentary.

In England, the oldest parliamentary democracy, political organisations exert considerable influence on the policies of the governments formed by their parliamentary wings. But the two party system that is its basic structure, despite the existence of a third party as a political force at certain periods, and the strong position which the party officially in the opposition occupies vis a vis the government party results in producing a balance between the two, among the mass of the electorate and within Parliament itself.

Tampering with Administration

Another portent which should be taken serious note of by Indian

political parties is the predilection, which unfortunately is widely prevalent in India, of politicians to forget their legitimate role and to exercise their influence to debauch the administrator by seeking favours personally or for their friends and relations and to influence administrative decisions by organising themselves into "lobbies" in support of certain causes or organisations in which they are interested. While Ministers are naturally willing to 'oblige' these powerful groups within the party, there is the danger that the civil servant, who has to make an administrative decision after weighing all aspects of a matter, may find himself in a difficult position, when he comes to know that the Minister is interested in the 'decision'. We have here the roots of administrative corruption, and what is a symptom in the beginning may become a chronic disease. Here are also the roots of disruption of the foundations of parliamentary democracy and conditions favourable for the emergence of an Indian Ayub Khan. The springs of administration must be kept undefiled if the system is not to get into disrepute and finally

collapse. It was a sound instinct that induced Shri C Rajagopalachari, when he was Chief Minister in Madras in 1950, to admonish Congress party members against approaching officials directly with requests for favours and thus to protect, to some extent, worried officials from interference in administrative matters by Congress MLAs and other influential Congressmen.

There is of course no demonstrable testimony so far that our parliamentary system is cracking up under the impact of the stresses that have led to its eclipse in some other countries recently. But the danger of such cracking up if, in the near future, we do not build up the necessary defences around its citadel by an all-round determination to ensure that the conditions for its continued vitalisation come into existence, cannot be overlooked. Even Pandit Nehru, whose robust idealism and optimism regarding the great destiny of India and her capacity to steer clear of the rocks on which the democratic system and ideals have been floundering in other countries, is one of the potential factors against infiltration of anti-democratic ideas

among Indians, has in some of his more recent utterances begun to evince mild scepticism whether India can altogether escape the repercussions of developments in Pakistan, Burma and other countries.

Pipes for Oil

A PIPE manufacturing plant is proposed to be set up at Rourkela Steel Works. Pipes will be needed to transport crude oil and gas from Naharkatiya to the two refineries to be set up, one in Assam—either at Kikrajhar or at Silghat, as recommended by Rumanian experts,—the other at Barauni in Bihar, 800 miles away from the wells. It is estimated that over a hundred million cubic feet of gas per day could be produced in Naharkatiya oilfields.

The pipe plant is expected to go into production by the middle of 1961. The capacity of, and types of pipes to be manufactured at the plant have yet to be determined. Broadly, there are four varieties of pipes; the first to pump oil from wells and the other three for transportation of crude oil, petroleum products and gas.

Regionalism and the United Nations Charter

Basanti Mitra

The danger from regional security pacts arises from the fact that most of them are based on Article 51—which safeguards "the inherent right of individual or collective self defence"—and in their working have emphasized independence of action in the exercise of this right rather than co-operation through the United Nations.

In spite of action by the Security Council, in sending the Observation Group to the Lebanon, the United States justified its action under Article 51 of the Charter, and informed the Security Council after she had landed her marines.

Although action in the Lebanon was not taken by a regional agency, it illustrates the type of action that may be taken under the Charter. In a likely debate on Charter Revision in the near future, the relationship between the Security Council and the regional agencies should occupy a central position if the United Nations is to endure.

THE Charter arrangements for maintaining international peace and security were inclusive of three measures. In the first place, there were provisions for the pacific settlement of international disputes; in case breaches of the peace and acts of aggression, collective security measures were to be taken with the concurrence of the permanent members in the Security Council; and, finally, the General Assembly was to promote efforts towards an effective regulation of armaments.

The Great Powers through the United Nations were to attempt co-operation in times of peace, according to Charter principles, instead of each going its own way in mounting tension and rivalry. The twin impulses of co-operating through the United Nations and strengthening the basis of security pacts seem to be at cross purposes with each other, and regionalism has come to acquire a character which seriously threatens to undermine the growth of the United Nations Organization.

Consequence of the Veto

The Charter placed regionalism well within bounds, and in a place of subordination to the Security Council whose primary role was the preservation of international peace. The growth of regionalism, however, was a direct consequence of the inability of the Security Council to function as a result of the veto, and has evinced a tendency to substitute the collective security system of the Charter for one of its own. The consequent tensions have resulted in an arms race, creating a situation where not only does the United Nations function with some difficulty, but where the respective roles of the Security Council and the General Assembly seem to call for reorganization.

Regional arrangements according to the Charter were to assist the Security Council in maintaining international peace and security. To this end, every encouragement was to be given to regional agencies in the peaceful adjustment of disputes within a region, where it was expected that local knowledge and understanding could help towards a solution. Furthermore, enforcement action in case of breaches of the peace could also be taken by regional agencies, but not without prior authorization of the Security Council. Finally, all activities undertaken or in contemplation by regional agencies were to be duly communicated to the Security Council.

Security Pacts

Regional security arrangements within the meaning of the Charter would not have been a serious menace to the United Nations. But security pacts like Nato, and later on the Seato, the Baghdad Pact and the Warsaw Pact were not likely to communicate their military arrangements to the Security Council. Moreover, their existence may also be directly related to the absence of special agreements (Article 43) for an international force, to be used by the Security Council for collective measures against breaches of the peace, with the votes of its permanent members. Underlying these difficulties were the political dissensions as the war-time coalition failed to carry out the United Nations purpose to co-operate in peace.

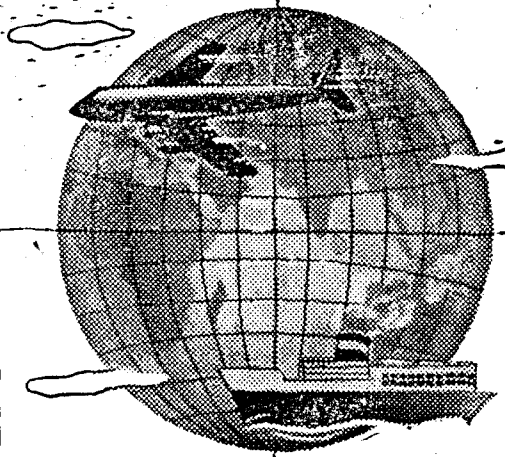
Perhaps, the framers of the Charter had envisaged a certain difficulty in regard to action by the Security Council, and left a loophole in Article 51 which was outside the chapter on regional arrange-

ments. The Article safeguards "the inherent right of individual or collective self-defence if an armed attack occurs against a Member of the United Nations, until the Security Council has taken measures necessary to maintain international peace and security". The danger from regional security pacts arises from the fact that most of them are based on Article 51, and in their working have emphasized independence of action, in the exercise of the right of individual and collective self-defence, rather than co-operation through the United Nations.

Lebanon in Retrospect

As time recedes into perspective, events in July, 1958, in the Lebanon, which created a near war situation with the landing of United States marines, reflect on the need for a clear definition of the respective roles of the General Assembly and the Security Council in the event of action by states in terms of Article 51.

According to the United States delegate in the Security Council, it was not an ideal way of solving the Lebanese situation, and Article 51 which makes mention of 'armed attack' was stretched to meet the circumstances of an indirect aggression. It was claimed that the General Assembly had reaffirmed in its Peace Through Deeds Resolution (1950) that "whatever weapons used, any aggression, whether committed openly, or by fomenting civil strife in the interest of a foreign power, or otherwise, is the gravest of all crimes against peace and security throughout the world." A similar resolution entitled Essentials of Peace (1949), called upon the members to refrain from any threats or acts, direct or



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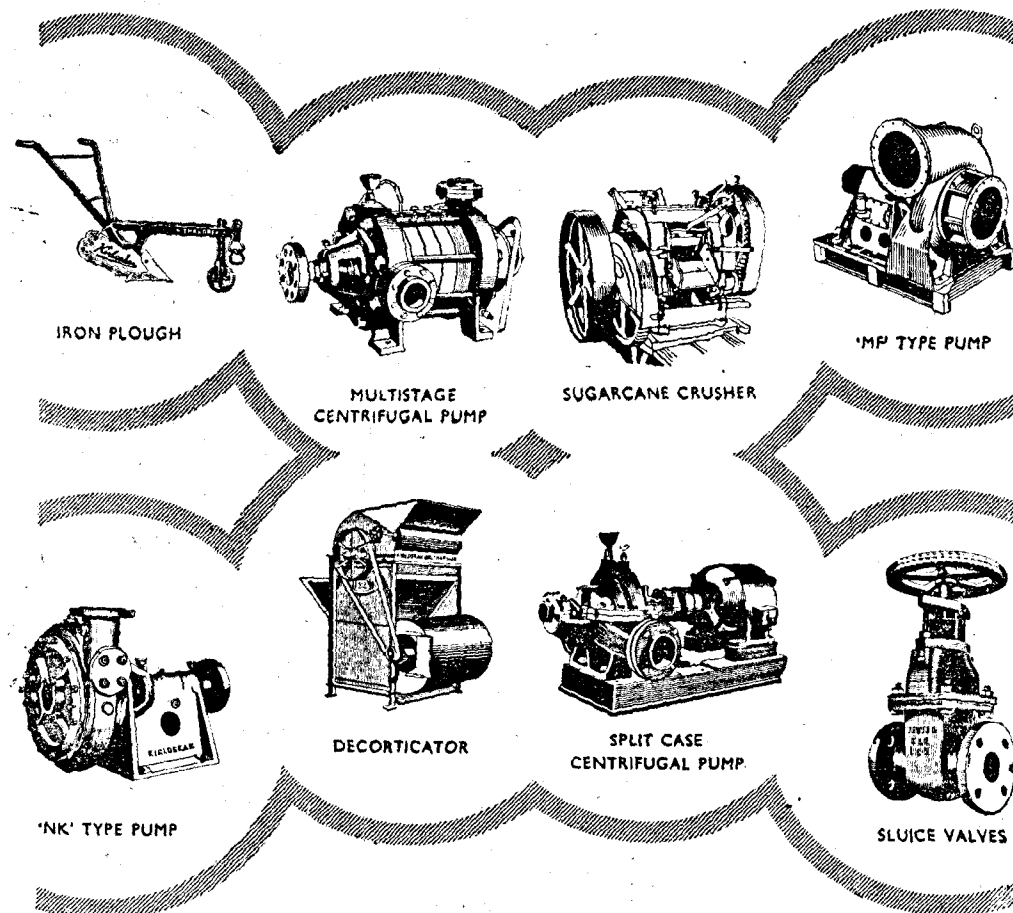
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Contribution of Social Anthropology

Field-studies in little communities have added a new and live dimension to the studies of countries with a long and recorded past. Their effects are already being felt. Thus Professor Gluckman argues from analysis of the feud among the Nuer and other tribal communities in Africa that the Anglo-Saxon Sib could not have functioned as a feuding group. ('Custom and Conflict in Africa', Oxford, 1955, pp 21-23.) Pitt-River's 'People of the Sierra' contains several stimulating suggestions about Spanish society, culture, and history, and his remarks on the different significance attached to anarchism and anti-clericalism by different sectors of Spanish society need to be followed up systematically.

In our own country, intensive studies of little communities using the techniques and concepts of modern social anthropology have already begun to yield useful tools for analysing the social life and culture of India as a whole. If I may refer to my own studies, the concept of Sanskritisation and the division of Hinduism into All-India, peninsular, regional, and local forms, which were developed in my study of Coorg religion and society, have been found useful in the analysis of other areas in India and of other, wider, problems. It is not unlikely that they may prove useful even in the analysis of historical data. In a country such as India the 'little community' is a part not only of a big state but also of a 'great tradition', and analysis of the former will provide valuable insights into the latter, insight which perhaps cannot be secured in any other way. (See my 'Village Studies and their Significance', 'Eastern Anthropologist', VIII, Nos 3-4, March-August 1955, pp 215-228.)

The concept of the 'dominant caste' which again emerged from intensive field-work in a small community seems to be relevant in the analysis of problems at wider and higher levels. It may also help in understanding regional political history, power-relations in modern India, and other similar problems.

The village studies have highlighted the importance of certain extant records which are indispensable for the analysis of rural social life, but which have so far failed to attract the attention of Indian historians and archivists. They include the official village and taluk records. Field-workers today urgently need a handbook describing the various records available in each region. Besides the official records, village and caste headmen in many parts of India have with them records relating to the settlement of disputes and other matters. These need to be collected and preserved and made available to research-workers. Yet another kind of documents lie with professional genealogists and bards. The field-anthropologist's study of the institutions of peasants make him sensible of the value of these documents. His field-work needs to be supplemented by the study of the available local records, official as well as non-official. The latter give depth and perspective to the field-study. There is no field-worker who has not felt that his analysis would have improved vastly if he had had a good local history at his disposal. On the other hand, field-work provides insights into local history.

III

Urban Studies

In India the urban field has until recently been more or less monopolised by economists. But in the last four or five years a few social anthropologists, foreign as well as Indian, have undertaken field-studies of towns and factories. Here is obviously a rich field for investigation by the intensive method of social anthropology. Next to nothing is known about the social background of industrial workers in different parts of India. To what extent do linguistic, territorial, caste and kin ties operate in a modern factory? What are the changes which caste undergoes in towns, and what kind of continuity, if any, obtains between it and caste in rural areas? Does the joint family 'disappear' or undergo modifications in towns? Can we pinpoint the differences between traditional towns, (e.g. an old capital of a Raja or a pilgrim-centre) and modern towns? Sometimes it is found that a factory is situated in a traditional town. Does this bring into existence any new patterns of social re-

lationship, and if it does, what is their relation to the traditional patterns? How far are caste, kin, ethnic, religious and other affiliations relevant in determining the settlement pattern of a town, in commercial enterprise, in the trade union and cooperative movement, and in politics and education? How far can it be assumed that the social forces which are operative in western towns are also operative in Indian towns? The ethnography of Indian urban life is conspicuous by its absence.

The main difficulty with intensive field-work is that it yields best results only when the community is sufficiently small to be investigated by a single man in the course of a year or two. It is obvious that this method will have to be modified or supplemented with others if it has to be extended to the study of big towns or large areas or to historical problems. There is at present an undesirable dichotomy between the study of small communities and the study of towns and macro-cosmic problems. The intensive method is employed in the former, and questionnaires, case studies and statistical techniques in the latter. Such a dichotomy is unhealthy, and if social anthropology is to be extended to the study of towns and of macro-cosmic problems, it cannot afford to rest content with the intensive method. On the other hand, the use of questionnaires etc. to the exclusion of the intensive method, will result in superficiality, if not in misinterpretation. The employment of different techniques in studying micro-cosmic and macro-cosmic problems has resulted in erecting an undesirable barrier in what is, after all, a single field of studies. The French sociologists led by Durkheim recognised this fact and Durkheim himself studied the religion of Australian tribesmen as well as suicide in Europe. Marcel Mauss studied gift-exchange in primitive, ancient, and modern societies.

Teamwork

Social anthropologists should welcome the current tendency to quantify data wherever necessary, and a knowledge of elementary statistical techniques should be regarded as part of an anthropologist's normal equipment. They should also realise that there are a vast range of problems where the intensive method is either not

The Last Phase

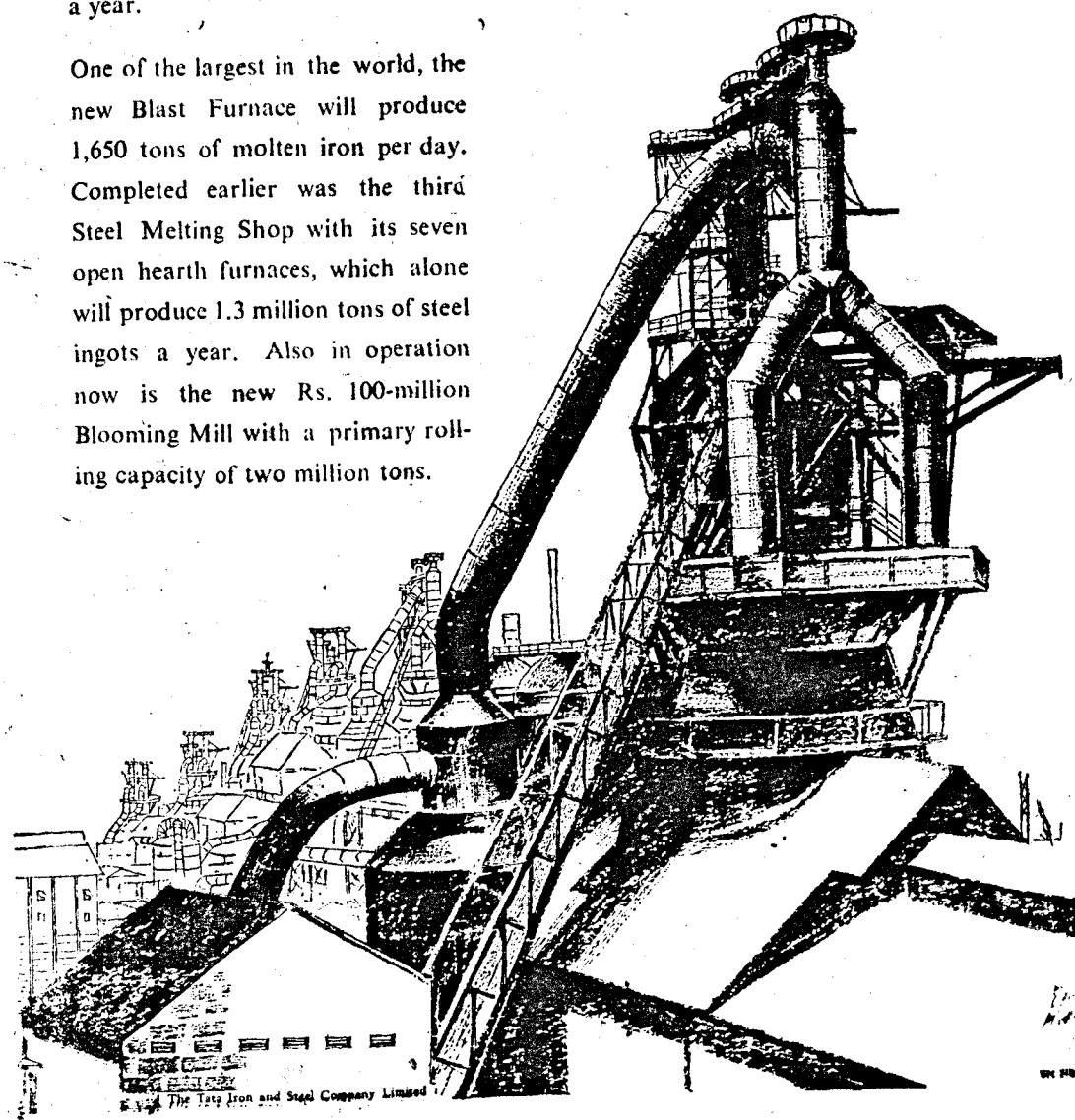
THE COMMISSIONING OF THE NEW Rs. 70-million Blast Furnace in Jamshedpur in October marks the beginning of the end of the expansion programme started in December 1955 to double Tata Steel's capacity to two million tons a year.

One of the largest in the world, the new Blast Furnace will produce 1,650 tons of molten iron per day. Completed earlier was the third Steel Melting Shop with its seven open hearth furnaces, which alone will produce 1.3 million tons of steel ingots a year. Also in operation now is the new Rs. 100-million Blooming Mill with a primary rolling capacity of two million tons.

Covering every phase of operation from the winning of ore to the rolling of finished steel, the expansion will be virtually completed by the end of 1958. The capital investment on expansion and annual replacements by Tata Steel over the five years 1955-60 is estimated at Rs. 1,330 million—more than one-fifth of the total outlay by organised industries in the private sector.

TATA STEEL

ON TO TWO MILLION TONS



applicable at all or needs to be supplemented with other techniques. Teams, intra-disciplinary as well as inter-disciplinary, have to be employed in the study of some problems.

It is necessary, however, to stress that unless much careful thought goes into the planning of a project to be undertaken by a team and to the selection of personnel, teamwork is more or less doomed to failure. The men who constitute a team should know each other fairly well, and it should be understood by one and all that working together in the field imposes much strain on everyone. The members of the team should have spent some time together before going to the field, and while in the field, frequent discussions are essential. Success is even more difficult for an inter-disciplinary team. Ordinarily when several specialists come together at a meeting, their failure to communicate with each other is more pronounced than their success.

I am deliberately emphasising the difficulties involved in teamwork as I do not find sufficient appreciation of them. What one finds prevalent instead is both a cavalier as well as a cynical attitude towards teamwork. Teams are launched at short notice, no care is given to the selection of the personnel, and there is no awareness of the kind of problem that will crop up when several people, some of them mutual strangers, work together. A team is often launched not because the problem needs a team, but because it is believed, perhaps rightly, that Foundations favour teams, especially inter-disciplinary ones, in preference to one-man projects. A problem is often selected not because it is important but because it is likely to find Foundation support. Social anthropologists then choose only those problems for which they can obtain financial support from the Government or a Foundation or an international organisation. In effect, only problems having a practical bearing are chosen. But problems having a practical importance may not be—and usually are not—important theoretically. This will force social anthropology—and other social sciences as well—to become the handmaiden of

social work. Some people may welcome such a prospect, but I for one hold that the ultimate aim of social anthropology is to advance our knowledge of how human societies work and change, irrespective of the practical use such knowledge will be put to.

Numerical Data

Until recently, social anthropologists have displayed shyness towards the quantification of data and the application of statistical techniques in their field work. This has been due partly to the fact that the peoples studied were primitives who neither remembered nor recorded the dates of such events as birth, marriage, divorce and death. (Even peasants in many parts of India cannot recall the dates of important events in their lives. One of the first things an investigator has to do is to construct a local chronology on the basis of important local events like flood, famine or a big man's death.) Again, since until the late twenties British and American anthropologists were either evolutionists or diffusionists, there was no inducement to quantify. It is only when concepts of function and structure became central to social anthropology, that need for quantification began to be felt. Thus whereas formerly it was enough to say that in two different societies there was a preference for marrying mother's brother's daughter, nowadays an anthropologist would try to find out how many of the total number of marriages in either society are with mother's brothers' daughters. He would find out why the others did not marry their mother's brothers' daughters. He would also try to relate it to other institutions of the society. The sanctions which are brought to bear on those who fail to marry their mother's brother's daughter would also be mentioned preferably from actual case histories. Nowadays an anthropologist carries out a census of people, livestock, houses and, less frequently, of occupations. Without the first, no meaningful statement can be made about the family and residence patterns of the people he is studying. These patterns are related to other factors such as income, occupation, and caste. In short, with social anthropology becoming definitely sociological in its orientation, the

need for quantification has been felt. And with the extension of the field of social anthropology to the study of large villages, towns, factories, and even regions, statistical techniques will have to be increasingly employed. As mentioned earlier, a knowledge of elementary statistical techniques should be regarded as part and parcel of the equipment of a social anthropologist. It goes without saying, however, that quantification should be resorted to only when necessary and not as a fetish.

While the tendency to quantification as well as the employment of statistical technique is to be welcomed wholeheartedly, it is to be hoped that this will not lead to the belief that everything can be measured and that only those things which can be measured are worthwhile. For several years to come, to say the least, our best insights into social life may come from work which has not involved the use of statistics.

Questionnaires

The increasing use of questionnaires is to be welcomed, especially in intensive studies. The use of a question does not necessarily mean that the investigator goes to the respondent questionnaire in hand, and writes down answers in his presence. The investigator might carry the questionnaire in his head, and often, this may ensure better results than waving it before the respondent. The questionnaire, drawn up by one who knows the art of asking questions, and administered by someone who has a grounding in social anthropology and is conscientious and tactful, is a legitimate weapon in the armoury of the social anthropologist. But the widespread tendency to rely entirely on it, and to use lengthy questionnaires—I came across one which was over 125 pages long!—administered by investigators lacking sufficient training, is nothing short of disaster. I know of one in one part of rural India where ten of the callow investigator with an immense questionnaire rolled up like an umbrella, gave a panic among peasants, the ease peasant-guile found in the ease of the new torture, the crowded investigator is usually under no compulsion to complete so many per day and this results in a not in downright dishonesty various

Social Sciences : Their Role and Scope

Nirmal Kumar Bose

Is there a lack of basic information about village life? What are the social attitudes which may help or hinder the success of planned development in India?

Professor Bose suggests that the social scientists are well equipped not only to provide this information, but also to evaluate the success and failure of what is done.

A FEW weeks ago, the writer had an occasion to meet a distinguished economist who expressed the opinion that in India, at least, economics could hardly be treated independently of the other social sciences. What the economist was suggesting was that there were still many traditional forces in society which definitely entered into or modified the operation of our national plans either by way of help or hindrance.

Europe has had a different history. Centuries of warfare and migration, as well as a steady process of consequent economic change had broken down many of the group ties which held together men, and released them as individuals to adjust themselves to the structure of capitalism and industrialism which slowly grew up in one country after another. But India did not undergo a similar process of change. Instead, the re-organisation of agriculture in a colonial pattern and the prevention of industrial growth left a large proportion of old productive relationships in existence, but in a decaying or moribund condition. And these may hinder the desired progress of the nation today.

Values: A Social Potential

There is another matter, however, to which attention should be drawn. Even now in the villages as well as towns of India, there are people who go on distant pilgrimage and endure great hardships. The details need not be enumerated, but the intense hardship which is endured evokes the same feeling of respect as is evoked by the endurance of sportsmen who climb high mountain peaks. What is significant in the present connection is that, there is in Indian culture, still a large fund of the spirit of dedication and of self-sacrifice, harnessed to a number of values which are, firstly, personal in character, and, secondly, directed towards psychological ends and which have little bearing upon

everyday life. The cleaning of a town, better health, better agriculture, education in the secular sense, are desired objects, but not of the same order as those of the other kind. Secular aims have not yet been raised to the same status as personal spiritual needs; and unless this is done by a shift of interests and loyalties, the spirit of dedication and sacrifice which is now harnessed to other ends, will not be available to the service of those ends for which our poverty-stricken country is struggling today.

These are, of course, facts of which our national leaders as well as planners and executives are, more or less, aware. But it is not known with any measure of confidence how the required change in social organization and personal attitude can be brought about. It will undoubtedly be through some process of education. But the problems are urgent, and the sands of time run out fast; even the little education, which can be organized, is often neglected, and mechanical changes are made, while the people are left free to adjust themselves to changed circumstances as best as they can.

Even after we have passed through the first Five Year Plan and are half-way through the Second, there is evidence that the cooperation or enthusiasm available from the people of India as a whole has been lukewarm. The cause of this may lie in the plans themselves or in the manner of their execution; or, the social and economic forces operating in India outside of the plans, may inhibit progress. Officials may, perhaps, be left to set their own house in order. But there are also other factors, in the discovery of which the various social sciences may play a significant part. And if such scientists succeed by means of observation and purposeful investigation in gathering a store of relevant information, we may expect that this store of information, conscientiously and efficiently gathered,

will be of substantial use to our planners and executives.

Let us proceed to illustrate how various social sciences can play a useful part, without in any way trying to be exhaustive. It is also not our purpose to give any detailed programme of work to professional social scientists. Our limited aim is to arouse interest among specialists in one or other branch to the possibility of co-operation between different social sciences, so that all of them jointly may help to promote our national interest to the best advantage. And for this purpose, we shall limit our illustrations to two subjects, namely human geography and social anthropology.

Change in the Villages

Nearly three-fourths of the people of India live in villages, where besides agricultural production, there are villages which specialize in either trade or cottage industries of one kind or another. There are also villages which are seats of local administration, of pilgrimage or are places where scholars of the old type still carry on their previous function of Sanskrit learning and the regulation of social and ceremonial behaviour. In form, again, villages may be scattered or clustered, on a combination of both types. Clustering may be according to a clear pattern or marked by an absence of design. The street may or may not form an integral part of a village plan. In size, Indian villages, as demarcated in the Revenue or Settlement Survey maps, may range from one with no dwellings in it to sizes, where, though rarely, population may reach to nearly ten thousand.

After the commercialisation of agriculture, the progressive fragmentation of holdings, and the ease with which people from over-crowded districts have started small, local migratory movements, encouraged by railways, the villages of India have been subjected to various

data collected in this manner goes into our official handbooks and reports. Policy-makers as well as social scientists depend on such data. It is high time we had a committee of social scientists drawn from different disciplines to go into the question of the degree of reliability of the various kinds of statistical data incorporated in our official publications. Any development programme based on doubtful statistics is bound to cause much unnecessary suffering and frustration.

Dangers of "Practical" Research

Here it is necessary to mention certain developments which should make every social scientist apprehensive about the future. While agreeing that research is a normal part of a university teacher's duties, one cannot but be concerned about the kind of research done in the social sciences and the manner of doing it. Firstly, and most pernicious of all, is the fact that university teachers do not any longer pursue a problem because it is intrinsically important and interesting. The problems on which university teachers are working seem to have been given to them by one or other agency of the Government of India, or a State Government, or a foreign colleague. More frequently than not, the 'problem' is not a problem in the academic sense at all but only in an administrative sense. I grant that it is supremely important for public health that our rural people should use lavatories, but I do not think this problem is important in a theoretical sense. Until recently very little money has been available for the social sciences and this may be a reason why social scientists feel that any research is better than none. But to leave the initiative in formulating problems for research to non-academic bodies will be disastrous to the social sciences. It is indeed that very few seem to realise the state of affairs as un- and unhealthy. In fact, a certain complacency suggests that the implications of the present trend are not widely appreciated. Or is the truth that social scientists are not alive and that they are when someone considers they can be put to useful

work? I cannot understand this passion for being useful.

Misuses and Abuses

There is also emerging a new type of research-structure. At the top of the pyramid sits the director of a research project, usually an academic entrepreneur able to secure funds from some organisation or from the Government. Beneath him is a deputy director actually in charge of the project. Below him is a superintendent to draft questionnaires and to analyse the data, and to write the report under the supervision of the deputy director. Finally, there are the hewers of wood and drawers of water, the investigators (sometimes divided into 'junior' and 'senior') who do the dirty work. They are either M A or Ph D students, and they have to do what they are told. The deputy director usually takes the chair at conferences except on those rare occasions when the

director himself attends. The director is normally too busy with administrative matters. Finally, the report is written in six months or less—it is indeed a mercy that many reports do not go beyond the mimeograph stage.

No social scientist who cares for the healthy growth of the social sciences in India can remain passive, a mere spectator of what is happening today. There is no doubt whatever that something akin to Gresham's Law is operating in research, just as Parkinson's Law is operating in social science departments and institutes. Under these conditions no work of distinction and originality is likely to emerge in the near future in social anthropology or in any other social science. Gone indeed are the poverty-stricken but leisurely years, when a scholar could pursue his own interest, in academic obscurity, unknown to planners, politicians, and welfare workers.

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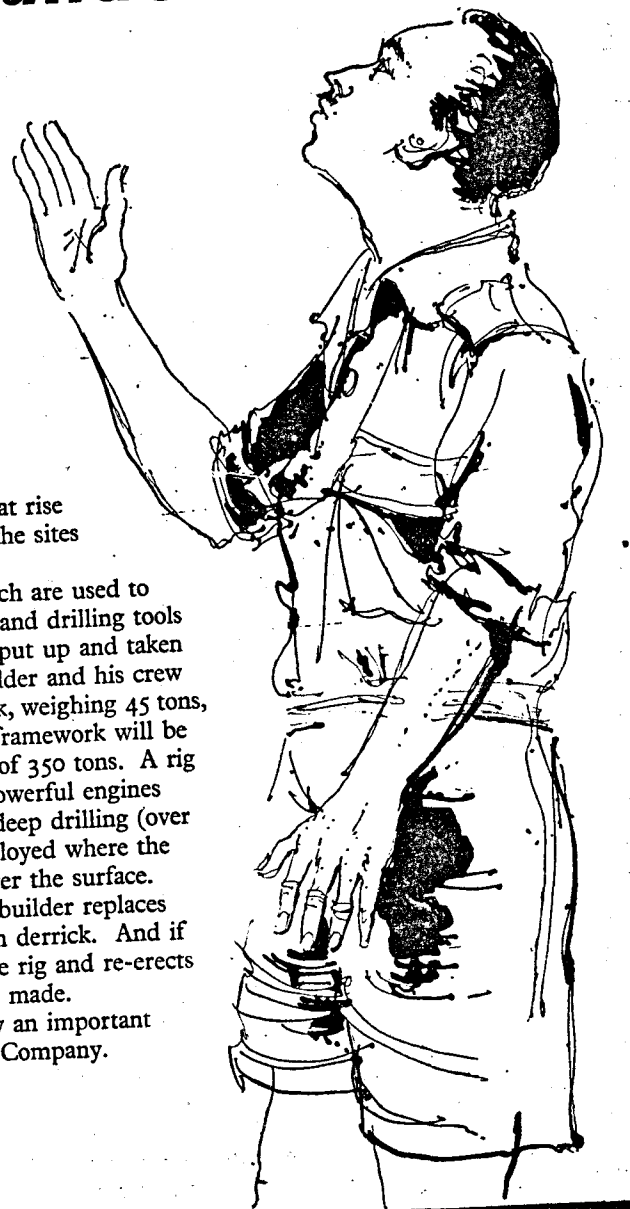
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strains and forms of reorganisation. It can be guessed that, before present means of travel and transport were introduced, there was more of local trade than trade with comparatively distant urban centres. But with the commercialisation of agriculture, some parts of India have specialised in the production of cotton, or jute, or oil-seeds and the internal, traditional interdependencies between inhabitants of a village have given place to new ties with traders or merchants who live elsewhere.

Moreover, many of the intellectual, social, and financial leaders of the village have migrated to the towns. Old inhabitants of a village have occasionally, as in the case of the State of West Bengal, been substantially replaced by poor tribal labourers, who have immigrated from the neighbouring States.

There have thus been brought about various changes in the functions and relationships between different constituents of a village's population. As a result of this, and also the extension of the judicial or revenue system introduced by the British, old community organizations have either weakened or disappeared and replaced by new community organizations of a different kind. Even within a village, formal or informal methods of organisation or of control have altered in their character or strength.

One may, of course, ask, how far does a knowledge of this kind help or hinder either planning, as such, or even its local execution? If India's execution of plans does not create adequate response at the local, public level, if people do not warmly and enthusiastically accept the responsibility as one of their own, then we must look at the villages themselves, and try to discover if there is something at the root of this indifference. The fact that the root, or some of the roots of slowness may lie elsewhere, is not ruled out by this approach. But these can be left in the care of those who are in charge of administration; and there, we believe, they are in competent hands.

Urban Studies

It might also be suggested that the study ought to be extended to urban settlements as well. How have the towns grown in form and function? How do their functions

interlace with one another: how do they stand in relation to the neighbouring rural population in economic or other forms of social relationship, for instance, in regard to education, power, and leisure activities? And how, again, have these centres been changing under changed modern conditions, where transport has become fast, firstly through the development of railways, and secondly, through the more recent growth of roads and of motor transport? And all this knowledge may form a useful store which may help the planner or the executive in the task of the country's all-round development.

Independent Evaluation

The work which the anthropologist or sociologist can undertake in co-operation with the geographer has already been indicated in outline, and there is no need to elaborate further. But an equally important task is evaluation.

It may perhaps be agreed that, if official data is freely made available, then evaluation is likely to be done better by an outsider than by one who is actually involved in the operation of a particular plan. An executive is likely to work within a certain framework; and reconstruction problems in India, because we lack experience, are often treated in the end as mere administrative problems.

If education has to be spread, prices brought down, or public cooperation enlisted, then changes are generally made at the official, executive level rather than entrusting the work to local public bodies of various kinds. If the latter are in inadequate supply, or are not of the right kind, then instead of trying to build up a required cadre, more reliance is placed on an extension of existing official organization. In a country where the economic standards are at a desperately low level, and when neighbouring countries are apparently progressing fast through authoritarianism, while India remains committed to democracy, it is not unnatural for more reliance to be placed upon the most readily controlled of social organizations, namely, the State, than in more dubious, and slower task of building democratic organisations from the bottom up. If centralization is dangerous, one hopes it will be con-

trolled through a democratic parliament.

Under these circumstances, an evaluator who is engaged from within the Government is likely to start within the framework of these premises. He would usually avoid subjecting the premises themselves to examination. He would, as a rule, avoid suggesting steps outside the present compass of either the planner or the executive, in the direction of decentralization of authority and of responsibility.

Under these circumstances, our suggestion is that teams of University people, who are without bias and who can at the same time keep in view the broader alternatives, may be better able to help in the task of evaluation. It is not unlikely that, starved as they have been of trust and responsibility and being heavily committed to routine teaching, the supply of evaluators in sufficient numbers, and of the requisite quality, may fall far short of what is needed today. But that need not frighten either the Government or the nation. It is enterprise and the courage to venture into new fields which are likely to set matters right. Responsibility coupled with hard work, is likely to change our intellectual and moral climate as nothing else can.

But the task of the evaluator must not be limited to an evaluation of the programmes alone: there is also the question of cost. I conclude by illustrating a method whereby the extravagance or inadequacy of an undertaking may be approximately estimated.

A Method of Evaluation

In one of the voluntary developmental organisations lying within a river development area, an effort has been made to assess cost in relation to achieved results in the following manner. The groups of villages concerned are primarily dependent on agriculture and the weaving industry. A dam has been built in a great river nearby, and canals are to run, or have started running, near these villages. Four villages were surveyed with regard to land-use about four years ago. Three lay within the area under the voluntary organisation referred to and one lay outside. Care was taken while choosing the latter to see that it was more or less similar in composition and function and therefore

comparable to a village within. All four villages will change in agricultural practices and other matters too, in course of five years, because canals and new roads will run or are already running through the countryside. It is anticipated that there will be some difference in the change between the two sets of villages. If there is significant difference, and if it is positive in the case of the villages lying within the project area, then this can reasonably be attributed to the work of the educators and social workers engaged in the first three villages. Then it will be time to judge if the results achieved by the voluntary organisation has been commensurate with the money or labour spent. Of course, the sample chosen in the above case was small; but this method of differential observation may be utilised on a more adequate scale if funds permit, or interest justifies.

Some of the results of education will be apparent much later; some of the changes in the field of attitudes may not be amenable to economic valuation. But, in any case, it will be worth while to measure results against the amount of money and time spent.

It is not unlikely that, in spite of the high cost, certain educational developments are desirable. In any case, methods of evaluation of this kind will be of substantial use in shedding clearer light on the total situation.

Intelligent appreciation of the social factors is always desirable; and this is exactly where the social sciences can best play a part in the great task of national reconstruction which confronts India today.

Bhakra Nangal Agreement

A COMPREHENSIVE agreement regarding the Bhakra Nangal project was signed between Punjab and Rajasthan in New Delhi on January 13. The preamble to the agreement, consisting of 51 articles, states that Punjab and Rajasthan agree to collaborate in the construction of a dam across the river Sutlej at Bhakra and other ancillary works included under Bhakra-Nangal project for extension and improvement of irrigation and generation of hydro electric power. The two States will also share the benefits derived from the Bhakra

Nangal project as well as the finances for administration of works included in it. The contracting States have agreed that any unresolved disputes should be referred to a Standing Committee, consisting of the chief engineers of Punjab and Rajasthan, with a representative of the Central Water and Power Commission as chairman.

Among other things, the agreement, gives the constitution and functions of the Bhakra Control Board and Bhakra Advisory Board, set up in 1950.

The cost of construction of Bhakra dam, will be borne by Punjab and Rajasthan in the proportion of 84.78 per cent and 15.22 per cent respectively.

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STP 31

Concepts and Methods in the Study of Caste

David G. Mandelbaum



Is Sociology a science?

Caste studies are often theoretically naive, and purely descriptive. Even when they are not, the assumptions and concepts on which his answers depend, are often neither discussed nor evaluated.

Both for the study of change and for equilibrium studies, a theoretical framework is required.

Such 'pure' sociology shows how far the subject has advanced, and can advance, towards the level of sophistication found in economics and the physical sciences.

THE new field data which have appeared in the past decade make a fresh approach to the study of caste desirable. The new, accelerated developments in caste relations have made fresh analyses necessary.

There is a large literature on the subject, including some notable works of scholarship. Many of the earlier studies were mainly interested in the origins of caste and in the religious and philosophical concepts which have been entailed in Indian caste organization. The more detailed works on castes and caste relations were written mainly by government officers for the use of administrators. These works are useful catalogues, but remain unorganized collections of information because of their lack of unifying concepts. In order to understand modern caste societies and the changes which are coming about in them, it is necessary for the field worker to use a set of general concepts concerning social organization and a set of more specific concepts concerning caste in India.

General Concepts

Among the general concepts which have been found to be most apt and fruitful in the study of caste are the following:

System. Because each unit of a caste order can be fully understood only in terms of its relations to the other units, it is scientifically economical to base the study of caste on the general concept of system, and to use that concept in defining the dimensions and the nature of the caste system which is under study. A social system, briefly defined, is a set of groups which act together to perform a function. That function is a unified effect on the environment or on the system itself which is not produced by any single group. Each group is made up of persons

who together play similar roles in the working of the system. The groups are interdependent for the purposes of their mutual function and they are interdependent in a specific order of behaviour toward each other. That order includes a process of social counterchange.

It is useful, for purposes of analysis to distinguish between a social system and the related cultural system. The actors who participate in reciprocal, regulated behaviour, together with that behaviour, make up the social system. The related cultural system consists of the rules and standards for their conduct; it includes the established roles and the requirements of the roles, together with all the impersonal norms, expectations, and references which the actors use in their joint conduct.

Role. Each of the component groups of a social system is made up of persons who carry out similar roles in the operation of the system. A role is the set of expectations applied to a person of a particular social position and role-behaviour is the action which flows from these expectations.

Reference categories. Each person uses a variety of roles according to the context and nature of the action in which he is involved. The choice of one or another role is affected by his perception of the context of the action and the nature of the actors. Related to this is his perception of himself in the action scene. Both kinds of perception are the reference categories for behaviour used by the individual.

Communication. All social systems involve communication. That which is meaningful for the system must be distinguished from "noise" which is always present.

System-shift. By definition, the parts of a system are interdependent. Hence a change which affects one

part tends to affect the whole system. Under certain conditions, the change in the part is anticipated and compensated for in the structure of the system, under other conditions there may be a shift in the entire structure of the system.

The Study of Caste

Some of the concepts which are specifically applicable to the study of caste and which are related to these general concepts are as follows:

Culture sphere and local social system. The basic organizing principles of caste are used by villagers in most parts of the land. These include the stress on endogamy, on hierarchical social order, on the social consequences of ritual pollution and purity. It may be said metaphorically that these themes provide the broad rules of the social game. These rules are used in local settings. The social systems of caste are local systems, each of which is partly independent and partly interlinked with other local systems. A local social system includes the people of a village or village cluster who together maintain a community; it also includes ancillary members from other villages who participate in the system for certain purposes, especially for the purpose of recruitment by marriage and for maintaining the integrity of the parts of the local system.

The endogamous groups which comprise a local system are best called jatis. These are interdependent for the purpose of the system and are arranged, by local opinion, in a social hierarchy. The ranking is made, de jure, according to ritual criteria applied corporately; the actual ranking is, de facto, the outcome of the interplay of ritual and secular factors. While a villager usually thinks that there is—or ought to be—a clearly tabulated order of jatis, on which there

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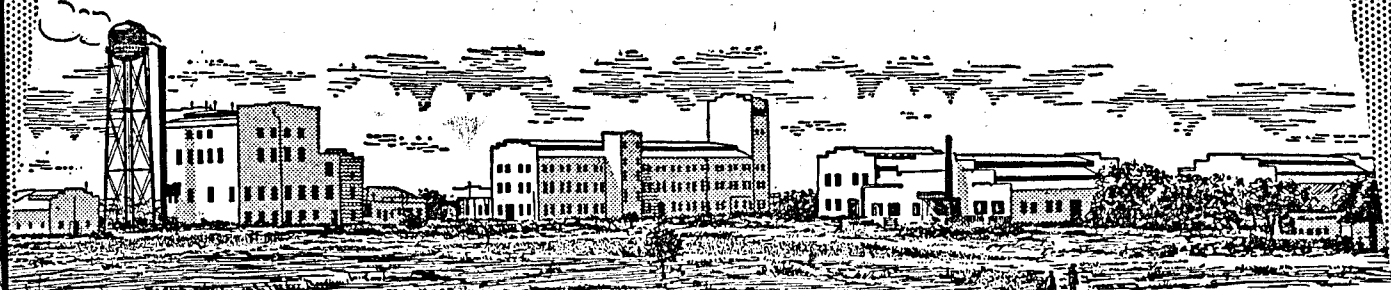
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is general village consensus, such a definitive listing does not necessarily exist, except at the extremes of the local social order. Disagreements about relative ranking, far from undermining a local system, are often characteristic of it.

Variations in role-behaviour. A general characteristic of the "rules of the game" is that a person must shift his role-behaviour according to the context of action and the nature of the others entailed in his action. A villager's jati status sets certain limits to the roles he may take toward others and those of others toward him. Within these limits, there are regular variations according to age and sex. From the role-variations prescribed for women stem the practices of hypergamy, whether formal or tacit. In general, jati-roles are more strictly defined in the context of hearth and home, in eating, marriage, and worship, than in field and town, in labour, play, or travel.

Variations in reference categories. A person's choice of appropriate roles in a social action depends, in part, on his perception of the social status of the other actors. One regular variation in this perception is that a person tends to see finer social distinctions among those who are socially closer to him than among those who are more distant from him in the social order. All use similar groupings into which jatis are classed. These may be termed jaticlusters, jati-sets, and jati-categories. But one's own and closely related jatis are generally placed in the finer as well as in the broader groupings, while persons of distant jatis tend to be classed only in the broader groupings.

The varnas are important jati-categories. They are more theoretical models for society than actual definitions of a real local social order. But as models they have great importance. For one thing, they provide a simple theory for highly complex social phenomena.

"Noise" and comprehension in a local system. We have mentioned two main sources of "noise," i.e. disagreement and non-understanding, among members of a local system. One is about the consignment of a particular jati to a certain reference category. Another is about the relative ranking of jatis, especially in the middle ranges of a social order. These disagreements have

not generally impaired the operation of local social systems in any serious way, and have, in certain respects, strengthened the system. In the former matter, the meticulous attention of a person to the social characteristics of the people of his own jati maintains the jati as a relatively firm and integral unit. His general disregard of variations among groups socially distant from him makes it possible for him to deal economically with a wide diversity of persons and groups.

In the latter matter, the common disputes about ranking and prerogatives of rank reinforce the villager's concept that rank and its prerogatives are important and worthy of a struggle. This holds for those at the lowest ranks as well as for those of the higher echelons. In this way, the notion of hierarchy has been constantly reinforced, even though many believe that their own group deserves higher rank than it is accorded.

Not infrequently, people of the higher jatis in a local system use a different dialect from those at the lower levels. But all understand a common language for their common, systemic purposes. Similarly, there are often differences in culture among the groups of a local system. Those of the higher ranks practice more "Sanskritic" ways as interpreted from the scriptural tradition, and those of the lower jatis observe more customs of the locally-focussed, vernacular tradition, such as being possessed by deity or wielding a sacrificial blade.

People of the highest ranks commonly follow some of the ways of the vernacular tradition, those of the lowest commonly practise some Sanskritic customs. There is no necessary clash between the two traditions, although social conflict frequently arises when one group begins to take on certain Sanskritic customs, which those of higher groups consider to be their own prerogatives.

The common language or caste-conduct is usually used also by those groups of a local system, such as Muslims and Christians, whose religious ideology rejects caste. They use that language when operating within the local system and may disregard it in certain contexts, as within the mosque.

As between one language area and another, sometimes even as be-

tween one village and the next, there may be notable differences in the composition of the local social order. Despite such "noise," people of different regions can share communication and understanding about social order because all share an understanding of the framework of caste organization created by the basic operating principles.

Steady state, dynamic balance, and system change. These principles have remained constant, in a relatively steady state, for some time. But the social position of particular descent groups has varied in the same period, making for social flexibility in the system. Rising social mobility, when successful, has been achieved by a group through following well defined patterns.

The maintenance of a steady cultural frame and mobile social components is the result of local social counterchange together with the constant effect of the scriptural tradition, its exemplars and carriers.

Social mobility, though theoretically denied by certain of the systemic canons, has nonetheless been an important, "anticipated" process within local systems. But recent forces flowing from urban, industrial, and governmental centres have introduced new influences and conditions into caste. Both cultural and social systems of caste are changing, but the common notion that caste is disintegrating may be misleading. Just as an organism does not disintegrate when it develops from one stage to another, or as the American people did not disintegrate politically when they changed from one government to another at the time of the American revolution, so the social organisation of Indian peoples is changing, but not disintegrating.

Field Methods and Techniques

The methods best suited to the study of the problems entailed in caste depend not only on the particular aspects of the subject in which the student is interested, but also on the general development of the subject.

In the analysis of caste we are still, for the most part, in the first of four developmental stages. This may be called the "natural history" stage in which observers study a particular set of people and their social organization. They report

the main contours of the society according to some broadly defined (sometimes undefined) outline. As various reports are collated and compared, the general contours of the field are seen and formulated. Formulated also at this point are some tentative hypotheses about caste function and dynamics. These hypotheses can be tested by sampling-statistical techniques, using questionnaires, sampling polls and other devices for collecting, coding, and analyzing a broad spectrum of responses.

The next step, for which we are almost ready, is one in which social scientists continue the natural history, "open-mind" approach but with increasing formulation of relevant hypotheses and the statistical testing of them. The questionnaire-statistical techniques can, if crudely used, lead to sad'y deficient and wasteful efforts. But they are also essential and fruitful tools for research provided that the researcher has enough scientific knowledge to know what questions to ask and provided that he is scientifically sophisticated enough to recognize the difference between a response given on paper or to a stranger standing with pencil poised, and an action response to a stimulus in the context of one's real life.

In the third stage, the constant themes and dimensions of the field are well enough known so that hypothesis building and testing engages more of research effort. The natural history approach should not therefore be abandoned, since it is the way in which heretofore unrecognised relations best become perceived.

This research cycle may culminate in a creative, synthesizing stage in which various hypotheses and different series of data are brought into meaningful relation. At that point, as with Darwinian evolution, the way is opened for scientific exploration and theorizing in new directions.

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What Is Caste?

(IV) Caste-Society and Vedantic Thought

Iravati Karve

This is the fourth and last in a series of articles, the first of which, "Caste as Extended Kin", appeared in the last Annual Number; the second, "Caste and Occupation", in the issue of March 22, 1958; and the third, "Caste as a Status Group", in the Special Number of July 1958.

In this article the author measures the social isolation of castes from one another against their economic interdependence and discusses the relation between cultural differences and social isolation.

Finally, the social hierarchy is analysed with reference to the religious and philosophical ideas of Hinduism, in particular to ideas which concern inequality.

CASTE-SOCIETY is made up in such a way that a very large proportion of the activity of the individuals is confined to their own group. This is especially true of the social and cultural aspects of their lives.

In the economic sphere the individuals and the group as a whole come in contact with other groups. Buying and selling, serving in particular capacities and being paid or served in return, are the ways in which castes come in contact with other groups. In cultural and social behaviour castes are never completely self-sufficient or isolated. Nor is economic dependence complete in all cases. The economic activities which involve interaction with other groups are of two types. One type involves rendering of certain traditional services at traditional and generally inadequate compensation and the other type can be described as economic interdependence where mutual services and compensations are more on terms of equality. Whether the economic activity is on equitable terms or whether it is a traditional form of exploitation, it brings individuals from one caste in contact with individuals from other castes. This quality of being comparatively self-contained in social and cultural activities and at the same time being linked with other groups in economic activities is a fundamental characteristic of groups called castes.

An Interaction Survey

A few examples will elucidate this. A survey was made two years ago to find out the nature and degree of intercommunal activity in rural areas*. For this work three villages were chosen and the head of each family was asked certain questions. The habi-

tation, area, and house sites were mapped. The questions asked were: Who had married whom? Who had given presents to whom? Whom did you invite for a meal? For a less informal party? For a cup of tea? Where were you invited for such hospitality? Whom did one visit for a few days? A day and night? Or for a few hours? Who were own friends? Who were children's friends? If casual help was given what was its nature and to whom was it given? Who was tenant to whom? Who employed whom? Who borrowed money from whom? In addition there were questions about attitudes to intergroup intercourse.

The picture that emerged when all the data were tabulated was that the habitation area in each village was divided into areas containing houses of one caste. Within each such area contiguous houses belonging to one patrilineage could be discovered as clusters. Besides the caste clusters the whole area was generally divided into two main habitation areas, one belonging to the higher castes, the touchables and the other belonging to the lowest castes, the untouchables. Different castes among touchables and untouchables within these larger areas lived a little separated from the others. The village habitation area was thus divided roughly into as many units as there were castes in the village. (A few exceptions were those who did not own a house but lived in rented quarters.)

In the three villages surveyed not a single marriage had occurred

* This survey was undertaken at the Deccan College, Poona on behalf of the Planning Commission. The report is not yet ready.

outside the caste. The attitudes showed that only one or two people among the higher castes expressed the opinion that they did not mind mixed marriages. As many as 25-50 per cent of the Mahars (one untouchable caste) expressed willingness to give their daughters to touchables or receive brides from touchables but were not willing to exchange brides with the Mangs, another untouchable caste. In my definition of caste as an extended kinship group this fact of endogamy has been brought out.

As regards inviting people to a meal, going to others for meals and visiting for a few days, the activities were confined in nearly 90 per cent of cases to the kinship group. The remaining 10 per cent was within the caste group. The same was the case with friendships. Dr McKim Marriott in a personal communication told the author that in his observation in north Indian villages also, friendships outside the caste-group were not only rare but were generally accompanied by much shame and feelings of guilt. Gift-giving, where the pattern is not disturbed by modern business relations, is confined almost purely to the kin-group.

Giving and receiving of help include activities ranging from giving food-grains to a man in need, to giving shelter in own house to somebody whose house had been burnt down, or nursing in illness. It was found that outright giving of foodgrains or clothing to people of a caste other than one's own was not uncommon but not a single case of sheltering in one's own house or nursing an ill person of a caste other than one's own was recorded. A few people who had occasion to receive such help

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always did so from the kin or, on a few rare occasions, from people of their caste.

As regards the other activities people were tenants to people of other castes, they borrowed money from any caste, and accepted employment from anybody.

Links across Caste

Thus purely social activities were confined within the caste while economic activities cut across the caste-frontiers. On certain occasions in a village meals are served to people of all castes. This does not form an exception to the above rule because the meals are not given on terms of equality. Such meals are given only by the richer and more influential people of the 'higher' castes. The near kin, the important people from one's own caste and other people of higher castes sit for meals together. Such people as the barber, the carpenter, etc., may come into the house and may be served meals in an open shed which is part of the house, while people belonging to the untouchable castes may line the road outside and get their share of food after everybody else has eaten. In this context a meal does not entail social give and take on terms of equality.

The social self-containedness of the caste is broken on certain occasions when all castes in a village appear to combine for achieving certain common ends like celebrating certain festivals, sometimes for common defence against dacoits, and sometimes to make common representation to the Government. I have used the word 'sometimes' deliberately, because the usual picture even of a dacoity is that the poorer people either shut themselves up in their houses or run away from the village and leave the richer people to face the robbers. The poor and the rich are not only economic classes but often caste groups too. Among Maratha and Brahmin there may be richer and poorer people, but all of them are better off than the Mahar, the Mang and the Ramoshi. In the same way the few families belonging to the Vani caste are in possession of more cash and ornaments than other castes.

The social isolation is broken more often in the modern urban setting. Boys of different castes study in the same class and friend-

ships are formed. These friendships may remain outside of the family circle and may lead to tensions and frustrations. Among people working in the same place similar situations arise. As long as these friendships are kept away from the family and the home there is no open conflict but the minute they impinge on that sphere tensions arise. This is especially the case among people belonging to castes which are educationally and economically backward. If a man of such a caste tries to have friendship with men of higher castes he is looked down upon as a climber by the advanced set, and earns hatred and jealousy from his own caste, who dub him a deserter.

Cultural Traits

The characteristic of being socially self-contained and its consequences are easy to demonstrate. It is not however so obvious that cultural differences occur among groups who hold themselves socially apart because certain important cultural traits are shared by people of different castes living over a very wide area.

One caste differentiates itself from the other sharply in respect of the circle of social intercourse especially as it is endogamous, but each caste does not differ from another culturally as sharply or as definitely. Cultural similarities range over a very wide area and include a large number of castes in more than one linguistic region. In this respect the relation of culture and caste is similar to that between race and caste. As an endogamous group a caste may have certain physical traits which, taken together, are peculiar to it but the physical traits taken individually or even group-wise are shared with other castes over a very wide area. Some traits like Rh blood factors, MN factors or AB factors may be shared by a particular caste not only with other castes in India but with people belonging to a very wide area of the earth.

As regards family structure, patrilineity and patrilocality are features common not only to the whole of the northern Indian plains but are shared by these people with a majority of people in central Asia and eastern Europe. In the same way cross-cousin marriage is

practised not only in central and south India but also by many communities in the whole of the south-east Asia with its continental and island world.

There are other cultural peculiarities which are shared by castes over one or more linguistic regions. In parts of the Punjab and U P there is a taboo against marriage within a village. In the south people prefer such marriages. In the whole of the north when people cut vegetables and other things in a kitchen with a knife, the thing to be cut remains on a board while the hand with the cutting implement moves up and down. In the south the cutting implement is a blade (curved or straight) which is fixed in a wooden board on which the cutter sits. The thing to be cut is held in the hand and moved up and down while the implement remains stationary.

As regards use of different types of utensils it was found in one part of Maharashtra* that Brahmins do not use earthen ware for cooking while other castes did. Here we have a cultural trait which distinguishes one caste from another in a small area.

Social Isolation and Cultural Traits

Social isolation need not necessarily accompany cultural differences. Among many primitive societies, tribes are socially as separate as castes and still share common culture. But caste makes two things possible: (1) If two castes have separate cultures they can retain them indefinitely and (2) starting from the same cultural roots if differentiations occur through innovations or new acquisitions they are allowed to remain and flourish. There were however limitations to innovations and new acquisitions laid down by caste hierarchy. In pre-British days, for example, people of some castes were not allowed to wear gold-ornaments. At present a Mahar will not be allowed to build a house within the area of the

* A report was prepared in course of an evaluation of a community project after investigating 25 villages near Kolhapur. The report is not yet published. It was prepared by a committee of investigation appointed by the Poona University.

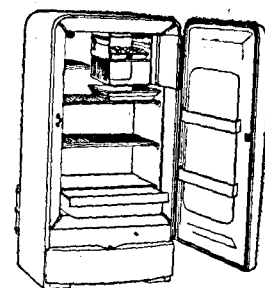
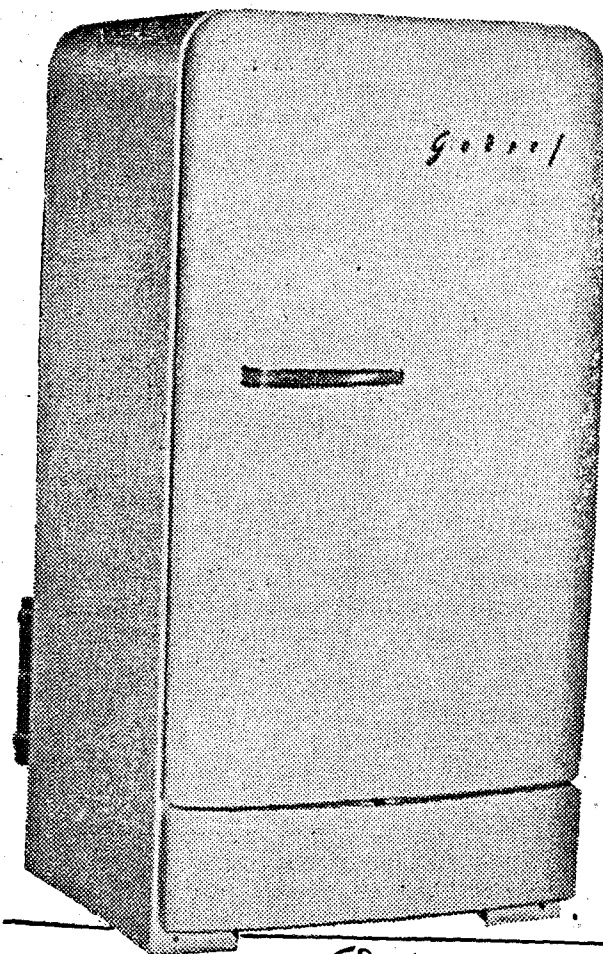
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village where the higher castes have their houses.

A few examples of cultural differences between castes living within a region are as follows. Within the Brahmin caste-cluster there are a number of endogamous castes. Among these the Madhyandin Brahmins do not allow cross-cousin marriage, neither do they allow the marriage of a man to a bride having the same gotra as his mother. Both these marriage regulations are found in the northern plains of India. The Chitpavan Brahmins do not as a rule allow cross-cousin marriage or the marriage of a man to his sister's daughter. The Karhada Brahmins (who live in the same area as the Chitpavans) and the Deshastha Rigvedi Brahmins allow cross-cousin marriage and also the marriage of a man to his sister's daughter. Throughout western Maharashtra there is no taboo against marriage of people living in the same village. There is however one Kumbhar caste which allows cross-cousin marriage but does not permit marriage between people living in the same village. Among some Brahmins and Marathas the general mode of cross-cousin marriage is that a man marries his mother's brother's daughter but not his father's sister's daughter. The author found that among Mahars both kinds of cross-cousin marriage is allowed. In western Maharashtra no caste allows a widow to marry her husband's younger brother; this custom is found among many castes in eastern Maharashtra.

Food and Dress

Differences also exist in other matters like food, dress and worship.

In Maharashtra among most Brahmin castes non-vegetarian food is taboo but the Saraswat Brahmins eat fish. Among Vanis non-vegetarian food is also taboo. Most other castes eat such food but cow's meat is forbidden. Cow's meat was universally eaten by Mahars not so long ago but now many of them have given it up. The variety in dress is best seen in culture-contact regions like the districts of Khandesh, Bhandara and Chanda. There are castes which settled in Maharashtra in recent historical times. The differences in the dress of these castes

and the surrounding Maharashtra castes show various degrees of acculturation. Even within the region there are certain traditional differences. The head-gear of the Marathas was different from that of the Brahmins. The women of the Mall caste wear a choli, the sleeves of which cover the elbows and come down an inch; the women of the Maratha caste wear a choli which stops short of the elbow; while to the women of the Vaddar caste a choli or any sewn garment to cover the upper part of the body is altogether taboo.

Religious Practices

The same phenomenon occurs also as regards religious practices though the lines of demarcation are not as definite as in the case of the cultural items described upto now.

Some castes have gods of their own and if they can afford it, members of a caste may build a temple to their gods or goddesses. Such a temple is owned by the caste. In Poona, one such temple is that of Kasardevi. As the name makes it clear, the goddess is a patron of the makers of copper and brass pots. The temple is situated near Kasarali (the street of the Kasars). Banashankari is the goddess of certain weaver castes, but she is also worshipped by others. Mari-ai is a goddess of the Mahars and her temple is found in most villages in Maharashtra in the habitation area of the Mahars. The worshipping priests always belong to the Mahar caste. Some shepherd castes on the border of Karnatak and Maharashtra have a god called Bharamappa. The Marathi god Khandoba has two wives. One of them is the special goddess of the Marathi Dhangars (shepherds). Among Brahmins also, different castes have preference for different gods. Khandoba is worshipped by Deshastha Rigvedi Brahmins (Marathas and some other castes also worship him). Chitpavans worship mostly god Shiva belonging to one of the coastal shrines in the Ratnagiri district. Many Madhyandin Brahmins are worshippers of Renuka of Mahurgad.

More than gods, the modes of worship are sometimes exclusive to a caste. One such example is a peculiar custom called Bodan which is performed in honour of a mother-goddess by the Chitpavan Brahmins only. As already said

worship of a god is not exclusive to a caste. It is more regional and familial, it also depends on the spiritual experience of an individual. Anybody, irrespective of caste, may pay homage to any god provided in so doing he does not transgress the taboos set on his caste. Chokha Mela a saint of Maharashtra was a Mahar and a great devotee of the god Vithoba of Pandharpur. He worshipped the god standing outside the temple because as an untouchable he was not allowed to go into the temple.

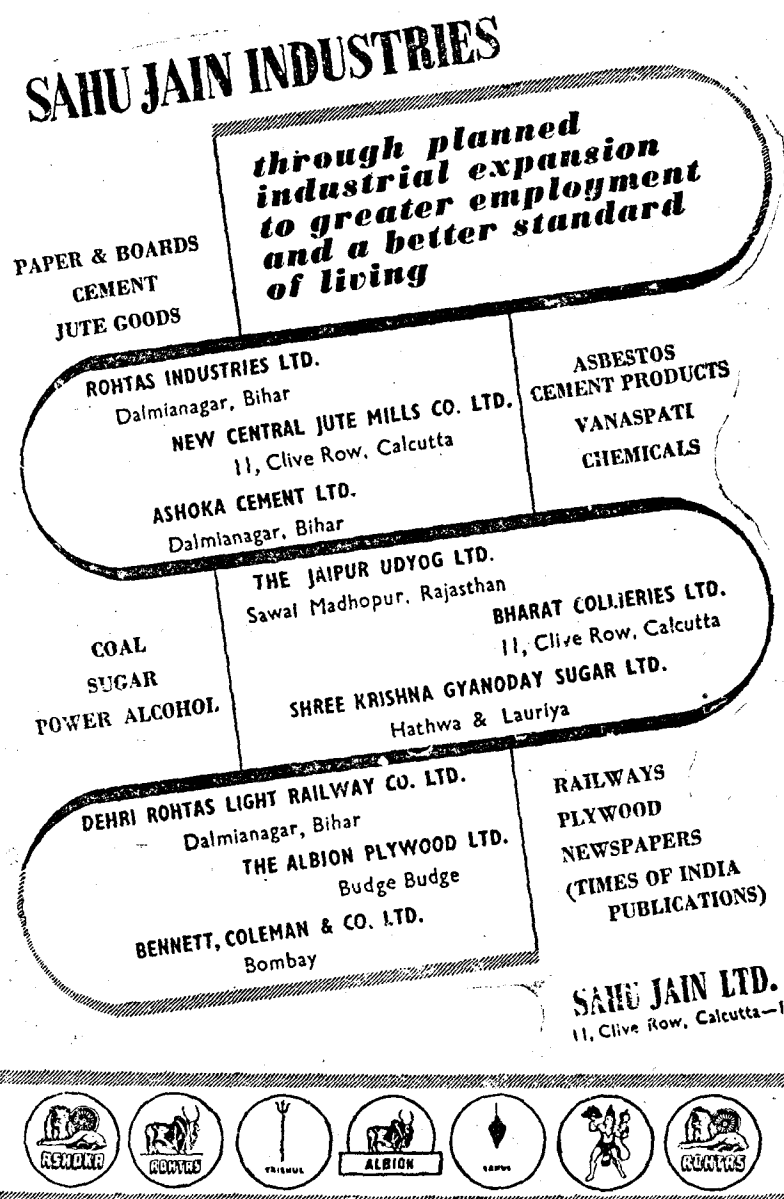
Whatever the family or caste god, all people in a village must support the chief god of the village besides many minor ones. Besides gods, everyone pays respect to all kinds of goblins and spirits whose little shrines are spread all over the country by the road-side or under a tree or besides running water. Though gods may not be exclusive possessions of a caste still a certain preference for certain gods and shrines is seen among castes. This, combined with certain performances and modes and duration of observing pollution at birth and death, modes of worship, fast days and feast days together, allows one caste to be distinguished from another as regards religious and magical practices.

These examples should suffice to show that in a caste-society groups live side by side which differ culturally from one another in smaller or greater degrees.

Meaning of Separateness

This peculiarity of the caste-society raises certain interesting questions which must be briefly indicated to give a proper idea of what is meant by social separateness of caste-groups.

What exactly is the degree of separateness? What are the cultural similarities and diversities of castes? There are certain cultural items which are shared by castes over a very wide area. One such item is language. Hundreds of endogamous castes together numbering from ten million to over forty million and living in a contiguous area speak a mutually understandable language. In the Tanjore district of Madras there are castes from Maharashtra which emigrated in the 18th century and which still speak a kind of Marathi



in their family circle. The same is the case in Central India and Gujarat in the states of Gwalior, Dhar, Indore, Devas and Baroda. At all these places the raja was a Maratha and the Marathi language was the spoken language of the rulers. It should be noted however that all the speakers of Marathi in these states also knew and spoke the language of the region in which they were placed. There are however certain castes whose retention of their language is due to other causes which are directly related to the nature of the caste society. The trading groups like Marwaris retain their language. They are numerically small groups and have to go to Marwar to bring brides and give their daughters. The caste endogamy is a factor which makes a group retain its language. The Ramoshi in Satara and Poona districts have all their marriages within these districts and yet within the family they talk a language which retains a very large proportion of Kannada words. This is understandable when one reflects that they were listed as criminal tribes and lived a life in many ways apart from other castes. This language was described as a 'secret' language and they kept it as it was very necessary for their profession. A common language is a cultural item shared by all castes in a region.

As regards other items the proportion of castes sharing in them gradually diminishes until we come to certain traits which are found exclusively in one caste only. There are certain cultural items which are spread among almost all castes over many linguistic regions. In the north from Punjab to Assam and from the foothills of the Himalayas almost upon the river Narmada (barring some of the primitive tribes) there is a taboo on cross-cousin marriage, while in the region south of the above, cross-cousin marriages are allowed.

Conformity and Non-conformity:

Regional Pattern

How did cultural traits spread over such large areas or were they always there even before groups called castes emerged? What are the mechanisms by which an immigrant group adopts a cultural trait found in the region of its settlement? Certain castes take up certain traits, others do others.

What is it that determines this choice? In the absence of a political or religious agency to impose certain norms, what are the agencies leading to gradual conformity to a regional pattern or to persistence in certain traits and non-conformity? The words conformity or non-conformity cannot really be used in the context of the larger caste-society because conformity or non-conformity are of prime importance as regards behaviour within caste rather than as regards behaviour outside caste.

The very structure of the caste society supplies clues for finding out answers to some of these questions. The fact of being socially self-contained may retard imitation and conformity, but caste hierarchy (of which more presently) may lead to imitation which again may be forbidden because of the very hierarchy which brings it about. Then again the regional position which a caste occupies (e.g., border area), its profession (e.g., refer to the Ramoshi caste mentioned above), the duration of its habitation in an area and the fact of its continued intercourse outside the region (the Marwaris mentioned above) are factors which must be considered while studying the mechanism of change. Whatever the agencies of change, the urge to conformity is never so great that one can find large tracts of land, containing many castes following the same pattern as regards dress, food, kinship organisation and worship.

A caste society allows groups to live side by side living their lives separately and coming together in certain economic relations and certain formal social relations. We have seen that there is exchange of goods and ideas among these groups. Some castes may give up some practice to take up another but the most important process is not of elimination and choice but of amalgamation and accretion. Different practices are not felt as cultural alternatives of which one can remain and the other must be given up, but they are allowed to remain side by side. That is what has happened especially as regards gods and modes of worship. Ever new gods are added and ever new methods of worship are acquired without giving up the old ones. A vegetarian Brahmin, who worships

his own household gods with sandalwood paste and flowers, does not feel it contradictory to pay his share of the contribution to buy a goat or chicken to be killed as sacrifice before the village god and or Mari-ai.

Caste Hierarchy

Mention has been made of the caste-hierarchy as impelling and at the same time preventing imitation. This brings us to the second important aspect of caste-society. The caste society has not only made it possible for a great variety of cultural patterns to live side by side but has divided this whole society into almost as many ranks as there are castes in each region.

We have dealt with one part of this ranking which theoretically divides the whole caste-society into four major varnas and saw how the castes from the fourth varna try to rise to the status of one of the higher three varnas. (Special Number, July 1958.) Within each varna there are differences in ranking leading to hypergamous marriages and these were also indicated in that article.

There it was indicated that ranking is vitally important for castes in the fourth group, the 'Shudra'. We have seen how the castes within the three varnas rank, the rivalries of the three varnas and how their position differs from region to region depending on which the dominant caste is. The position of the Brahmins was always disputed by the Kshatriyas and in the regions where Jainism and Lingayatism are powerful, Brahmins have taken a lower position. But whatever the position and rivalries of the castes of the varnas, the position of all the castes of the fourth varna has been held to be lower than the position of all the castes of the first three varnas.

With the fourth varna are found castes of petty agriculturists, or agricultural labourers, artisans, herders of cattle, sheep, goats and camels, fishermen and boatmen, barbers and washermen, shoe-makers, tanners, removers of dead cattle from the farmers' cow-sheds, musicians, mendicants, and robbers. From among many of these groups there are certain castes which have claimed to be Brahmins (e.g., some



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carpenter castes call themselves Vishva-Brahmins) and others have called themselves Kshatriyas (e.g. some cowherds call themselves Yadava Kshatriyas). But for the purpose of the present article we need not consider these groups.

The artisans like carpenters and weavers have in Maharashtra higher status than Kumbhar who make earthen pots. Some castes of iron-smiths have a high status, others have a very low status. Herders of cattle who are also milkmen are higher than shepherds and goatherds. Boatmen have a higher status than fishermen; barbers are quite high in some regions and extremely low in others. The washerman has generally a low status. The shoe-makers, tanners etc. have the lowest status and are held to be untouchable. There are some castes which are untouchable in one region and touchable in another. In the above description of status, English words are used to indicate the usual occupation of castes but that may lead to misunderstanding. It would be better to use the caste-name because that would show clearly that whatever the origin of status, at the present time it depends on the caste rather than on occupation.

For example, a Brahmin who has started the business of skinning (with his own hands) the dead animal and tanning the hide may for a time lose status on his own caste but does not become an untouchable like the hereditary tanners, the Chambhars and Dhors. A Maratha claiming to be highborn Kshatriya remains a Maratha even when he sells vegetables or opens a grocery shop or runs a boarding house. That this was the case in olden days is shown by hundreds of stories.

Criteria of Ranking

Dr McKim Marriott, in a paper on rank among castes (to be published by the Deccan College), has tried to give a scheme of ranking by asking people which castes they held to be higher and lower. It would be worth while to get an idea of ranking by asking who dined with whom and who sat with whom. In the village when the whole village is to be fed by the rich man the place where a guest is fed gives an idea of ranking.

Ranking is connected with ideas of distance and pollution. The

caste most obsessed by ideas of pollution was Brahmin. The author, a Brahmin, remembers that as a school girl she had to change all her school-clothes which were polluted through coming in contact with "God knows what castes", before being allowed to eat or move freely in the house. The other castes share these ideas as regards untouchables. The habitation area of the untouchables is always separate. If a village is situated on the bank of a river or stream, the untouchables must use the water only from the lower reaches while the place for bathing, fetching water etc. (called Panotha) of the touchables was always on the upper reaches. In some villages the village street is divided into two parts, one higher and the other lower and only the latter can be used by the untouchables. Men of higher castes sat on horseback while those of the lower castes could and did use the donkey occasionally. The distinctions of rank and the disabilities of the lower castes increased as one went from north to south in India. The principle of rank does not distinguish merely the touchable from the untouchable but makes distinctions between each group. The Chambhar (shoe-maker) ranks highest among the untouchable castes, Mahar comes next and the lowest are Mangs who are not allowed by Mahars to use their well for drawing drinking water. For certain purposes women (of even higher castes) were held as equivalent to Shudras and certain things (reading or reciting the Vedic Mantras) were taboo to both.

The hierarchy is such that almost all castes have some castes lower than them. The situation is well described by a Marathi poet (Govindaraj—died in 1919) who describes the Hindu society as made up of men "who bow their heads to the kicks from above, who simultaneously give a kick below, never thinking to resist the one, or to refrain from the other." Rank or hierarchy perpetuates privileges and injustices. It increases isolation, at the same time creating conflicts and an intense desire to rise in the social scale.

Caste Ideas in Antiquity

We need not go into the question as to how long this social structure with all its ramifications has been in existence in India. I think that anthropologists and Indologists will agree with me when I state that by

about 500 A.D., if not earlier, the structure existed almost as we know it today. Sanskrit and Prakrit literature — story, aphorism and drama — bear ample evidence of the existence of such a society. It also gives revealing glimpses of sentiments and values, privileges and discriminations which arose in this society. The most revealing are expressions of intercaste prejudice and distrust giving rise to certain stereotypes.

But apart from all this light literature, there exists a body of philosophical doctrines worked into a system which fits the caste society as described above. The various doctrines which make up this system were in existence for a very long time (about a thousand years) before the eighth century A.D., but at this time they were worked into a single philosophical system about the nature of reality, validity of knowledge, the existence of the world and the beings in it and about the ideal of human endeavour. This philosophy is called Advaita-vedanta of Shankara. Shankara, a Nambudri Brahmin born in Kerala in the 8th century reviewed and criticised different philosophical theories, which were in existence then, refuted some and brought the others together into a well-knit whole. When one analyses some of the features of this system one sees its intimate connection with the caste-society. This fact need not affect the validity of the speculation about Ultimate Reality contained in the system. This type of interdependence of a social system and intellectual speculation can be demonstrated for other countries and other systems also.

As already noted the doctrines expounded by Shankara were known for a thousand years before him but unlike his predecessors, Shankara wrote commentaries on almost all the important philosophical texts extant at his time. He wrote on the most important Upanishads, the Brahma Sutra and the Bhagvat-geeta and also commented on the Buddhist and Jaina systems of thought. Thus he gave for the first time in lucid forceful prose a well organised system of thought about the Ultimate Reality and its relationship to the world in which we live and act. The doctrine of Reality is connected with two other doctrines which are not logically bound with it but which formed part of

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the philosophical thought of the Hindus, Jains and Buddhists from very ancient times. These were also taken up by Shankara in his system, viz, the doctrines of (a) Karma and (b) Re-birth. When all these are taken together they form a system of thought which is astonishingly pertinent to the Hindu caste-society. This body of doctrines with its social implications is given below.

The Ultimate Reality

About the Ultimate Reality which is called Brahma, (The word is usually written as Brahman. I have written it in its nominative singular form so as to avoid confusion with the word Brahman used for a caste) there are four propositions. The first proposition says, 'Brahma is one, without a second' (*Ekam eva advitiam Brahma*); the second proposition says, 'All this is Brahma' (*Sarvam khalu idam Brahma*); the third proposition says, "You are 'It'." (*Tat tvam asi*); the fourth says, "I am Brahma" (*Aham Brahma asmi*). The first proposition says that Reality is one, the second says that whatever one sees round is that Reality, and the third and fourth that a human being is that Reality.

These statements sound contradictory inasmuch as what is asserted as one is said to be many and that again is said to be an individual. This is explained by commentators in such a way that the Absolutely Real, the one Brahma in its entirety can be neither seen, nor heard, nor imagined. It is beyond all predication, it is neither good nor bad, neither bright nor dark. It is beyond time and space, or in other words the only categories of space and time which can be applied to it are here and now. This reality is spoken of always as 'it'. The second proposition tells that 'all this', the world of sense and experience spread before us, is also 'it' or Brahma. The reconciliation of these two propositions and the explanation of the inter-relation between the Ultimate Reality and this world of experience form the core of the philosophical thought. It is in this context that Shankara uses two concepts. As against the reality of Brahma he calls the world of sense merely an appearance, an unreality, which has a dreamlike quality. This dream would vanish the minute the Ultimate Reality is

realised—this is called his doctrine of Maya. Shankara uses another expression also when describing the inter-relation of the Absolute and the world of sense. The first he calls "the absolute truth", (*Paramarthika Satya*). The second he calls "the behavioural truth" (*Vyavaharika Satya*). The second alone is capable of value judgments, which cannot be applied at all to Brahma.

The World of Appearances

It is this doctrine which is important from a sociological point of view. The world of appearance comprises heavens, earths, hells, gods, men and demons and all the other things in it. All this is 'appearance'; one of its qualities is that it is bounded by time and space. On the one hand it has a right to be recognised, as "it is Brahma", on the other hand it has no absolute Reality inasmuch as it is not the whole of it. The moral order belongs to this world of appearances. That moral precepts change according to time and space was realised by all Indian writers. The only way to reduce the relativity of moral truth was to imagine the whole world to be a family (*Vasudha eva Kutumbakam*), the one social group which gave some kind of justice to everybody in it. This doctrine of the Absolute Truth somehow containing behavioural truths gave justification for the existence side by side of many gods, many forms of worship and many patterns of behaviour. The absolute, though infinite and indescribable, still gave certain rules of behaviour.

Moral Neutrality

One such rule is 'samata' or 'samadarshitva'. The former word is currently used as the equivalent to the English word 'equality' but in Sanskrit philosophical literature, as also in old Marathi literature, the word 'samata' has quite another meaning. It expresses an attitude of complete neutrality. The examples given by Dnaneswar (13th century), which are taken directly from older Sanskrit philosophical literature are as follows—"Water (in a stream) does not say that "I will quench the thirst of the cow but become poisonous and kill the tiger"; the earth does not say, "I shall give support to the good and deny it to the bad". In the same way must a man behave. More

than for ordinary beings was this the norm for the behaviour of the king, viz, impartiality to all groups in his kingdom. In order to make common intercourse (*vyavahara*) possible, certain rules of behaviour, especially those embodied in criminal law, were devised, but a common civil law even in one kingdom was never in existence. Each case of dispute was solved according to the established traditions of a group, in this instance the caste.

In Europe the church and the king were the two agencies which laid down norms of social behaviour and made people follow them by a constant supervision and ruthless punishment. The very doctrine of Brahma and its many manifestations made it impossible for any priesthood or any king to claim divine sanction for one set of rules and call all others the creation of Satan. 'Samata' was the virtue prescribed for the king, the head of a household, the husband of many wives. The only well developed law was criminal law and the law for individual behaviour was tradition. It was said that even when one realised fully that all that one experiences is an appearance, one must go on doing all the things one did. The only difference between the behaviour before such a realisation and the behaviour after such realisation was that in the latter stage, behaviour had no goal to reach, no desires to fulfil. In this stage when one reaches the state described in the fourth proposition "I am Brahma" one is above all gods, all religion, all morality.

This proposition had a consequence which was drawn and uttered by both philosophers and sages when it was stated: "God is a creation of our belief". Man is the maker of gods and gods necessarily are many because men's desires and beliefs are many. This justified the existence side by side of different gods and different customs. Buddhism and Jainism, though opposed to orthodox Hinduism, never denied that the gods of the Hindus were not gods. They were merely given a subordinate position with limited powers.

Diversity and Unity

The ultimate unity of Hindu culture including such dissident doctrines as Buddhism and Jainism was as difficult to realise as the 'one Brahma', while the diversity of

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cultural practices was as obvious as the world of appearances. This doctrine, while explaining the variety, also taught that there was nothing wrong in this variety and each pattern had a right to exist.

Ever new patterns may arise because the manifestations of Brahma are infinite but this change is not necessarily at the expense of something already existing. "The old order changeth yielding place to new" was not the key to change. Change occurred gradually and in part only and the new and the newer existed side by side with the old and the older. If evolution was an interpretation of history from the point of view of the latest and the newest, the Indian point of view of history has been one in which all the past and all the present is spread out in a seemingly static existence. In Europe Christianity struggled to suppress the older faiths and establish the one God and the one true religion. The social process was one of selection and choice by a few and then, forceful suppression in order to universalise whatever was chosen. In India on the other hand simultaneous and peaceful co-existence of many religions and many gods became the norm of social existence.

Karma

It was stated above that side by side with the doctrine of Brahma were two other ideas woven into the philosophical system which were of great social consequence. These were (1) the law of Karma and (2) the doctrine of re-birth. As against the Brahma-Doctrine, these two concern the world of appearances and have no place in the 'Ultimate Reality'. The connection of these two with 'Brahma' will become clear later.

The law of Karma takes for granted that all existence, especially of living beings, including that of those who live in heaven and those who live in hell, is bound up together in a chain of existence which normally has no end. Almost every act of a human being has a minus or a plus value. At death if the plus value is greater than the minus, that individual is born either in heaven or on earth in a status better than the one enjoyed by him. If the balance is on the minus side, then one goes to hell or is born on earth in a lower status, or as a beast or a plant un-

til the minus balance is exhausted, when one is born again as a human being. Karma is good or bad action. "Sanchita karma" is the capital with which one is born. "Prarabdha karma" is the capital one is accumulating at a given time. The very fact that one is born means that one is re-born, until one is able to attain liberation.

This is the doctrine of rebirth. A birth and all that follows is the result of Sanchita karma or accumulated actions of a past birth. Human birth is the only birth in which one can refuse to accumulate a capital of good and evil. This can be done only by realising the Reality of Brahma, reaching the state of mind called "samata" and living through life without any desires. Then there is no accumulation of capital and then there is final release from the chain of births and deaths.

Social Inequality

That part of the doctrine which states that being born as a particular being or in a particular status is due to accumulated merit or demerit is socially important. It justifies the social inequalities of the caste system and at the same time gives hope of betterment to all. It also gives a definition of meritorious conduct which makes it possible for all the castes to achieve a plus balance of some sort and thereby raises traditionalism to be the highest moral conduct.

Let us consider these points one by one. In Bhagvatgeeta when Shri Krishna was explaining the way for reaching the highest Brahma. Arjuna was disturbed by a doubt. Suppose one were to die while yet endeavouring to reach the goal, what would happen? Will one have to begin the task all over again in another birth? Shri Krishna calms the fears by stating that the endeavours of one birth are never wasted. One is born in a noble family, where people do good and avoid evil, where the whole atmosphere lends itself to do meritorious deeds and one is endowed with qualities of head and heart and character in such a way that little effort is needed to achieve what was left undone in the previous birth.

This suggests that a certain status in life is more conducive to accumulation of good than certain others. For example, being born of well-to-do people, who are gene-

rous, who care for physical purity, who give to the priests, the gods, and the poor their due is the result of the accumulated capital of former births and in its turn leads to further accumulation of merit. Obviously then, for an untouchable living in filthy surroundings and doing filthy work, the realisation of Brahma was a far cry. His very lowly position was the stamp of the accumulation of evil in a previous birth. This doctrine went far beyond the justification of the existence of diversity. It justified social inequality.

Being born in favourable circumstances was one thing and making use of them was quite another. In fact, the very easiness of circumstances might lead to temptations which would slacken the efforts or even make one forget the goal of Brahma-realisation. The birth gave one an advantage, one may be born as god, or a Brahmin or a great warrior, but power is prone to lead one to destruction; the very recognition of one's saintliness may lead to pride and downfall and to being born in a humble state. Recognising this fact as a consequence of one's own action in a previous birth may be conducive to Brahma-realisation. One is humble, one's earthly circumstances are bad enough so as not to be attractive and one may turn to god with greater fervour. (It may be noted that devotion to a god without any ulterior motives was one of the easier paths for Brahma-realisation.) In this way, the theory of Karma and Rebirth while justifying social inequality, held out a future hope for betterment and promised ultimate equality in the goal of Brahma-realisation.

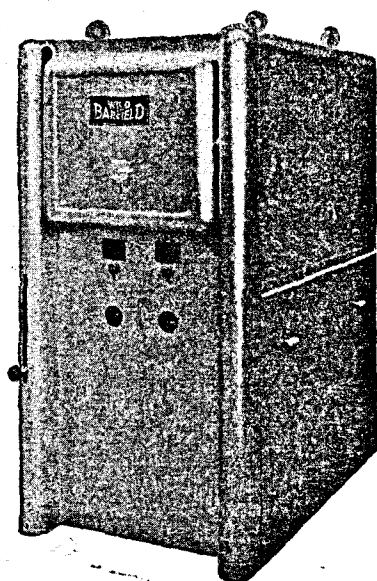
The Social Reality of Karma

We come now to the third part of the Karma theory. Most Karma has a positive or a negative value but certain Karma like breathing, opening and shutting of eyelids has no value. Karma like urinating or defecating, though necessary bodily action, might have positive or negative value depending on the time and place where such actions are performed. A large number of Karma have a different value for people of different status. If a Brahmin starts a butcher's shop or a liquor-shop he is sure to go to hell. There are other ways of getting his livelihood. But if a man

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belonging to the caste of hunters and butchers or liquor-sellers does it, it is not a sin, it has no negative value and it does not hinder these people from accumulating the positive capital of merit or even from Brahma-realisation.

It is said that all Karma done from a mere sense of duty and not from motives of gain or aggrandisement were without either a positive or negative value, and provided that one realised the unity of self with all at the same time, one could reach Brahma. There would be no accumulated capital necessitating a rebirth. This doctrine taught that one had to bear one's earthly lot, if sad, without rancour, if good, without pride and so would the gates of release be opened.

Traditional Behaviour Raised To Highest Moral Principle

In this context the following story from Mahabharata is revealing—(Aranyak Parvan Adhyaya 197-206.) A holy Brahmin sitting in contemplation under a tree was spattered with excreta. He looked up in great anger and saw a pair of birds which at his look died instantaneously. He then started on his daily round to beg food in the city. He came to a house and called loudly that he had arrived. The housewife who was cleaning the pots asked him to wait. In the meanwhile the husband of the woman came home. As soon as she saw him, she left her work, washed her hands, brought food for the husband and while he ate stood by him talking sweetly and serving him. After the husband had eaten she remembered the Brahmin standing outside and came out hastily with food, begged the mendicant's pardon and asked him to accept food. The Brahmin in a rage abused her and enquired if she thought it proper behaviour to keep a Brahmin waiting. She replied calmly that as a married woman her first duty was to her husband and a Brahmin should not get angry and go on killing birds. The Brahmin was surprised at her answer and begged to know further about duty and meritorious life. She had no time but directed him to a butcher living in the kingdom of King Janaka in the city of Mithila.

The Brahmin walked for days and on reaching Mithila was directed to the butcher's shop. He stood

apart but the butcher saw him, hurriedly stepped down, bowed at the feet of the Brahmin and took him home. After worshipping him the butcher told him about his killing the birds and his conversation with the dutiful housewife. The Brahmin was astonished and asked how a man doing such work could have such spiritual achievements. The butcher replied, "What I do is because of the deeds of my past birth. I can't help it. But I do it from a sense of duty only. I serve my parents and gods, give to Brahmins and live without untruth and cruelty". Then follows a long discourse on how everybody must do what has been apportioned through deeds of the last birth and how one could still be released.

The moral is obvious. Despised beings like women and Shudras (the two are always bracketed together)

can get extraordinary powers and attain Brahma-realisation provided they do their traditional work in a humble spirit with a sense of duty rather than for self aggrandisement. Arjuna's business as a Kshatriya was to fight and provided he did it purely from a sense of duty and not to enjoy the status of a king, no blame attached to him. Traditional behaviour was thus raised to the highest moral principle. A person was born in a particular status because of his own deeds and the best could be achieved by him by doing things which were done traditionally by people in that rank.

The Brahma doctrine together with the doctrines of Karma and rebirth were thus a complete justification for variety, inequality and traditionalism of the Indian caste-society.

China Shakes the World Again

FOLLOWING the victory of the Chinese Revolution, Jack Belden wrote a book which he called "China Shakes the World". Now, a decade later, China is shaking the world again, but this time neither Jack Belden nor any other American is there to report the event.

Thanks to the Dulles policy of enforced American isolation, we are obliged to rely for most of our information on second-hand reports coming out of Hong Kong which have about the same relation to the truth as did the reports coming out of Riga in the first years of the Russian Revolution.

In these circumstances it seems to us to be an important duty of the American press to make available to its readers observations and interpretations of Chinese developments drawn from reliable foreign sources....

Our purpose in publishing the two articles below is to help remedy this default and to bring to MR readers an authoritative account of the latest economic achievements in China.

The first of the two articles, on Chinese agriculture, is by Rene Dumont, Professor of Comparative Agriculture at the Agronomic Institute in Paris. It is translated from 'Le Monde' of October 12th. Professor Dumont is the author of 'Revolution dans les Campagnes Chinoises' (1957) and is one of the leading Western authorities on Asian agriculture.

The second of the two articles is by the Indian economist K S Gill and is reprinted in somewhat abridged form from the special July 1958 number of the Bombay periodical 'The Economic Weekly'. Starting on a shoe-string, Sachin Chaudhuri, the editor, and a small group of devoted collaborators have built 'The Economic Weekly' up into one of the most lively and indispensable economic journals being published anywhere in the world to-day.

—MONTHLY REVIEW, December, 1958.

MONTHLY REVIEW, edited by Leo Huberman and Paul M Sweezy is published from 66 Barrow Street, New York 14, New York. Annual Subscription: Rs 15

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Slavery and Indo-Arab Relations In 19th Century Zanzibar

David Pocock

This is the second in a series, the first of which "Indians in East Africa", appeared in the Special Number of July, 1958.

Early commercial links between Arabs and Indians, based on their mutual interest in the slave trade, were severed when the British hampered this trade and encouraged Indians to invest elsewhere.

Later, prosperous and successful in commerce, the Indians were hated not only by the Arabs, but also by the British.

IN trying to note some of the historical factors which continue to play a role in modern East African multi-racial society, I turn now to the 19th century not merely because material is available but also because it seems to me that the roots of much modern suspicion, antagonism, and ignorance lie there.

The material for a history of Indian settlement in East Africa is relatively rich for the 19th century when we compare it with that forthcoming for the 18th and 20th centuries. The 19th century was certainly the period of expansion and consolidation of family links, but in addition British officers in the Persian Gulf and on the East African coast were much more acquainted with Indians and with Indian affairs than they were to be later. Zanzibar together with the other territories lay under the jurisdiction of the Bombay Government and, as I have shown in my previous article, the British Consuls in Zanzibar were drawn for the most part from the Indian Civil Service. As a mark of this change the sociologist concerned with Indian matters cannot but note with a mixture of sorrow and amusement the difference between the quality of census information as between the 19th and 20th centuries, as between India and Africa. Whatever now may be advanced against the old censuses in India, nobody who studies their evolution can deny that finally they became masterpieces of social documentation. It might have been expected that the accumulated experience of census making would profitably have been applied to Africa and thus facilitated the task of government. But Indian readers will share my possibly prejudiced surprise when they hear that the Hindu population of modern East Africa is requested to sort itself in-

to the following six categories: Hindu; Brahmin; Kshatrya; Vaishya; Sanatan Dharamist; Arya Samajist!

Seyyid Said in Zanzibar

The modern period of East Africa's trade begins with the accession of Seyyid Said to the Imamate of Muscat in 1806. Seyyid Said, in order to establish himself in an otherwise insecure position, made treaties with the British and supported them in their expeditions against the pirates of the Persian Gulf in 1810 and again in 1819. The effect of this, apart from securing to himself a powerful ally, was to render conditions in the Persian Gulf more favourable for trade than they had been for a century.

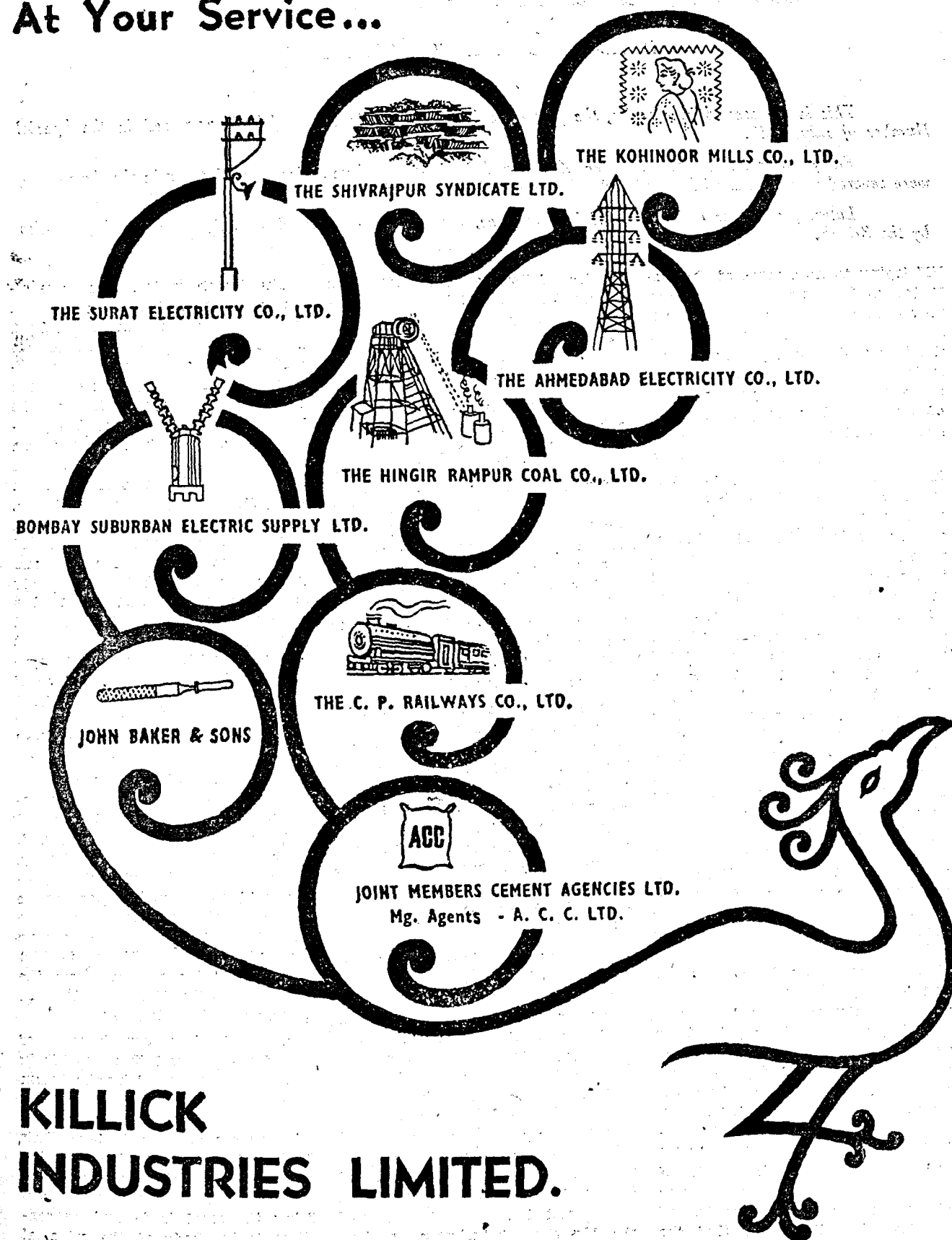
In 1826 Seyyid Said asserted his overlordship of the Arabs on the coast of East Africa who had, following the lead of the Arabs of Mombassa, revolted from him. After ten years of fighting he finally subdued Mombassa but five years earlier had felt himself sufficiently secure to remove the centre of his government from Oman to Zanzibar where he continued to live for the rest of his life.

The movement to Zanzibar was the move of a trader and Seyyid Said put into immediate action his plans for exploiting the fertility of an island which he had noted several years before he felt in a position to take advantage of it. A British naval captain writing in the year 1827 tells us that the Imam had built up 'a respectable naval force which is, with the island of Zanzibar, his principal care and study.' He had schemes for sugar, coffee, and indigo plantations and the big clove industry of modern Zanzibar owes its inception to his foresight.

The Indian traders who were already established in the Persian Gulf moved south with Seyyid Said. Bartle Frere writing in 1875 of this early period says: 'Trade was everywhere fostered, and wherever the Seyyid's red flag was hoisted the Indian traders of four or five principal castes (who had been) driven away by Portuguese exactions, would flock back.' The ships of the Imam (or Sultan) navigated the Red Sea, the coasts of Sind, Gujarat, Malabar, and Bombay. Arab ships sailed annually to Malabar for rice and timber and brought back annually two or three hundred small girls from the Malabar coast, Cutch and Bombay. From Africa they brought annually 1,500 to 2,500 African slaves. We are told at this time of the Hindu merchants, of their thrift and influence. They were brokers to most of the Arab merchants and Seyyid Said found it greatly to his interest and the benefit of his revenues, to give them every encouragement. Large quantities of ghee and cloth came in from Cutch, rice and, in the words of another authority, 'immense quantities of timber, pepper, cardamoms, and Mysore coffee via the Malabar coast.' To give some idea of the trade, he tells us that 'the Banian (Hindu trader) who farmed the customs from the Sultan in 1827 paid 188,000 German crowns for the privilege.'

In Sheikh Mansur's history of Seyyid we are told that the Hindu religion was tolerated by the Imam who allowed the Hindus to have a temple, to keep and protect a certain number of cows, to burn their dead and in general to enjoy the practice of their religion. The Hindus are described as monopolizing the pearl trade and as constituting the body of the principal merchants of Muscat. We might emphasize that these Hindus were

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unusually fortunate in finding so enlightened a protector as Seyyid Said. A naval officer, Alexander Burnes, has left a record of the difficulties and sufferings of Hindu traders from Cutch trading on the Somali coast. In 1834 he found that they were not allowed by the Somalis to wear a turban, they were forced to pay protection money, they were not allowed to burn their dead nor to bury them in the Muslim manner but pay to have them buried in an upright position. They were forced to live on flesh like the Somalis and to drink water brought in the skins of freshly slaughtered goats.

'Banians'

It seems very likely that the 'Banians' who enjoyed Seyyid Said's protection and confidence were predominantly members of the Bhattia caste, originally a fishing and maritime caste of Cutch. Their descendants in Zanzibar today preserve a story of their ancestors' excellent relations with the Sultan and with his successors. The leading family of this caste appear to be the descendants of a man called Topan, who, although he never sailed abroad, had a small fleet of trading ships and was engaged in petty coastal trade. His two sons, Shivji and Champsi, together with a Bohora friend, enlarged the fleet and armed the vessels with brass guns and engaged in the Persian Gulf trade. Family tradition maintains that it was this fleet which finally brought Seyyid Said to Zanzibar but perhaps this is an exaggeration. It is more likely that these ships and their crews were welcome additions to the Seyyid's own fleet in his wars with the coastal Arabs.

The most famous personality of the family was Ebjee Shivji who was on such excellent terms with the Sultan that he naturally attracted considerable jealousy and enmity. So frequent were the attempts to murder him that tradition tells that he never slept in the same place or in the same position for two nights running. He survived to retire in his old age to India where the last that is heard of him is that to purify himself after his long residence abroad he went on a pilgrimage to Brindavan and died in the course of it. To Ebjee Shivji and to his brother Jairam was given the customs monopoly

not only on the island of Zanzibar but also along the coast wherever the Sultan's dominion extended. A considerable sum of money was paid in return for this 'gift' by the Shivji family who inherited and maintained it until the 1880's. The transaction was usually a secret one and apparently made in the form of a contract for a limited number of years.

The Slave Trade

As we have seen large numbers of slaves were imported into Zanzibar both for work there and for transshipment to the Persian Gulf. The traveller Burton expressed his shock much later in the century to find that Indians were engaged in this trade, but it would have been much more surprising if they had not been. Their particular relation with the British authorities (who naturally had no powers over Arabs until 1890) was to be an important means of slowly bringing this trade to an end.

We ought, initially, to distinguish between what we can call ancient and modern slavery. In the ancient world slavery went on for centuries but it was for the most part slavery for the domestic market and the slave, once he had entered a household, had a definite position in that household and in the society of which it was a part. In this sense slavery between India and Africa had existed at least since the opening of the Christian era and Marco Polo mentions that girls from India were sent to Arabia to learn to dance and to act as concubines. This kind of slavery is very different from the distinctive and capitalistic transportation of masses of free labour with all its attendant horror. Seyyid Said's agricultural and commercial policy seemed to call, if only on a relatively small scale, for slavery of the latter type and his Indian agents were inevitably involved with him and with his successors.

The Slave-trade Attacked

In England the feeling against slavery was mounting as a new class rose into positions of influence if not as yet of power. In the General Treaty with the Arab Tribes of the Persian Gulf which was signed in 1820, it was insisted that the carrying off of slaves, men, women and children, from the coasts of Africa and elsewhere,

and transporting them in vessels, is plunder and piracy, and the friendly Arabs shall do nothing of this nature.' Later in 1839 British vessels were given a right to search suspected ships and it was well known that African slaves were finding a ready market in Diu, Mandvi and in various Sindhi ports. The Majority of the slaves were African but to a certain extent Indian boys and girls were exported to the Persian Gulf by way of part return.

No one, I suppose, expected that these treaties with the friendly Arabs would produce results overnight. In 1841 the Government of Bombay, whose authority extended over the whole area, ordered strict investigations into the charge that African slaves were being traded for Hindu women who were later to be sold in Zanzibar. The British Resident replied that 'there was too much reason to believe that the reports (were) not without foundation.'

In 1842 the British Consul in Zanzibar, Atkins Hamerton, reported to the Bombay Government that 'the number of slaves imported into Zanzibar...and for whom duty has regularly been paid averages for the last four years about fifteen thousand yearly. They are procured chiefly by the Banian brokers from the chiefs coming to the coast. The tribes from the interior who bring down the ivory and gum copal have it all carried by the people they from time to time take in war, and they always barter the slaves along with the articles they have carried from the interior to the coast. Money is not given either for the slaves or for the articles they bring. It is a barter trade and the business is chiefly carried on by Banians and Indian Mahomedans.' Hamerton goes on to say that Jairam, the brother of Ebjee Shivjee, paid the Sultan annually one hundred and fifty thousand dollars for the lucrative farm of the Zanzibar and coastal customs.

Actions by ships of the Royal Navy combined with the reluctant cooperation of the Imam enabled Hamerton to report in 1851 that almost all the Banians had withdrawn from the slave trade but he goes on to suggest that only extraordinary severity would prevent the Hindus of Cutch from continu-



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ing. They were, after all, making a profit of some three to five hundred per cent.

The disturbances in India of 1857 had their effect upon British prestige in Africa and many, both amongst the Indians and the Arabs, believed that after Hamerton left in that year no new Consul would be appointed. In fact the new Consul, Lieutenant Colonel C P Rigby, arrived some eighteen months later and immediately began to exercise his authority over the Indian population as British or British Protected Subjects, to eliminate the slave trade. By rigorous investigations, by fines and in some cases by deportation he began to cut down upon new purchases of slaves and to reduce the numbers of those already held. Seyyid Said had issued a proclamation in 1843 warning his own subjects to have no transactions with Indians who were under British authority, in the matter of slavery and, at Rigby's request, the new Sultan, Seyyid Majid, issued a similar proclamation.

Indians and Arabs

All this time the Indian population by legal means and occasionally by less legal means was increasing in prosperity and was in a position to advance considerable mortgages on Arab plantations and in many cases these mortgages were taken up by mortgagee. Rigby, realizing the implications of this, informed the Bombay government that wherever this had occurred he had ordered the new land owner to bring all the slaves of the plantation to the British Consul for emancipation and registration. The increasing wealth and power of the Indian community was in this way made to serve the interests of the anti-slavers. Later the accumulation of Zanzibar land in Indian hands was to be a source of conflict between them and the Arabs.

Two years after issuing this order Rigby was back in India and found that there also the importation of African slaves continued without abatement. In Kathiawad the majority of the population seemed unaware that slave trafficking was crime and Baroda and Hyderabad are mentioned by him as important slave markets. It is probably as a result of these enquiries that the Rao of Cutch was persuaded in 1869 to issue a procla-

mation committing to the care of the British Government (and therefore under its jurisdiction) all those of his subjects who 'permanently reside in or come and go to and from the country of Zanzibar.'

But only some extreme pressure from the government in London could have produced this effect for the government in Bombay, either less humane or less enthusiastic than London, did not equal its abolitionist zeal. In the words of Burton 'It lacked earnestness, judging slavery leniently and finding the practice conducive to the well-being of its subjects.' In 1872 it positively requested Dr (later Sir John) Kirk, the then British Consul in Zanzibar, to reduce the number of British Protected Persons so that disputes with the native princes might be avoided over the matter of slavery.

Repudiation of British Citizenship

But it was not only the Government of Bombay that wished to avoid embarrassments over slavery. The Indians of Zanzibar were beginning to see the advantages of renouncing their status as British Subjects and thus freeing themselves from the jurisdiction of the British Consul. Recent legislation by the House of Commons had made it possible for Indians resident in Zanzibar to declare themselves subjects of the Sultan and they proceeded to take full advantage of this. Rigby, supplied with evidence by Kirk, testified before the Select Committee on the East African Slave Trade in 1871 and said that not only subjects of native states such as Cutch and Kathiawar but also native British Subjects were renouncing British allegiance and claiming to be subjects of the Sultan. This and other evidence made it clear that the piecemeal approach to the problem was no longer effective and if the status of slave could not be immediately done away with (it was only abolished finally in 1897) at least the traffic could be made so hazardous as to make it no longer a profitable field for investment. The traffic by sea was made the first objective while the less vulnerable but, if anything, more inhumane traffic by land was left for later attention. Although by this point in the century many Arab plantations had moved into Indian hands, not all of these Indian

Indian Prosperity

The gradual abolition of the slave-trade ultimately was to the advantage of the Indian merchants, however reluctant they may initially have been to see it go. The same cannot be said for the Arabs. Already they were beginning to feel the financial superiority of the Indian trading community which they had originally patronized. The cutting off of their supplies of slave labour was the last blow to people who, by all accounts, had gone far from that spirit of industry and thrift which inspired the actions of Seyyid Said.

In 1881 Kirk visited England and received the following address from the leading merchants of the Indian community with whom he seems to have been genuinely popular: 'We the undersigned see that your firmness in allowing no vestige of slave-holding to exist among us has proved the means of turning capital into legitimate channels, by which so many new sources of wealth have been discovered, that we confidently expect that many branches of commerce will be materially extended.' An honorific address is perhaps not the best testimony as to fact. Slavery was in fact not entirely at an end nor were Indians free of any suspicion in the matter but it was Kirk's deliberate policy to sever the Indian interest from that of the Arabs and to encourage, like his predecessors in Zanzibar,

Who wants *more* food?

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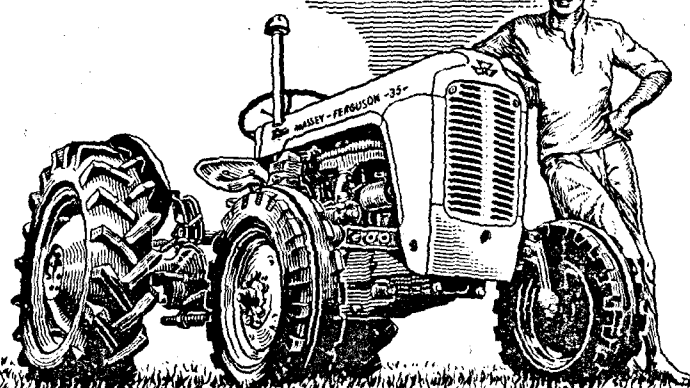
The extent to which I can help is very often not realised—it certainly is not realised enough.

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- Sow quickly and well on the right day,
- Give the crop attention whilst it grows,
- Harvest at the right time,
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their legitimate trade. The above farewell address shows at least that his point had been taken. Kirk's assistant, Mr Holmwood, had reported in 1880 from Kilwa on the mainland, that the Indian community there was evidently thriving since the reduction of the slave-trade. Indian traders 'both British and Arab subjects have at last become convinced, through the all powerful logic of a full pocket, that, after all, Great Britain was furthering their real interests in insisting on the total suppression of the slave trade. He urged the more regular visits of steamships to assure the Hindu traders of transport and protection. Further south, in Lindi, the traders told Holmwood that if British protection could be promised and extended they had every reason to expect continued prosperity and every interest in supporting the British policy. The fear of Arab depredations having been removed and the peaceful colonization of areas where formerly slave caravans had moved had trebled the export of grain and oilseed since as follows: 'In the steamer which 1877, Holmwood concludes his report leaves for Zanzibar tonight most of the British Indians residing here are passengers and they inform me that they will be returning in two months* with larger purchases of European and American goods than they have ever before imported. They calculate that if the coming rainy season proves a favourable one, the export of grain and oilseed alone will render them independent of a possible falling off in any other produce.' In more general terms and returning to the fortunes of the Shivjee family, we may note that a new contract between it and the Sultan now fixed the price for the customs farm at a 100,000 dollars higher than the previous contract.

Hostility towards Indians

As I pointed out in my previous

* The natives up-country were, he says, engaged in cultivation in that season and consequently brought little produce to the coast. Even today the Indian 'bush-trader' in Tanganyika finds that this period from early December to May tends to be a dead season for trade.

article the declaration of Zanzibar as a British Protectorate in 1890 marked the beginning of a change in the British attitude to their Indian subjects there and on the mainland. As the prosperity of the latter continued to increase and their peaceful trade with Africans on the coast was extended, the Arabs and British officers of the early 20th century began to resent their economic dominance. As early as 1871 we see this from a confidential report made by Kirk upon the financial condition of Zanzibar just after the death of the Sultan Seyyid Majid and the condition of the new Sultan Seyyid Barghash. Kirk writes: 'At Seyyid Majid's death there was a debt to Jairam Shivji (the family is to be understood here as Jairam himself died in 1866) of 423,000 dollars', with the addition of further debts incurred by Majid's successor this came to a total of 640,002 dollars and 81¼ cents. Other members of the royal family had estates both in Zanzibar and Muscat but these also were found to be heavily mortgaged to the house of Shivji and to another Indian merchant.

Apart from these high-power transactions the ordinary Arab land-owner was becoming aware in the last decades of the 19th century that he was in danger of being completely replaced by Indians who already controlled the clove-market by which, for the greater part, he lived. The question of land-ownership became more and more a matter for government concern until 1933 when a report was called for upon the indebtedness of the agricultural classes. One of the conclusions was, as might be expected, that 'almost all the money lenders licensed and unlicensed belong to one or other of the Indian communities, but it is worthy of note that Arab money-lenders, though comparatively few in number, have had attributed to them some of the harshest and most unconscionable instances of usury revealed by the inquiry.' The report goes on to note a variety of causes for the fact that 'not less than half the agricultural property of these islands (Zanzibar and Pemba) has passed into the hands of the money lending classes and at least half the remainder is encumbered to them, most of it heavily.... While

the policy of some money lenders is to dispose of, quickly and profitably, any properties that pass to their possession, that of others is to retain and operate the larger and more productive plantations, and economic groups of small properties.'

Although the money lenders were not praised for their scrupulousness the report notes weaknesses in Arab and African society which prepared agriculturists for the usurer. "Some contributory causes are failure to meet the situation created by the abolition of slavery; the townward movement, inadequate transport, banking and marketing facilities.... The desire to figure as substantial land-owners leads all grades of proprietors into economic indiscretion. They sacrifice the substance for the shadow by encumbering free property in order to acquire more property, which is also encumbered in the process. Total loss is a common result. Their genuine attachment to the land is driving them from it. The proportion of debt incurred for development is negligible."

The implications of this report of just over twenty-five years ago seem to have established a general pattern throughout East Africa where Indian wealth and initiative are regarded in some way as a menace and where their possession of land must be, if not entirely banned, jealously watched.

The Missionary Factor

Together with the assumption of the Protectorate over Zanzibar which made the Arabs protected persons no less than the Indians but more interesting to the government, and the accumulation of landed property by the Indian merchants, it would not be too rash to suggest that there was a third factor operating to effect that deterioration between the Indian and other communities leading to what I have called its isolation. The awakening of British political and commercial interest in Africa, went with an evangelical interest. The same newly empowered British middle-class which had insisted upon at least the appearances of missionary zeal in India after 1832, and done so much to stir up the consciences of ministers who would not otherwise have concerned themselves with pushing forward the abolition of

slavery, now turned its attention to the conversion of the African. Their representatives in the missionary field were for some years unable to see the Indian trader as anything more than an obstacle to this end. David Livingstone wrote home that the Indian trader sold brandy and gun-powder to the Africans and was the major influence and power behind the slave trade. 'The Indians hate us—English—and rejoice more over our failures than success.' These righteous tirades in his correspondence usually follow after his discovery of the laws of supply and demand. Writing to Kirk in 1871 he complains bitterly: 'L palms off on me inferior calico at a fraudulent price which only with a great deal of difficulty I can use and he knows that the cloth which he charges me 5.75 dollars sells (elsewhere) at 5 dollars. K perpetrated the same fraud...The bare-faced spoliation of Government money by Banian British Subjects makes it entirely reasonable to complain.' Kirk's reply is not known but it is reasonable to assume that he was gratified by this early indication of the success of his policy for Indian traders.

China's Steel Output

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(More than 80 per cent of the steel output was produced by the major steel mills of China.)

—'China Today,' January 3, 1959



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Mexico Since 1940

A Pattern for Underdeveloped Countries

Oscar Lewis

The year 1940 is a particularly convenient benchmark for the study of social and economic change in Mexico. As the last year of the Cardenas administration, it marks the end of the distinctive agrarian and revolutionary phase of the Mexican Revolution and the beginning of a new phase which some have called the "Industrial Revolution" and others "a shift to the right."

In the first period, from 1910 to 1940, the emphasis was upon basic institutional change, the transformation of a semi-feudal agrarian economy, the breakup of large landholdings, the distribution of land to the peasants, the establishment of ejidos, the strengthening of labour's position, the reduction of foreign economic participation and control, the emancipation of the Indian, and the spread of public education. The basic objective was to improve the lot of the common man.

Beginning with the Camacho administration in 1940, a new emphasis developed. The tempo of social change and land distribution was slowed down appreciably. Industrialization and increased production became the immediate national goal, and foreign investment was encouraged by the government.

"Less attention has been given in recent years to how the pie is sliced, and more emphasis is being put on producing a bigger pie."

MEXICO has made great progress on many fronts since 1940. The economy has been expanding and the country has become production conscious as never before. Leading Newspapers daily headline record-breaking achievements in agriculture and industry. The volume of agricultural production increased 155 per cent and industrial production increased 76 per cent from 1939 to 1954. The spurt toward industrialization which began with World War II has not been a temporary phenomenon, as some observers of the Mexican scene had suggested. Indeed, the expansion of the economy since 1950 has been greater than that in the preceding ten years. A boom spirit has been created which is reminiscent of the great expansion in the U S at the turn of the century. This remarkable growth of the Mexican economy since 1940 has set a record which can be matched by few countries. The rate of growth has far outstripped that of Argentina, Brazil and Columbia, and from 1946 to 1951 the increase in per capita production was even greater than that of the U S. All this was accomplished without any dramatic discoveries of unutilized natural resources, such as occurred in the case of Venezuela, and with relatively little foreign aid. At no time since 1940 (that is, in no single year) has foreign investment represented more than 15 per cent of the total national investment. Moreover, all sectors of the Mexican economy appear to have grown at more uni-

form rates than in other large Latin American countries. Many Mexicans believe they have found a formula for balanced growth which will soon take Mexico out of the category of under-developed countries.

Agricultural Development

To the student of Mexico, the developments in agriculture since 1940 seem even more impressive than those in industry, and few scholars would have predicted such rapid and far reaching changes. (The gloomy forebodings of William Vogt in his 'Road to Survival' seem disproved for the present.) It must be remembered that Mexico is essentially a mountainous country and that three-fourths of the total area is classified as either arid or semi-arid, with rainfall inadequate for assuring crops. Only 9.8 per cent or 20 million hectares of the country's total area is tillable, and of this, 80 per cent is arid and 16 per cent is humid or irrigated, according to the Census of 1950. A little more than half of the tillable land is planted, while nearly half is left fallow due to lack of rainfall. Of the area planted, about 15 per cent on the average results in crop failure, and about three-fourths of all crop failures are due to lack of rain.

In the face of these natural limitations the accomplishments in agriculture are all the more remarkable. From 1939 to 1954, agriculture has contributed an average of about 20 per cent of the value of gross national production

and has managed to hold its own with the expansion in transport and communication, industry, and commerce. Indeed, the rate of increase in agricultural production, especially since 1945, has been higher than that in national gross product as well as that of population growth. For example, between 1950-55, the population increased 15 per cent and the gross national product rose 27 per cent, but the agricultural product increased by 43 per cent. Moreover, while the proportion of the labour force engaged in manufacture, commerce, and construction rose about 5 per cent from 1939 to 1950, their relative contribution to the total domestic product remained about the same in both years. Agriculture, on the other hand, maintained its relative contribution with a reduction in its share of the labour force from 65.4 per cent in 1940 to 58.3 per cent in 1950. In absolute numbers, however, the gainfully occupied employed in agriculture rose from 3.6 million to 4.8 million.

Transformation to Market Economy

In terms of the national picture, Mexico has gone a long way in the past fifteen years toward changing its agricultural economy from a predominantly subsistence economy to a market economy. Agricultural products now account for almost 60 per cent of the total value of exports and have taken the place formerly held by minerals and oil. The change was brought about by bringing new land under cultivation (the harvested area

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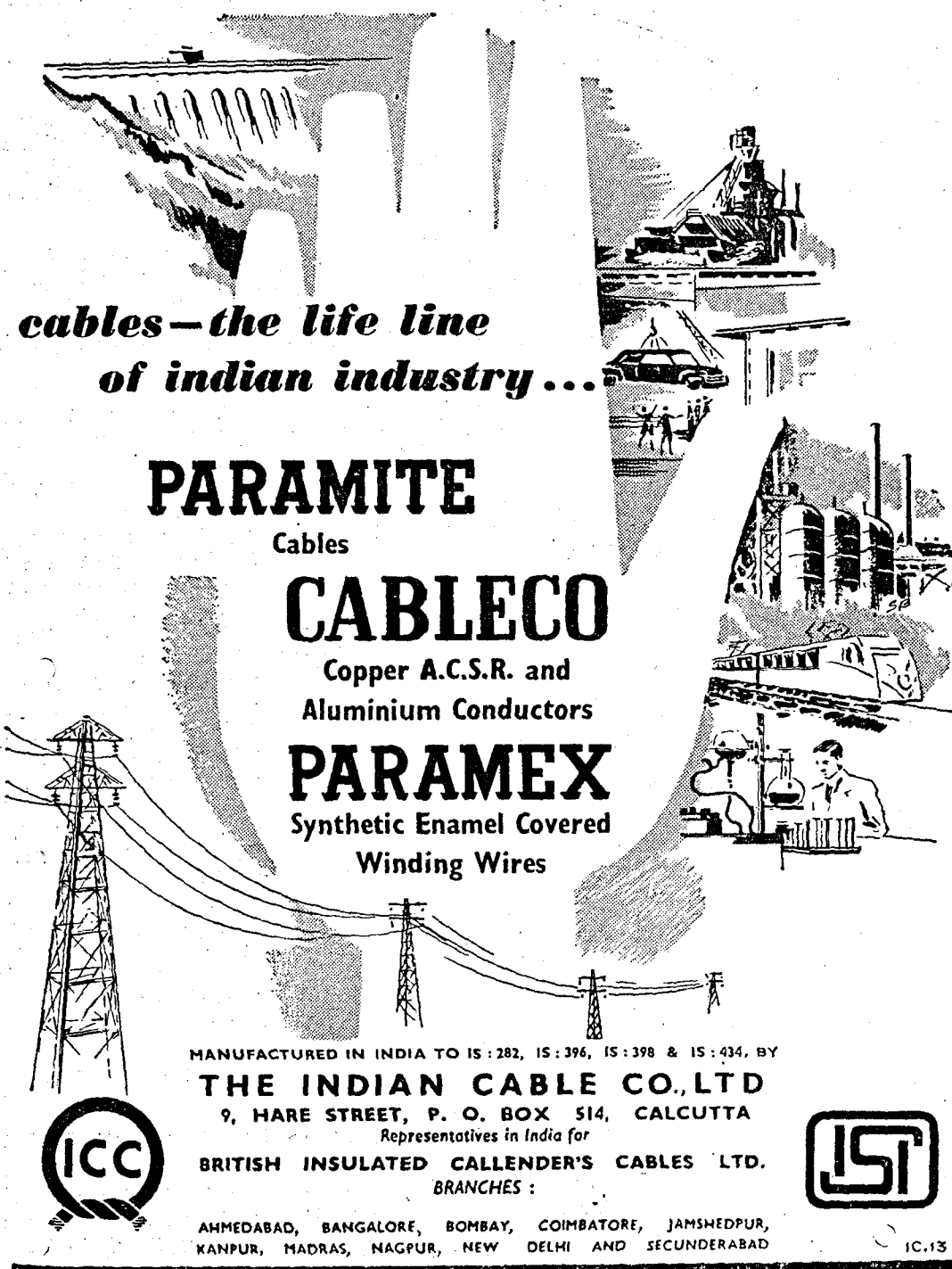
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increased by 4,128,949 hectares, or 69 per cent from 1940 to 1954), by the expansion of irrigation (1.3 million hectares of irrigated land were added to the crop area from 1940 to 1955, making for a total of 3.1 million hectares under irrigation), by the increasing use of fertilizer and improved seed varieties, by increased mechanization (from 4,620 tractors in 1940 to 55,478 tractors at the end of 1955), and by the concentration of most of these improvements on larger holdings most of which are in the North and North Pacific Regions.

Large private landholdings are becoming increasingly important in the national agricultural picture; and modern, corporation-owned sugar haciendas are rapidly replacing the older traditional haciendas. Like the ejidatarios, the new commercial farmers may soon become a political force to be reckoned with in the nation. It is noteworthy in this connection that a considerable portion of the individuals reporting higher incomes in the 1950 Mexican Census (published in 1955) were operators in agriculture. A final point on the positive side. In the face of its rapidly growing population, Mexico has managed to produce sufficient food to meet its needs, except in drought years; and another nine million hectares of new land can be brought under cultivation with the aid of irrigation to take care of further population increases in the next fifty or one hundred years.

New and Old: Sharper Contrast

The modernization of agriculture, however, is only a limited phenomenon. The great mass of the peasantry, both ejidatarios and owners of private holdings, continue to work their tiny subsistence holdings with traditional backward methods. The contrast between the new and the old agriculture in Mexico is becoming ever sharper, and in some measure parallels the contrast between the mestizo and the Indian, the north and the south.

Thus, whereas less than one per cent of the cultivated land is worked with the aid of 55,000 tractors, about 20 per cent of the cultivated land is still worked by the pre-Hispanic method of cutting and burning without benefit of plough and oxen. Indeed, in many areas the peasants are reverting back to the more primitive hoe culture

from plough culture, in an effort to avoid the devastating effects of inflation.

Safety Valve: Export of Surplus Labour to U S

The steadily increasing population pressure on limited land resources has given impetus to the bracero movement. Between 1942 and 1955, about one and a half million Mexicans left for the U S as "braceros" or temporary agricultural workers. About 93 per cent of them came from the central and northern regions of Mexico, with eight states contributing about 80 per cent. The bracero movement has been of great importance for the Mexican economy in providing a source of income for the landless and for other poor sectors of the rural population. It has also considerably relieved the chronic unemployment and underemployment of rural Mexico thereby serving as a partial, though temporary and inadequate solution of the agrarian problem. As noted above, the bulk of the braceros have come from the Central region where traditional agricultural practices prevail and where government efforts at the improvement of agriculture through irrigation and mechanization and the distribution of land to the landless have been at a minimum. In other words, those sectors of the rural population which would otherwise have been abandoned to their own resources have turned to bracerismo as a way out. Had it not been for this safety valve, the government's heavy emphasis upon industrialization since 1940 might have been accompanied by considerable unrest in the countryside. Were the U S suddenly to close its borders to the braceros a major crisis would probably follow in Mexico. Seen from a national point of view bracerismo can be seen as an indirect aid in the difficult task of industrialization. For in spite of foreign investments and heavy government spending, the rate of industrialization has not been rapid enough to absorb the ever increasing population. The bracero movement, in giving employment to surplus labour is helping to fulfill the historic role of industrialization.

The bracero movement has somewhat broadened the perspective of the Mexican rural population. Over a million and a half rural Mexicans from thousands of villages have seen some parts of the U S. Even in some of the most isolated rural villages in Mexico the American visitor may now be greeted with a few words of English. Unfortunately, the rich potential for better understanding between Mexico and the U S has not been realized because of the conditions under which braceros work and live in the U S. Most braceros are isolated in work camps or on farms, speak no English, live on a Mexican diet, and on the whole, learn very little about the U S and its way of life. Very few learn agricultural skills which can be applied to their own villages.

Improved Living Standards

The effects of bracerismo on village life are varied. The case of Tepoztlan, which I restudied in 1956-57, is interesting in this connection. Ten years ago there were less than 30 braceros from Tepoztlan. By 1957 there were over 600! Tepoztlan has become a bracero village. Ten years ago Tepoztlan suffered from an acute land shortage. Now it suffers from a shortage of manpower and many milpas go uncultivated. In many cases the braceros return to the village only to rest for a few months before setting out for another period in the U S. The braceros are investing their money wisely. Most of them have made improvements in their houses and have invested in land and cattle. Many have brought home portable battery radios, mechanical toys, clothing and U S cloth. The village now has four full-time tailors who are kept busy providing tailor made pants for peasants.

In the light of the frequent reports on the poor treatment and bad living conditions of braceros in the U S, our findings in Tepoztlan may be of interest. In interviews with 50 Tepoztecan braceros we found practically no complaints about their treatment in the U S. In the few cases in which complaints could be elicited they were about overseers who were either Filipino or Japanese. The over-all reaction was one of satisfaction with their experience and the hope that they could go back and stay for longer periods.

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The general trend toward improved standards of living in Mexico since 1940 is reflected in a variety of ways. More and more rural people sleep on beds instead of on the ground, wear shoes instead of huaraches or of going barefoot, use store-made pants instead of the home-made white cotton calzones, eat bread in addition to tortillas, grind their corn in the mill instead of by hand, drink beer instead of pulque, use doctors instead of curanderos, and travel by bus or train instead of on foot or by burro. In the towns and cities the trend has been from abode to cement, from clay pots to aluminium, from cooking with charcoal to cooking with gas, from eating with tortillas to eating with tableware, from the metate to the electric blender, from phonographs to radios and T V, from cottons to nylons, and from cognac to whisky.

Greater Sense of National Unity

One of the most impressive gains since 1940 has been the growth of political democracy and a much greater sense of national unity. The role of the military in political life has been markedly reduced and Mexico has enjoyed years of stability and peaceful elections. Mexico has a free press, freedom of speech, and freedom of worship. There are no political prisoners and Mexico is still a heaven for political refugees from countries throughout the western hemisphere. Some measure of the atmosphere of greater freedom is seen in the fact that an occasional presidential advisor has published criticism of his government without losing his job.

The present government is much more representative of the various sectors of the Mexican population than was the case under Diaz. However, it is less broad in its base than under Cardenas. The new upper class, though small and not well organized, has become increasingly influential in determining national policy, while the influence of organized labour and the ejidatarios has declined sharply. Nevertheless, in the event of a political crisis, the government could probably count on the mass support of the two latter groups.

Not Yet an Industrial Nation

In spite of its great achievements since 1940, Mexico is not yet a

modern industrial nation and still exhibits some characteristics of an agrarian colonial economy and an underdeveloped country. Among the key weaknesses are: the predominant role of foreign investment in certain basic industries, such as mining, and in strategic utilities like telephone and electricity; the continued dependence upon U S controlled corporations for its automobiles and trucks which are assembled but not manufactured in Mexico; the great lag in the modernization of its national railroad system; and the dependence upon the export of raw materials to provide dollars for the importation of manufactured goods. Even more serious, in terms of its potential political consequences, is the failure to realize fully many of the social objectives of the Mexican Revolution. In 1956, over 60 per cent of the population were still ill-fed, ill-clothed, and ill-housed, 40 per cent were illiterate, and 46 per cent of the nation's children were not going to school.

Perhaps more significant than the quantitative changes, has been a shift in the conception of the role of the school in society and in the attitudes of teachers toward their work. The earlier revolutionary conception of the school as a major instrument of culture change and social reform seems to have given way to that of the more prosaic teaching of the three R's, with little reference to integrating the content of education with local community needs. The passionate idealism and desire for service of the thirties also seems to have died out, except for a few Indianists who still show some glimmer of the old dedication. Today most teachers seem to be primarily concerned with improving their own working conditions and standard of living.

Greater Inequality of Incomes

Although the national wealth has greatly increased since 1940, its uneven distribution has made the disparity between the incomes of the rich and the poor even more striking than ever before, despite some rise in the standards of living of the general population. Manuel German Parra, a leading Mexican economist, has shown that in 1955 one per cent of the gainfully employed population took 66 per cent of the national income, while the remaining 99 per cent of the population received 34 per cent of the in-

come. In 1940 the distribution was just the reverse. In commenting upon the increasing inequality of income distribution in Mexico and the suffering caused by inflation a recent 'Fortune' article noted:

"Indeed, it might correctly be said that the true hero of the Mexican investment boom is the ordinary Mexican worker, whose acceptance of a declining real income has in effect 'subsidized' much of the nation's building.... It is a token of Mexico's political stability that this programme of chronic inflation has been accompanied by no political disorders or even by any noticeable diminution in the popularity of the party in power." (Seligman, January 1956, p 173.)

Some Mexicans are worried by the concentration of wealth and fear the possibility of political unrest unless the trend is corrected. However, given the high threshold of suffering of the Mexican people, it seems safe to predict that the present political stability will continue for a long time.

American Influence

One of the most significant trends in Mexico since 1940 has been the increasing influence of U S culture on many aspects of life. While this influence is most marked in large cities, it can also be seen in rural areas. The proximity of the U S, improved means of communication and transportation, increased travel of both Mexicans and North-Americans, the power and prestige of the USA as a great industrial civilization, the large U S investments in Mexico, and the growth of a Mexican middle-class which models itself after its northern counterpart, are some of the more important factors responsible for this change. The mighty wave of "americanisms", which are mostly related to an improved standard of living, has been unresisted except by a few intellectuals, Nationalists, anti-gringos, Mexican businessmen, and isolated Indians.

It is difficult to say how much of the change is due to direct U S influence or to the natural concomitance of a developing, twentieth century, industrial, urban civilization. Both processes have been occurring simultaneously and have been mutually reinforcing. Nor can it be doubted that much of the modernization has a typically North-

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American stamp. Modern French, Spanish, German or British influence, once more important than that of the U S, is scarcely detectable. Italian influence has grown but is minor. The countries to the south have remarkably little influence on the economic and cultural life of Mexico.

Americans in Mexico

U S citizens are now the largest single group of foreigners residing in the country. About 15,000 U S businessmen live and work in Mexico, attracted by its good investment opportunities, cheap living and excellent climate. The 500,000 annual American tourists are seen not only in the expensive hotels and resorts but in markets, and villages and out-of-the-way places. This great tourist-trade has led to the establishment of modern hotels, motels, American-style restaurants, curio-shops, tourist agencies and guide services and special transport lines, and has spread the use of the English language. Folk art, music and dance have been exploited and commercialized, celebrations which are supposedly "folk" or religious are previously advertised and used to attract tourists. From 1946 to 1955, tourist spending has more than doubled. However, the approximately 400 million dollars spent in 1956, benefits a relatively small segment of the population.

Advertisements, more than any other thing, announce U S influence. "Everywhere signs proclaim U S companies, General Motors, Singer, Goodrich, Studebaker, RCA, Eastman Kodak,—only the corporate suffix "SA" (for Sociedad Anonima), attests plainly that the locale is other than "Rahway, N J".

Large-Scale Advertising

Large-scale advertising came in with recent U S investments, and advertisements in key communication channels such as newspapers, radio and television have a decidedly U S flavour. The major television programmes are sponsored by foreign-controlled companies like Nestle, General Motors, Proctor and Gamble, and Colgate. Only the use of the Spanish language and Mexican artists distinguish the commercials from those of the U S. On the Quaker Oats programme one hears the Mexican lightweight idol, Raton (the mouse) Macias recommend Quaker Oats as the cereal of cham-

pions. Some commercials do not even trouble to translate phrases and have spread American linguistic forms of *pochismos*. Thus, beauty products are announced as, "Touch and Glow", "Bright and Clear", etc.

American department-store retail practises, such as self-service, attractive open display of goods, standardised and guaranteed articles, fixed prices, large-scale newspaper advertising, have been made more popular in the past ten years by stores like Woolworth's and Sears and Roebuck. Self-service super-markets, complete with packaged foods, frozen Armour turkeys, canned goods (many American brands are sold), cake-mixes and cornflakes, are opening all over Mexico City and in some of the smaller towns. American-made clothing and shoes, or locally-made articles carrying well-known American labels, such as Arrow or Manhattan shirts and Joyce shoes, are valued and sold in the higher-priced shops.

Changing Style of Living

A leading Mexican anthropologist, in an analysis of U S influence as seen in newspapers, writes as follows:

"About 50 per cent of the total number of pages in the newspaper indicate the dependence of both the newspaper and the readers on U S civilization for the information, and direction of public opinion, concepts of life, family conduct, health, child-training, recreation, transportation, travel, writing, forms of graphic expression, individual and national economy, domestic, office and factory equipment, and finally, the direction of interest in other people's business." (Julio de la Fuente, "La Civilización 'Pocha' de México" in "Cambios Socio-Culturales en México", 'Acta Antropológica' Vol III, No 4, Dec, 1948, pp 444).

With the increase of wealth, and the improvement of transportation facilities, Mexican tourism has grown to large proportions and has shifted from travel in Europe to travel in the U S. There has been a great increase in spending abroad—from 64 million dollars in 1946 to 173 million dollars in 1954. Domestic travel has also increased and has changed in character, especially among the middle class.

"...Mexican tourism...has left to history the Sunday custom of baths, going to the market, going to mass, drinking in the cantinas and pulquerias, and going on picnics to nearby country spots, all of which could be accomplished without great effort and without complicated means of transportation. Sunday has been radically transformed along secular lines into a day of excursion, to some rather distant point... Vacations which were once used to work around the house or to visit distant relatives who could put up the whole family, have lost their patriarchal character and have been displaced by excursions organized by travel agencies." (de la Fuente, *ibid*, p 445)

Increasing employment in factories and office-buildings has led to the spread of the quick lunch, eliminating the midday meal at home as well as the traditional siesta. The American-style breakfast, consisting of juice, cereal, ham and eggs and coffee, has become popular, displacing the traditional breakfast of beans, chili sauce, and tortillas. The practice of eating stuffed turkey on Christmas eve has been adopted by some middle-class families. The same trend is seen in the substitution of the Christmas tree for the customary Nativity scene, and the giving of gifts on December 25th instead of on January, the Day of the Kings.

The spread of English is also noteworthy. English has been adopted as a second language in the schools, replacing French. Many university technical texts are now in English, and at least one important Mexican hospital, El Hospital de la Nutrición, requires English for its staff members, many of whom have received graduate training in the U S. The French tradition in medicine is slowly but surely being replaced by U S medicine.

Dependency Relationship

U S films, Broadway hit plays, songs, and sports such as football and baseball have also become increasingly popular since 1940.

The increased interaction between the U S and Mexico has greatly improved relations between the two countries. The traditional fear of the U S has been reduced, and Mexicans seem more confident of

their national sovereignty. This, together with increased contact with U S citizens and generally broadened horizons, has reduced antigringoism. There is little evidence of anti-U S sentiment among the rural population and among the urban poor, except where the Sinarquists have been active for a long period. On the whole, anti-U S feeling is strongest among the small Mexican industrialists who feel threatened by the giant U S corporations and their subsidiaries. This group has sought to influence government policy toward more effective controls of foreign investment. Left-wing groups have seized upon foreign investment as further evidence of American imperialism. However, unlike the old imperialism which always carried with it the threat of armed force, the new type of dependency of Mexico upon the U S is much more difficult for Nationalists and leftists to combat. Moreover, it is significant that the major actual or potential points of contention between Mexico

and the U S result from Mexico's dependency relationship vis a vis the U S, for example, dependence upon tourist income, jobs for unemployed agricultural workers, U S capital, and U S markets. These factors, along with the increasing exodus of Mexicans who are becoming U S citizens, are a blow to Mexican national pride and give rise to resentment and insecurity. Many thoughtful Mexicans who value the traditional Mexican culture also view with apprehension the increasing spread of a wide variety of U S culture traits, ranging from Santa Claus to psychoanalysis.

All India Radio to Televis Republic Day Parade

For the first time, All-India Radio is making arrangements to televise the Republic Day Parade on Rajpath on January 26 as part of the experimental service which is at present being operated by its Research Department.

The Signals will be relayed from the Presidential saluting base by a micro-wave link operating on a frequency of approximately 7,000 megacycles.

The television transmitters will actually be located in Akashvani Bhavan, Parliament Street, and operate in Channel II (CCIR—Consultative Committee, International Radio) on frequencies of 48.25 megacycles for the video channel and 53.75 megacycles for the second channel.

AIR has also arranged for the installation of about a dozen television receiving sets in the bigger hospitals—Willingdon, Irwin, Safdarjung and Military—and girls' colleges of Delhi. The signals can be picked up by any receiver operating according to the CCIR standards of 625 lines 50 fields interlaced. Good-quality picture signals can be received in most parts of the capital. —Press Information Bureau (Defence Wing), Government of India, January 24.

Social Implications of Economic Growth-I

Bert F Hoselitz

If instead of regarding the transition from economic backwardness to economic advancement as a problem of economic growth in abstract, purely formal economic terms, we center our attention on how underdeveloped, often stagnating, economies reach a form of economic organisation which permits them to permanent indigenous economic growth, we are invariably driven to consider (in addition to the formal mechanisms of economic adjustment) the changes in culture and social structure which this transition calls forth.

Instead of being concerned with the problem of economic growth in the most general terms we are interested in elaborating a theoretical model which permits us to analyze a process of transition from a social system displaying a "traditional" form of economic organisation to one displaying a different, presumably "more advanced" economic organisation.

This process involves not merely a reshaping of the "economic order" but also a restructuring of social relations in general, or at least of those social relations which are relevant to the performance of the productive and distributive tasks of the society.

In practice, that is in a situation requiring the elaboration of a development plan for a given country or region, this problem requires for its solution that the plan embraces not only prescriptions for economic adjustments but also for the channeling of associated social and cultural changes.

THE widespread political interest evoked in recent years in the conditions and problems of economic development, and in policies, designed so far as possible to abolish poverty and want in many parts of the world has reinforced among economists the study of theoretical problems associated with economic growth. Economists have long been interested in the forces favouring economic progress. As W W Rostow recently pointed out, Adam Smith's 'Wealth of Nations' gives great weight to the consideration of economic policies most conducive to economic growth, and the subsequent writings of the classical economists were, to a considerable extent elaborations of some of these points. Smith and his immediate successors wrote at a time when a constant relation between economic theory and economic policy was considered both necessary and obvious. Since the middle of the last century, however, a body of economic theory began to establish itself, which, on the one hand, to an ever-increasing degree abstracted from the immediate policy implications to which it was subject, and on the other, assumed human motivations and the social and cultural environment of economic activity as relatively rigid and unchanging data. In consequence, the further development of the theory of economic growth (with some notable exceptions like the work of Professor Joseph Schumpeter), tended to concentrate almost exclusively on the task of relating purely economic variables to one another and to disregard the political and so-

cial changes which accompanied the process of economic growth.

Even in present attempts at restating the basic framework of an economic theory of economic growth, the necessity of relating this theoretical framework to the cultural conditions and political needs of areas undergoing rapid economic change is sometimes underestimated or overlooked. Propositions which deal with the dependence of economic progress on the nature of income distribution, the relative magnitude of savings, the impact of inflationary pressures, and the state of a country's balance of payments and terms of trade, are clearly relevant, yet it must be recognized that even a secured knowledge of all these relationships is not enough but only a beginning, for a theory which realistically deals with all the variables involved in the development process. And if economists specify (as they sometimes do), that, in addition to the various economic adjustments, a change in the social values cherished by a population is necessary, they make a statement which is true, but at this level of generality meaningless, for it cannot be translated into operational terms.

Wanted:

A Theory to Relate Economic Development to Cultural Change

What is needed, therefore, is not merely a theory of economic growth in purely economic terms, but a theory relating economic development to cultural change. In view of the great uncertainties in the realm of theory which concerns it-

self with cultural change in general, it may be premature and, in terms of scholarly resources available, perhaps uneconomical even to attempt the statement of a general theory of economic development and cultural or socio-structural change. We may better begin by developing theoretical models for different types of societies and different types of movements or transitions from "traditional" to more "modern" forms of economic organization. The attempts to develop a general, universally valid theory of economic and cultural change may lead into the impenetrable jungle in which have been lost so many who searched the way for the formulation of a general theory of history. The attempt to meet a more limited, objective, the concentration on situations which are now clamouring for practical solution, may lead to the elaboration of a theoretical framework which may be useful not merely in providing a guide for present policy, but also in enlarging the boundaries of our general theoretical knowledge of social and economic change.

In pursuing this more limited objective one outstanding case presents itself, both because of its contemporary practical significance and its intrinsic theoretical interest. This is the problem of economic growth and associated cultural change in those countries which, in the official language of the United Nations and the United States Department of State are designated as "underdeveloped". A Committee of Experts of the United Nations

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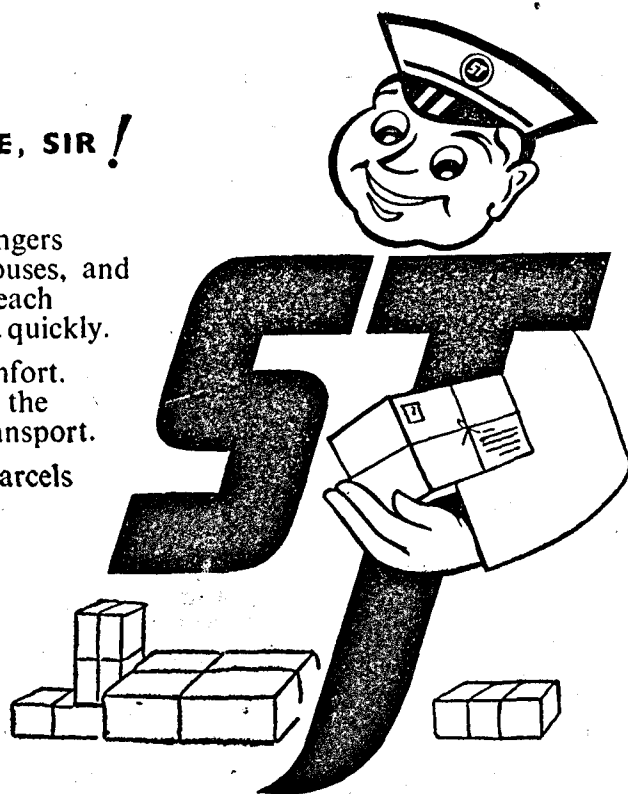
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has defined such a country as one "in which per capita real income is low when compared with the per capita real income of the United States of America, Canada, Australasia, and Western Europe."

Problem of Transition

This definition not only specifies the variable which is considered most significant in measuring the level of economic advancement, but also classifies a series of countries as advanced and others as underdeveloped. It further suggests that the most important problem for investigation is the transition from a state of "underdevelopment" to one of "development" or "full development", and that other processes of economic change, even if they are associated with an increase of real income (that variable by which the level of development is measured), are not necessarily relevant or may not be subject to the same regularities as the transition from economic backwardness to economic advancement.

If, moreover, instead of regarding this transition as a problem of economic growth in abstract, purely formal economic terms, we center our attention on how underdeveloped, often stagnating, economies reach a form of economic organization which permits them to permanent indigenous economic growth, we are invariably driven to consider (in addition to the formal mechanisms of economic adjustment) the changes in culture and social structure which this transition calls forth. Instead of being concerned with the problem of economic growth in the most general terms we are interested in elaborating a theoretical model which permits us to analyze a process of transition from a social system displaying a "traditional" form of economic organization to one displaying a different, presumably "more advanced" economic organization. This process involves not merely a reshaping of the "economic order" but also a restructuring of social relations in general, or at least of those social relations which are relevant to the performance of the productive and distributive tasks of the society.

In practice, that is in a situation requiring the elaboration of a development plan for a given country or region, this problem requires for its solution that the plan embrace

not only prescriptions for economic adjustments but also for the channeling of associated social and cultural change.

Variety of Actual Conditions

The United Nations—Technical Assistance Administration and other agencies participating in programmes evolving development plans are conscious of this need, and technical missions going to underdeveloped countries include, in addition to economists and engineers, also specialists in education, social welfare, and sometimes even cultural anthropology. Their task is to advise on how economic planning may be directed into channels in which frictions with existing cultural and social forces will be minimized and incentives for the planned changes maximized. Owing to profound differences in the cultures of the various populations participating in economic development plans, a multitude of forms have been found in which cultural or social structural factors do affect economic growth. The very great variety of actual conditions appears to make generalizations impossible, or at least very difficult.

Yet several attempts to generalize have been undertaken. These attempts were not specifically related to the elaboration of a general theory of economic development and cultural change, but rather to the development of a theory of capitalism, — a problem which has some similarities to the one under consideration. Such a theory confines itself to propositions on the pattern of economic growth and associated social change under specific historical conditions encountered by the countries of western Europe and by overseas territories settled by western Europeans in the last three of four hundred years.

Past Development Unplanned

But the development of capitalist economies in western Europe were unplanned autonomous movements, whereas the current efforts to induce economic growth are consciously initiated and, as far as possible, carefully planned, at least in their economic aspects. The fundamental difference in developing a theory for past and present economic growth is that the former process is an overall social process in which a priori no causal

primacy can be assigned to any one or any one set of variables. As concerns present instances of economic development, it is quite proper to regard such factors as accumulation of capital, planned introduction of new skills and new work techniques as the primary variables, and to regard adjustments in the social structure as positive, negative or neutral "responses" to these "stimuli". In other words, the governments of underdeveloped countries are resolved to plan for economic development and to carry out these plans to the extent of their abilities. The impact of social and cultural factors consists thus not in determining whether or not, or even in what form, economic growth is to take place, but how easily and smoothly the objectives of a development plan can be attained and what costs — not all of which are strictly measurable in money or other resources — are involved in reaching the goals.

Thus, apart from the case of autonomous, unplanned economic growth exemplified by western European capitalism, in which cultural and socio-structural variables may be assumed to have created the conditions for economic change, in all those instances in which economic change is planned, the social structure and the culture impose modifications of, and in some instances, barriers to the process of economic change.

Limitations Largely Non-economic

Although a series of predominantly economic factors may be enumerated which account for some of the limitations and difficulties in the path of economic development, many of them are, in turn, based upon political and socio-structural arrangements. For example, the very poverty of poor countries, the high propensity to consume on the part of a large proportion of their population, the real or alleged low rate of savings, and the tendency of a high birth rate, are such barriers. Additional economic barriers of a more specialized kind are difficulties of meeting balance of payments deficits due to capital goods imports which are needed urgently for development; the constant threat of inflationary pressures; inadequate fiscal procedures; mis-allocation of real savings which are applied to the construction of durable con-

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sumers' goods, such as luxury apartment houses, night clubs, and hotels, rather than for industries producing mass consumption goods; unbalanced, and frequently over-ambitious development plans; and the inability to carry through much needed land reforms.

But however real all these difficulties may be they are grounded in the last resort on the peculiarities of political and social relations of underdeveloped countries rather than on specific economic principles applicable to them. Many of these difficulties are the outflow of perennial poverty and would presumably wholly or partially disappear if the poverty of the less advanced countries could be mitigated. For example, it has been asserted repeatedly that the quasi-Malthusian dilemma which many of these countries face would be eradicated by a rapid increase in average real incomes, and that the attainment of higher incomes in itself would exert a brake on further rapid population growth. Similarly, it may be argued that the "misdirection" of real savings into cash hoards, foreign assets, or durable consumer goods of an obvious luxury type, is an outcome of the wide diversity in wealth, political power, and education between different classes of the society; and that the over-emphasis on investment in real estate, which in some countries has led to a relative hyperinflation of land values, is determined in large part by a set of cultural values which are still strongly tainted by traditional attitudes reaching back to an era in which the holding of large landed estates was the most important outward sign of elevated social status.

Equilibrium of Stagnation

The barriers in the path of economic development of underdeveloped countries, whether looked at from a strictly economic or a wider socio-structural viewpoint, appear to be due to two related facts. One is the existence of a situation of relative socio-economic equilibrium which an economically underdeveloped country exhibits, and the other is the abrupt, quasi-explosive character of the transition process from a stage of underdevelopment to a stage of advancement. I wish to discuss these two propositions a little more in detail.

The concept of equilibrium is familiar to social scientists and

has been used with good results in several connections. Unfortunately, a state of equilibrium is sometimes confused with a state of perfect immobility. In consequence, social scientists speak of "dynamics" whenever any movement in the social structure they study is discernible. It is clear that the concept of equilibrium is used here not in this narrow sense of frozenness, but rather in the sense in which economists use the concept "stationary" equilibrium. In this meaning we speak of a system in equilibrium if, as a consequence of movement by one variable or one set of variables, a countermovement is released which has the tendency of reestablishing the original situation. Examples of the forces and counterforces which exist in an underdeveloped country are provided by the dilemmas created as a consequence of unbalanced development programmes, or the partial implementation and partial non-fulfillment of such programmes. The need for consistency in socio-economic plans and the dire results of contradictory targets have been frequent experiences in the Soviet Union and other countries with rigorous central plans. As I will show later, this kind of imbalance in the implementation of development programmes may be an obstacle to economic advancement, especially if various complementary parts of a development programme are accomplished with different speed. I shall show how a health programme outran a necessary educational programme, and how through the lagging education of the population concerned, the health programme failed in the long run.

Experience of Latin America

It may perhaps sound somewhat absurd if we designate a situation of stagnation and persistent poverty as a stage of equilibrium. But how else should we describe a situation in which the various social forces appear to be balanced so neatly, and in which cultural values tend to emphasize so strongly a status quo, that the general framework of social relations has remained essentially unchanged for many generations, in spite of halting and gradual advances in technical skills and slight increases of real income?

Let us take as an example a typical Hispanic-American country

with its many "revolutions". Ever since the conquest of America by the Spaniards who brought a real change in the social relations under which the indigenous population lived, a set of cultural values and socio-political principles was erected which have undergone little if any fundamental change, in spite of the achievement of independence, in spite of the slowly changing ethnic composition of most countries, and in spite of the often rapid succession of short-lived governments. Only Mexico's revolution of 1910 went beyond strictly political limits and took on a social character. But in all other Spanish-American countries — barring Chile and Argentina whose entire settlement patterns and demographic-ethnic composition differed basically from those of the other countries — we witness a tenacious clinging to the social and cultural system introduced by Spain some four hundred years ago.

In spite of the superficially intensely revolutionary history of many of these countries, few if any tendencies making for real social change developed. The high degree of adaptability of the social framework existing in these countries is manifested by the fact that it proved relatively invulnerable against the inroads made in the economy of these countries by large foreign investments. Also this framework survived almost without change important political changes. For example, in the Republics of Central America, it survived the attainment of political independence, the decomposition of the Federation of Central America, and the formal severance of political ties with the Spanish Empire. I do not wish to discuss the historical determinants of this remarkable degree of stability in the general makeup of the social framework, but no doubt a good deal of weight must be attributed in the explanation of this stability to Dr Angel Palerm's insistence on the prevalence of medieval-feudal values over these of the nascent Renaissance middle classes in Spain at the time of the conquest of America.

Social Forces in Spain

Of all the dates in Spanish history, the year 1492 stands out. At that moment a task had been achieved which, for centuries, had col-

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lected and inspired all the forces Christianity could muster on the Iberian peninsula. The expulsion of the Arabs had taken place under the clear and unmistakeable leadership of the Castilian knights. However subject to ridicule and satire might appear the values and social order of Castilian chivalry to Cervantes at the turn of the seventeenth century, less than hundred and fifty years before the publication of *Don Quijote* these were the values and the social order under whose aegis the most notable achievements of Spanish Christianity had been accomplished. In the process the merchants of Barcelona, Valencia, and other trading towns had contributed funds and materials without which the task could not have been done. But the leadership was with Castile. Under the overwhelming impact of these events began a period in which all the evolutionary forces of which Spain was capable seemed to blossom out suddenly. The constellation of the social forces, attained at the end of the Arab wars, prevailed for some time, and it was a social framework which stood under the strong influence of Spanish feudal society which became transferred to the newly conquered territories in the New World. The political and economic institutions of the new provinces were created under the impact of strong feudalistic survivals in Spain's social order and, because of the relative isolation from the main arena of social and political development in northwestern Europe — an isolation which the mercantilist policy of Spain enhanced even more — the Spanish colonies in America developed an even stronger attachment to traditional social arrangements than the mother country itself.

By the time the old social order had been replaced in Spain by the more liberal regimes of the last Bourbons, it still flourished in full bloom in America. Whatever other differences there may exist in the endowment with natural resources, conditions of soil, climate, and other environmental factors between the United States and Canada, on the one hand, and Hispanic America on the other, a most plausible case for the difference in economic advancement between Anglo-Saxon and Iberian America can be made by stressing the diffe-

rent social systems under which the exploration and settlement of each of the two areas occurred. Anglo-Saxon America was discovered and settled by a population which adhered fully to the social values of modern capitalism. Indeed, New England Puritanism represents the epitome of the capitalist spirit in the sense in which Max Weber used the term. Ibero-America on the other hand, was explored and settled under the leadership of a group of men who had experienced the power of feudal institutions and who believed in the hegemony of knighthood and its ideology over the bourgeoisie and its values. The institutionalization of the two sets of cultural values in the regions of overseas settlement by Anglo-Saxons on the one hand and Iberians on the other appears to lend a strong dynamism to one set of societies and a quality of exceedingly stable equilibrium to the other set.

A Quasi-Explosive Process

The corollary to interpreting an underdeveloped economy as being in an equilibrium stage — even though this state is not an enviable one — is the proposition that the transition to a state of economic advancement is an abrupt, or, as I have said earlier, a quasi-explosive process. This process does not merely have a sudden beginning, its main characteristic is its relative shortness and the rapidity with which alterations in the society and economy take place. This aspect of the crucial stage in the process of economic advancement is such an outstanding phenomenon that it is often not especially underlined. For example, Professor Viner in discussing the experience of the western countries which have attained a high level of average output says that "rapid economic progress has come to only few countries and usually only for limited periods of time." In this passage he sums up what is called here the transition process in almost epigrammatic form. For although it is not denied that some highly developed societies have experienced periods of rapid economic expansion (for example the United States after 1940), most actual examples of rapid economic progress which would be cited would consist of an enumeration of the "industrial revolutions" which the various advanced countries of the West have passed through.

The conception of the transition stage as a quasi-explosive process of change coincides with some aspects of Professor Schumpeter's view on economic development. As is well known, Schumpeter defines economic development as the carrying out of new combinations, that is, the introduction of innovations. New combinations may be of various kinds. Schumpeter singles out five: the introduction of a new good, of a new method of production, the opening of a new market, the conquest of a new source of supply, and the elaboration and application of a new form of industrial organization; but not all new combinations are genuine economic development, only those which produce breaks or discontinuities. Schumpeter says explicitly that "in so far as the new combination may in time grow out of the old by continuous adjustment in small steps, there is certainly change, possibly growth, but neither a new phenomenon nor development in our sense."

It would be an interesting exercise to investigate in greater detail the differences between continuous and discontinuous change in each of the five sub-classes Schumpeter enumerates. For example, it is difficult to conceive how the conquest of a new source of supply could be anything else but a discontinuous change. On the other hand, it is true that the introduction of a new good or of a new method of production may be slow, gradual processes of change which occur over long periods of time in such a way as to make it impossible in any relatively short interval to measure the degree of change which has occurred.

Discontinuous Changes Are Bunched

Schumpeter does not specify the unit with which he is concerned. When he speaks of the differences between slow, continuous, and discontinuous changes, he does not indicate what social entity he considers undergoing change. From the general context of his discussion, for example, the emphasis on the role of entrepreneurs as the carriers of innovations, it appears that he thinks of a firm or perhaps an industry. However, on the basis of a more general social theory the hypothesis may be stated that discontinuous change, when it occurs, is not likely to be a singular phenomenon, but appears to be bunch-

ed. In other words, if we have one instance of discontinuous change, i.e., if we encounter one new combination which represents economic development in Schumpeter's sense, we may expect with a high degree of probability other simultaneous discontinuous changes in the same society. This means nothing else but that a society either shows characteristics of relative stability, i.e., the equilibrium state of underdevelopment, or relative progressiveness.

If the process of the economic advancement of a society were plotted on a Cartesian diagram, and time were measured along the horizontal axis and some index of economic development, — say average income — along the vertical axis, this hypothesis would yield a curve resembling a flattened out S. Both tails of the curve would be almost horizontal and the middle part of the curve would be steep. The lower left tail of such a curve represents the stage of economic underdevelopment, and the upper right tail that stage of "economic maturity", if such a stage is ever reached. If we assume the curve to be smooth throughout the problem of distinguishing between two or more stages of economic development becomes one of arbitrarily selecting points on the curve, which represent class limits into which countries corresponding to the various stages (for example "underdeveloped", "intermediate", "advanced") are to be placed. But historical evidence would lend plausibility to the statement supported earlier that the curve itself is discontinuous, and that the stage of economic development exhibits, in its initial phase, an "explosive" character.

It is extremely difficult if not impossible, to adduce incontrovertible historical evidence for this statement, since reliable statistical data in sufficient detail and accuracy for any index of economic development are lacking. But the explosive character of industrialization — wherever it has occurred — has been noted not infrequently. For example, Paul Mantoux writes of the English industrial revolution that it was "the sudden growth and blossoming of seeds which had for many years lain hidden or asleep." John H. Clapham writes about Germany in the middle 1860's that "all the forces tend-

ing towards industrialism and urbanization had struck Germany at once;" and Louis M. Hacker regards the American Civil War as an event which "helped in the maturing of our industrial production and, more particularly, our heavy industries, virtually overnight." These are "qualitative" statements, but they are expressed by leading economic historians whose thorough familiarity with the events about which they write cannot be doubted. The overall impression gained from G. C. Allen's discussion of Japanese industry in the early 1930's appears an additional point in fact, and the extremely rapid increase in average output in the Soviet Union under the first three five-year plans provides another example of sudden and rapid economic advance.

Primarily in Industrial Sector

The instances which have been cited have several characteristics in common. At the time the process of rapid advancement set in, the countries already had sizeable secondary industries, although a large proportion, usually the majority of the labour force was still employed in agriculture. The advance was made primarily in the industrial sector, but agriculture participated in the developmental process. After a relatively short time, sometimes not more than two generations, the increase in output rose so much that, in spite of a rapidly growing population, it exerted a noticeable impact upon living standards. And in those cases where this was not true, as in Japan and the Soviet Union, it was due to the deliberate diversion of resources into armament industries and/or the planned accumulation of capital at an exceedingly high rate. Moreover, an important feature of an economy which has passed through the explosive transition stage of development is that at the end further capital expansion can normally be financed out of voluntary net savings, whereas in underdeveloped economies voluntary gross savings often are insufficient to supply funds for replacement and wear and tear of capital equipment. In other words, an underdeveloped economy constantly hangs on the verge of decline, unless it is bolstered up by imports of foreign capital in the form of loans or grants, or by economic or political pressures which force constraints upon do-

mestic consumption standards that would be absent if more reliance could be placed on voluntarism.

Some evidence for this last observation is provided by the experience of countries, notably Taiwan and the Philippines, where after the withdrawal of suzerainty by a colonizing metropolitan power, capital was not only not maintained at a stable level, but the quantity of capital declined even though foreign aid, in some instances on a large scale, was forthcoming. I am not suggesting that some of this decline cannot be ascribed to the war, but from whatever scanty statistical data are available, we can conclude that the loss of capital in the postwar period in these two countries was greater than can be attributed to the destruction of war and subsequent civil strife. I am not suggesting either that societies on a low level of economic development do not undergo changes in their productive structure. Certainly the economic history of the countries of South and East Asia, or of Ibero-America shows that new capital, new industries, and new equipment were installed. But these new installations have left unaffected the overwhelming majority of the countries' producers, and although some installations have been on a considerable scale, they were not large enough to shake up traditional socio-structural relations sufficiently to set in motion a rapid process of development similar to that which occurred in the economically advanced societies of the West.

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Investment Allocation and Technological Choice

Some Practical Considerations

A. Rudra

Choice regarding the technical nature of fixed capital is not the only problem of choice that the practical planner has to face. He has to face many more. For one thing, a large part of what he considers development expenditure is not even related to formation of fixed capital.

Whatever the conceptual difference between investment in capital formation and expenditure that does not create any fixed capital, the problem of choice between alternative means of spending a given amount of money is a perfectly valid one from the point of view of the planner. Treatment of this problem requires the consideration of a number of variables which are completely ignored in discussions on technological choice.

Economists will not be able to help the practical planner in technical matters relating to methods of planning until they take up seriously problems of this type.

WHATEVER the achievements of the second five year plan in terms of production of heavy machinery or yield of foodgrains, the amount of original thinking it has provoked among economists has not been by any means a negligible gain. The impact of all this thinking on the actual methods followed in planmaking, however, has not been appreciable. In fact it is to be doubted if in matters of techniques of planning, there has been much improvement. This is a pity, for a large part of this thinking has been directed precisely at making the methods that have been on the whole nothing more than rules of thumb somewhat more rational.

I shall illustrate my point with the help of two technical problems of planning about which there has been considerable fresh thinking in India, namely the problems of technological choice and investment allocation.

These two problems are such that they have to be faced and solved at every step in planning. Whether it is long period or only annual planning, whether it is planning at the Centre or planning in the States, whether it is planning with respect to all the sectors, or merely with respect to one branch of the economy, there is no field of planning where problems of investment allocation and technological choice do not occur. Planners, whether in the Planning Commission or in the Central Ministries or in the Departments in the States are making such decisions all the time. Can it, however, be said that their mode of decision making has undergone any significant change as a result of these theoretical discussions? There is little

doubt about the answer. But does that mean that the planners are too stupid to learn from the economists? Economists will probably hasten to reply that they have no intention of taking such a superior air, it is just that there is always a distance between their thinking and the methods followed by those who have to take the decision. This is a platitude that may apply to theoretical economics in general, but it cannot be made to explain why theories about practical decision making do not help the practical decision maker.

Theoretical models have necessarily to abstract from reality — this is the very essence of scientific method in general — but how distant they will be from reality, will depend on the degree of approximation. The more complicated the model, the greater the degree of approximation to reality. But the difficulty with the theoretical discussions that have taken place about investment allocation and technological choice is not that the discussions relate to a world remote from the real world, but that they completely abstract from or assume away certain aspects of reality which appear to the practical planner to be the more important. So the planner does not know how to make use of the theory even to get certain broad results.

Allocation of Investment

Let us take up first the discussions on investment allocation that have centred on certain linear models involving capital output ratios, capital-labour ratios etc. Much of the discussion, it is to be regretted, has remained confined to the algebraic properties of the

models. Such models are helpful only in giving certain qualitative indications. In order to apply them in practice and to reduce them to quantitative terms, a minimum of additional complications have to be introduced into them.

One such complication to be introduced in the problem of allocation is the problem of technological choice itself. To assume constant coefficient relating employment and output to capital outlay is to assume that technological choice has already been made. Yet it is impossible to make the technological choice without regard to investment allocation and vice versa. So the relationship between outlay, employment and output has to be considered, not in the rigid terms of constant coefficients, but in somewhat more flexible terms. Even such rigid relations may provide very near approximations to reality when one considers individual establishments of the factory type. But they are clearly inadmissible in the case of agriculture or social services or small industries or even large-scale factory type industries taken as a whole.

A Meaningless Ratio

Of course there will always be a ratio between the investment in any field during a certain period and increment in output or employment in the same field as observed at the end of the period, just as there will always be a ratio between any two numbers. Such ratios have no significance, however. The ratio for a given sector depends very much on the composition of the investment in that sector in terms of specific schemes. The schemes having themselves different technologi-

cal features and — what is so often ignored — different periods of gestation, the same volume of investment in the same sector but incorporating different proportions of schemes of different types will give rise to different values for the ratio.

A practical example will illustrate the point. Suppose that investment in a field, where the gestation period of the investment in different schemes varies from one year to seven years, be Rs 100 crores over a plan period of five years; and suppose that increment in value of production in the sector is Rs 45 crores over the same period. What significance can one attach to the ratio 0.45, if one knows that out of the Rs 100 crores, only Rs 40 crores have been spent on schemes which were both begun and completed during the plan period; another Rs 40 crores on schemes that will be completed after the plan period is over; and the remaining Rs 20 crores on schemes that were begun before the commencement of the plan and were completed in the course of the plan period? It is obvious that the ratio between Rs 100 crores and Rs 45 crores cannot possibly have any significance, for the investment in question does not represent the cost of the schemes that give rise to the increment.

Technological Choice: Agriculture

Let us now consider the problem of technological choice. One minimum complication to be added is of course what we have already considered with respect to the problem of investment allocation: the two have to be treated simultaneously. Passing over this fundamental difficulty, a little examination will show that the terms in which the problem has been discussed limit the applicability of conclusions so narrowly as to rob the latter of all usefulness. The problem is usually posed in terms of four variables:

- (a) value of fixed capital;
- (b) quantity of output;
- (c) surplus produced; and
- (d) amount of employment generated.

The very variables indicate that the economist has a situation in mind in which the fixed capital installed is going to be the heart of a complex of economic activity that will (a) give rise to a steady stream of a fixed quantity of output per unit of time; (b) the product will

be saleable at a fixed price over successive units of time; (c) also give rise to a fixed quantity of employment; (d) the employees will be paid wages at a fixed rate by an employer (who may be a collective body like the state); and that (e) the employer would use the entire surplus realised for reinvestment. All these conditions are almost completely satisfied when the choice refers to an industrial unit to be set up in the private or in the public sector, but to be run on commercial lines. The greater part of planned investment in India, however, takes place in fields where these conditions do not hold. If there were not much scope for choice in these other fields, there would be nothing much to complain about. There is, however, no field where an investment may be made without there being a problem of technological choice.

Consider first agriculture. Investment here takes the form of dams and canals, reclamation work, soil improvement, use of better implements and modern machinery, seed farms etc. There may be different types of dams; canals may be dug in different patterns; and machines will of course have a large variety of technical features. But a dam or a canal or even an agricultural machine does not give rise to a fixed quantity of additional output in agriculture, nor does it give rise to a fixed amount of employment, either directly in its maintenance or indirectly in the cultivation of fields served by it. A certain variable amount of increased or decreased employment does probably result from all types of investment in agriculture taken together, but in any case, under Indian conditions, no wage payment is associated with the larger part of employment in agriculture, and therefore there is no question of profit being produced and reinvested. (Surplus, it is true, is extracted in the form of rent, interest etc, but most of it does not get reinvested.)

Applicability to Other Sectors

Take, again, a sector like transport. A very large part of investment in this sector takes the form of building of roads and bridges, harbours and airports. No fixed volumes of output or employment can be associated with the investment in them nor is it possible to speak in terms of surplus resulting from them.

We come across the variables treated in the theoretical discussion chiefly in the sector of industries and mining and to some extent also in the sector of transport. The establishment of a railway or bus service, if meant for commercial transport, satisfies almost all the conditions (though when railways or bus services are run by government, prices at which their services are valued and the prices at which capital goods used by them are valued, are to a large extent arbitrary).

Limitations in Application to Industry

While industries provide the largest field of application to the theoretical results, it should be remembered that even here the results cannot be applied indiscriminately. The scope of their application in small scale and cottage industries is very limited indeed. This may at first sound paradoxical, for a major part of the discussion in India on the question has centred on the Amber Charkha and the Handloom. But in both cases the fact that they necessitate subsidies has hidden the fact that employment in the small scale and cottage industries being predominantly of the "self-employment" type, there is very little possibility of surplus being realised in the form of profit; here, again, surplus is produced as rent, interest etc, out of which a very small part actually gets reinvested. The same observations hold with respect to unorganized small scale enterprises in transport, trade, animal husbandry, fishery etc.

Even for large scale factory industries, it should not be imagined that all the assumptions necessarily hold. As far as the private sector is concerned, all the conditions usually hold excepting that of reinvestment of profit; the last condition is often satisfied though not always; and there is no guarantee that the reinvestment would take place within the boundaries of the economy with reference to which the choice is to be effected. Thus the argument of surplus generation is quite pointless with reference to those foreign investments the profits of which are remitted abroad. Similarly, if there is a part of India in which, for one reason or other, the capitalists have a tendency to boycott, the argument of surplus again loses relevance in so far as that

part is concerned; for whatever the size of the surplus generated, it may not be reinvested in the same region.

On the other hand, for large factory establishments in the public sector whose products are sold only to other public concerns, the "selling price" cannot but be arbitrary; in any case the total volume of investible funds with the government cannot be augmented through profit making in such industries. Again, when the products of state enterprises are sold to the public, very often no profit is made at all, the selling price being equal to the cost of production. This case also falls outside the range of application of the theoretical results.

It will probably be said that all this does not amount to much. The theoretical problem (at least, in one of its versions) allows a choice between maximisation of output, that of employment and that of surplus for a given outlay in capital. If there are fields where surplus is not created or does not get reinvested, that would only mean that the problem has to be treated in terms of output, employment and outlay alone. If there are investments in fixed capital which do not give rise either to a fixed volume of employment or to a fixed volume of output, (e.g. setting up of a cattle breeding centre) in that case only outlay is to be considered as against the purpose to be served by the investment stated in qualitative terms. While not disagreeing with this position, one cannot all the same help asking whether it has not been a little futile to have discussed the question of technological choice entirely in terms of a choice between maximisation of output (or employment) and maximisation of surplus, when the scope of such maximisation exists in so few cases? And particularly so, when several related questions, which are so very important for the practical planner, have been almost completely ignored?

Practical Problems of Choice

Choice regarding the technical nature of fixed capital is not the only problem of choice that the practical planner has to face. He has to face many more. For one thing, a large part of what he considers development expenditure is not even related to formation of fixed capital. An exa-

mination will show that a very large proportion of the "plan schemes" involve expenditure of various kinds most of which contribute to increase production. Thus in the sector agriculture (which in planning literature excludes irrigation), most of the schemes are for supplying manure and seeds to cultivators on credit or subsidy basis, and for propagation of better techniques of cultivation etc. Giving loans and aids is also the purpose of a large number of schemes.

Variables that Are Ignored

Whatever the conceptual difference between investment in capital formation and expenditure that does not create any fixed capital, the problem of choice between alternative means of spending a given amount of money is a perfectly valid one from the point of view of the planner. Treatment of this problem requires the consideration of a number of variables which are completely ignored in discussions on technological choice. Let us consider the following three alternative schemes in fishery: The first is the purchase of a trawler by the Fisheries Department and its use by employed workers; the second is to give subsidy to a cooperative of fishermen for building country boats; and the third is to sell mechanized small boats to fishermen on hire-purchase-cum-subsidy basis. There is a significant difference in the character of the outlay in the three projects. So the outlay without any qualifications cannot be the basis of comparison between them.

In the first case, the outlay being a part of government development budget, will be available for other purposes, if the scheme is not chosen. In the other two cases, capital formation by fishermen would not in all probability take place at all, if the aid given by government were to be withdrawn. Hence a comparison between outlay in the first scheme with that in the second or the third scheme would not take into account all the relevant facts. On the other hand, a comparison between the government expenditure alone would be certainly valid and interesting (though it cannot render unnecessary the comparison of total outlays). Differences in quality between different sorts of government expenditure will have also to be taken into account.

The first type of expenditure adds to fixed capital stock in the public sector; the second is an outflow of government's financial resources without any return; and the third will augment government's financial resources in the future, through the return of loan and interest payment.

A Rational Method

If a rational method is to be worked out for the choice of different schemes (as opposed to the narrower concept of the choice of techniques), one will have to treat as distinct variables all the following factors in a scheme:

- (a) investment in fixed capital
 - (1) by the public sector,
 - (2) in the private sector made possible by the scheme;
- (b) investment in commercial working capital
 - (1) in public sector,
 - (2) in private sector made possible by the scheme;
- (c) public sector aid to private sector in the forms of grant or
 - (i) aid,
 - (ii) loan,
 - (iii) subsidies for purchasing capital goods, and for the production and sale of goods,
 - (iv) purchase of shares in private firm,
 - (v) diverse expenditure indirectly helping the private producer (e.g. research, propagation of technical knowledge);
- (d) employment
 - (1) during the course of implementation of the scheme,
 - (2) following upon the implementation of the scheme;
- (e) increment in production, if any, resulting from the implementation of the scheme;
- (f) specifications of fixed capital to be brought into existence when it is not to be directly productive;
- (g) additional investible resources to be available in the public sector in future years from profits resulting from implementation of the scheme;
- (h) additional profit in future years in the private sector resulting from implementation of the scheme; and
- (i) the part of such profit likely be reinvested; etc.

It goes without saying that it will not be possible to devise a neat formula to cover all this, which can be handed over to the planner and to be applied without any further thought. All the same, it should be possible to evolve, pragmatically, if not theoretically, ways of considering all these different variables to arrive at a decision about choice that would lead to better results than a completely arbitrary choice.

Economists will not be able to help the practical planner in technical matters relating to methods of planning until they take up seriously problems of this type.

ACC-Vicker-Babcock Heavy Engineering Project

A NEW company called the ACC-Vickers-Babcock Limited has been formed for establishing a large heavy engineering works in

India for the manufacturing of a wide variety of industrial plant including boiler-plant, cement-making and coal mining machinery.

The company has an authorised capital of Rs 10 crores, of which Rs 5.40 crores is expected to be issued by the time it goes into production. It is also to raise debenture capital to the extent of Rs 4 crores by private negotiation.

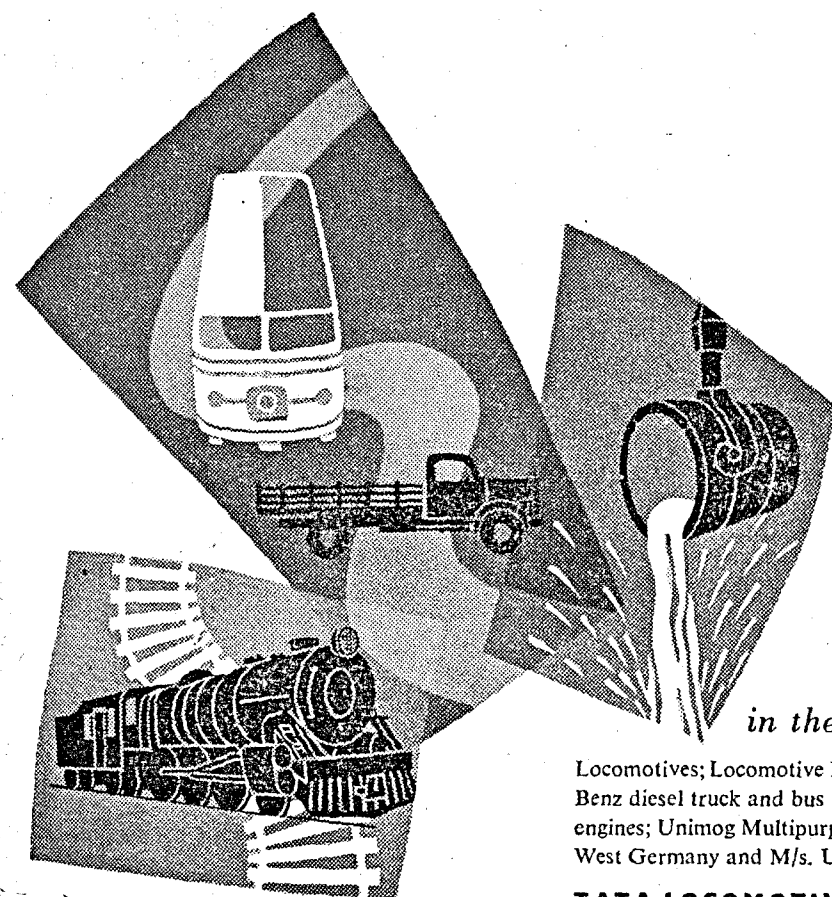
The share capital of the company will be held as follows: The Associated Cement Companies Ltd—49.8 per cent; Vickers Ltd, London—24.9 per cent; Babcock & Wilcox Ltd, London—24.9 per cent; Killick Industries Ltd—0.1 per cent; F E Dinshaw Ltd—0.1 per cent; Tata Sons (Private) Ltd—0.1 per cent; and Mulraj Khatau & Sons (Private) Ltd—0.1 per cent.

The company's works will be located at Durgapur in West Bengal where arrangements have been com-

pleted for acquiring land and other necessary facilities.

The AVB Project is one of the largest heavy engineering projects in the private sector to be started in the post-war period. AVB will manufacture machinery for cement-making, general mining and coal-mining, as well as the well known "Babcock" water-tube boilers, pressure-vessels and ancillary items. ACC's own Engineering Workshops, which have been manufacturing cement-making machinery for the last 15 years, will form an integral part of the new project inasmuch as an appreciable portion of the products envisaged will be manufactured in these Workshops for AVB.

The construction of the AVB Works will commence immediately and it is expected they will be completed in 1961. When in full production, the project will provide additional employment to over a thousand workers.



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BOMBAY.

On Old Machines

Amartya Kumar Sen

Suppose Russia or America offers to sell us some machines either new or second-hand, the price of the latter being lower. How should we decide which to choose?

This is not a question of choice of techniques proper, as the machines are of the same technical type and differ only in their age.

There is, however, an interesting element of choice of capital-intensity involved in the question.

LET us, first, assume that the machines retain their full efficiency throughout their active life and at the end of their life they suddenly become completely useless. This is a convenient simplification which we shall dispense with later. If the machine-selling countries are ready to sell old machines at their fully-depreciated price, then, it can be shown, that the older the machine the better investment it is. If a new machine costs Rs 100 and lasts for 10 years, then one can buy it (ignoring the interest on the amortization fund) for Rs 90 at the end of its first year, for Rs 50 at the end of the fifth year and for Rs 10 at the end of the ninth year and so on. One's first reaction may be that a machine for Rs 100 that lasts for 10 years is no worse than a machine (of equal efficiency) for Rs 50 that lasts for 5 years. In fact, however, both (a) the rate of current output and (b) the rate of net surplus (hence, with some assumptions, the rate of growth) will be doubled by choosing the latter. This is because the turnover of capital will be faster with the older machine. Let each machine produce a gross surplus (i.e., gross value added minus wages bill) of Rs 20. If we subtract Rs 10 each year from this, we get the flow of net surplus per year (ignoring the interest on the amortization fund). This is the same for both the old and the new machines. On the other hand, the old machines need less investment of fixed capital. In fact, the rate of net surplus per unit of capital is thus 10 per cent in the case of the new machine (Rs 10/Rs 100) and 20 per cent in the case of the machine at the middle of its active life (Rs 10/Rs 50). For the machine in the last year of its life, the rate of net surplus is 100 per cent (Rs 10/Rs 10).

In case this sounds like black magic, one can explain the result in the following way. With Rs 100 one can buy one new machine that

gives a gross surplus of Rs 200 over 10 years. If, instead, one bought 10 machines in the last year of their life one would have got Rs 200 gross surplus in one year. This whole amount can, therefore, be reinvested within a year and it is this faster turnover of capital which is responsible for higher rates of output and growth in the case of the old machine.

It will be clear from what has been said above that the old machines may constitute a profitable field of investment even if their prices are higher than their fully depreciated value. It is easy to find the upper limit of the value of the old machine (in the above example) at which it will still be no worse than a virgin machine. Taking an old machine in its last year, let us assume that this price is x . Then

$$\frac{20-x}{x} = 10 \text{ per cent}$$

i.e., $x = \text{Rs } 18$ (approx.)

While the depreciated value of the old machine is Rs 10, if we can get it for anything less than Rs 18, it is a better field of investment than new machines.

Due to obsolescence of old machinery in the industrially advanced countries, it is quite often possible to get these old machines even at less than their fully depreciated price. And even if the price is above the fully depreciated value, it may be, as we have seen above, a good investment. This perhaps explains why many underdeveloped countries (e.g., Latin American ones) buy in large scale old machinery from the industrially advanced countries (e.g., the USA), even when unused machines of the same type are also available in the international market. The newly innovated machines responsible for the obsolescence of the old type in the advanced countries, may not be similarly superior in the underdeveloped countries thanks to basic differences in the factor prices (e.g., cheaper labour).

In our examples we have made a number of simplifying assumptions, which must be removed for any actual choice of machines. The efficiency of the old machines will tend to decline towards the end of their life. This may not invalidate the other advantage, particularly since this will tend to reduce the value of the fully depreciated price of old machines. The basic advantage of quicker turnover of old machines will still be operative. A number of other complications must also be introduced in any realistic calculation. Working capital has to be taken into account. Interest on the accumulating amortization fund must be introduced. The difficulty of getting parts for old machinery has to be considered. The cost of more frequent international transport due to faster replacement of machines must also be put into the picture. The basic advantage of quicker turnover of capital seems, however, important enough to merit very serious consideration. Precise calculation of all these factors might, of course, reveal that there was not much gain from buying old machines and the advantage of quicker return was overcompensated by the difficulties mentioned. There is no doubt, however, that the possibility has to be explored. At the early stages of industrial development, the growth rate may quite conceivably be raised considerably through the use of old machines.

Aeronautical Research

THE Council of Scientific and Industrial Research has sanctioned a major wind tunnel project to be located at the Indian Institute of Science, Bangalore. This wind tunnel, which has a large working section, will form the nucleus of the proposed National Aeronautical Research Laboratory at Bangalore which is expected to start functioning by 1962 or 1963. It will be the first laboratory of its kind in the country.

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The tiny rivulet spills into the brook;
the brook into the stream which flows
towards the river. And as it moves
towards the sea, the mighty river gives
life to the land around it.

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join the Life Insurance savings of other
policyholders, to swell into a mighty
river and this immense financial flow
is the life-blood of the nation.

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trial and agricultural. It invests its
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and private undertakings, thus creating
more jobs, more goods and more in-
comes for all.

The "river" of Life Insurance flows
throughout the length and breadth of
the country, permeating the land with
richer life and fulfilling the promise of
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Life Insurance Corporation of India



Tax Reform in India

Nicholas Kaldor

Whether the political or social urges which led to the recent reforms continue to prevail or not, I am convinced that the Indian tax system could not be frozen still at the point which it has now reached. If an effective tax structure is to be created, reform will have to be carried a great deal further; if on the other hand political forces were to become dominant which would effectively bar this development, there would be little point in preserving such a complicated system of taxation.

Among the new taxes the expenditure tax and the gift tax are so heavily riddled with loopholes and exemptions that they bear only a superficial resemblance to the taxes whose introduction I originally recommended.

Analogous criticisms can be made against the Gift-tax Act, which in its final legislative form is only a pale shadow of what it was originally intended to be.

Even if these loopholes were plugged, the administration of the system will not become effective until far-reaching reforms are introduced for checking tax evasion.

I fully maintain the view that with a system of direct taxation of the kind I suggested, the maximum of rate of income-tax should not exceed 45 per cent. It should be evident, however, that this system has by no means been fully adopted; nothing has been done to tighten up business taxation, while the new taxes, owing to the truncated form in which they have been adopted, will only produce a fraction of yield which they would have produced otherwise.

AN effective system of progressive direct taxation is vital to the survival of democratic institutions in India. The need for this arises not merely on financial grounds—to raise adequate resources for purposes of accelerated economic development—but in order to bring about the degree of social cohesion and co-operation that is essential for the successful functioning of a democratic system. In a community where there is such a wide gap between the position of a privileged minority of well-to-do and the vast majority who live in dire poverty social cohesion can only be achieved if economic inequality is effectively lessened and the tendency towards increasing concentration of wealth is effectively counteracted. This can only be done through the instrument of taxation. It is in any case inevitable that heavy burdens should be laid on the broad masses of the population, if India is to attain a satisfactory rate of development in the coming decades. It will not be possible to carry through this programme successfully with the consent and co-operation of the people if the privileged minority of the well-to-do are not made to bear a fair share of this burden. Moreover in matters of taxation, like in the administration of the law, it

Substance of an address given to the informal consultative committee of the Parliament in New Delhi on December 16, 1958.

is not enough that justice should be done—it must also be seen to be done. If owing to defects in the tax law, or in their administration, highly progressive taxes on wealth or income have no visible effect on the prevailing economic inequality, or in the standards of living of the rich, the mere enactment of advanced tax legislation will prove fruitless.

A Fair Start

In the last few years India has made a fair start towards creating an effective system of progressive taxation with the introduction of the new taxes on capital gains, on wealth, on personal expenditure, and on gifts. It has thus laid the basis for a system which may serve as a model to other democracies, both developed and underdeveloped. But it is no use blinking the fact that the reforms so far introduced are, at best, a beginning; that the legislation of some of the new taxes is seriously defective whilst the measures for their effective administration have not yet been provided; and that other and equally important reforms in the field of business and company taxation have not been tackled at all. Unless some of the recent legislation is amended in important respects, and unless it is supplemented by legislation in other fields and by far-reaching reforms in the administrative field, there is a serious risk that this noble attempt at

creating an egalitarian democracy will end in failure.

Whether the political or social urges which led to the recent reforms continue to prevail or not, I am convinced that the Indian tax system could not be frozen still at the point which it has now reached. If an effective tax structure is to be created, reform will have to be carried a great deal further; if on the other hand political forces were to become dominant which would effectively bar this development, there would be little point in preserving such a complicated system of taxation.

Among the new taxes the expenditure tax and the gift tax are so heavily riddled with loopholes and exemptions that they bear only a superficial resemblance to the taxes whose introduction I originally recommended. Though the new capital gains tax represents a considerable advance on the form in which it was originally enacted in India, it still suffers from serious shortcomings which undermine the basic purpose of personal income taxation of securing equality of treatment between different tax payers. The wealth tax alone was enacted in a form that is comparatively free from loopholes, though this too contains features that could justifiably be criticised.

Defects of Expenditure-Tax

The most serious defect of the Expenditure-tax Act is that it ties the liability to this tax to a

minimum income limit which opens the door to endless manipulations and is bound to make the tax largely ineffective in practice. Expenditure represents an alternative base to income for measuring spending power or ability to pay. The difference is only that the latter taxes savings and exempts dis-savings, whereas the former exempts savings and brings dis-savings into charge. There is much to be said (for administrative and other reasons) for making use of both principles of taxation, and levying some of the taxation on an income base, and some on an expenditure base. But it is essential, in this case, that the liability to the one should not be made dependent on the extent of the liability to the other. By making the liability to the expenditure tax dependent on the size of income, a concession is made to savings without making a corresponding charge on dis-saving.

This is far more serious than it may appear at first sight since it is always open to any tax payer to make his income smaller than it could be (even though he may not always be in the position to make it larger). This provision thus makes it possible to a taxpayer to telescope his income into particular years in which his spendings are kept low, and to telescope his spending into those years in which his income is kept low enough to entitle him to exemption from the expenditure tax. It is therefore bound to have a highly destructive effect—one is almost tempted to say that this particular provision alone makes the tax a little more than a show-piece.

In addition, the Expenditure-tax Act contains a long series of exemptions of various kinds—such as expenditure on marriages, on medical expenses, election expenses, the purchase of cottage industry products, etc.—which have no counterpart in the income tax laws and which will make it very difficult to administer it effectively. I do not wish to argue the moral or economic justification for exempting any particular form of personal expenditure from taxation—any one of these exemptions may have something to be said for it, either on grounds of fairness or expediency. But it is surely inequitable to exempt particular categories of

personal outlay from expenditure taxation if these are not also exempted from income taxation.

For the great majority of people income provides the sole source of expenditure; their ability to spend is confined by income taxation just as effectively as by expenditure taxation. If it is not justified to reduce a man's liability to income-tax on account of his having exceptional expenses to bear on illness or on wedding for example, why is it justified to reduce his liability to expenditure tax? Why should people whose source of spending is capital as well as income be more leniently treated than people whose only source of spending is the income which they earn? And (bearing in mind the high exemption limit to expenditure tax and the low exemption limit to income tax) why should the necessitous expenditures of large spenders be so carefully looked after when the necessitous expenditures of small and moderate spenders are not? From the point of view of equality of treatment whatever concessions are made on grounds of necessitous expenditure for the one tax ought to have their counterpart in the other tax.

Gift Tax Equally Defective

Analogous criticisms can be made against the Gift-tax Act, which in its final legislative form is only a pale shadow of what it was originally intended to be. The purpose of a gift tax, like that of the estate duty, is to restrict the freedom of individuals to pass on their property rights to others. As the American economist Henry Simons once said, the whole of private property, and the income derived from it, is a gift from the community. It is only by the will of the community that particular individuals can enjoy the privileges of ownership protected by law and administration; and the constantly evolving property laws define the actual nature of the rights which these privileges confer. Inheritance taxes are, in effect, a form of limitation on the privileges conferred by ownership: they allow an individual (subject to various limits circumscribed by law) the unfettered enjoyment of his own property, but they do not allow him to pass on his property unhindered to the next generation.

But if this limitation is held to be justified, on what basis can one differentiate between inter-vivos gifts and gifts by deed of will?

There is a long list of exemptions in the present Gift-tax Act which has no counter-part in the Estate-duty Act; and the provisions of that Act are so framed as to make it possible for an owner through the mere process of spreading the gifts over time to reduce the incidence of the gift tax to a small fraction of that of the estate duty, or even to avoid the tax altogether. As is well known, it was the introduction of the estate duty which led to the wholesale passing on of property by means of inter-vivos gifts so as to avoid that duty—hence the need for a gift tax. But the present tax, by failing to integrate gifts over successive years for tax purposes, and by giving a series of exemption to gifts of particular kinds (including a large annual exemption) entirely fails in this purpose.

These loopholes in the expenditure and the gift tax legislation are bound to reduce the yield of these taxes to a small fraction of what they should have been—which in turn is bound to create agitation for their complete removal. Opponents of these taxes are certain to ask, if such complicated taxes yield so little, what is the point of having them at all?—ignoring the fact that the low yield will be the very consequence of the loopholes and exemptions on the introduction of which they have insisted. In the absence of loopholes, the gift tax and the estate duty taken together at the current rate schedule, could be expected to yield some 20–30 crores of rupees annually. As it is, the combined yield will amount to less than one-fifth of this sum. The expenditure tax, properly administered, and in the absence of the present loopholes, should yield at least 15–20 crores of rupees at the current schedule of rates. In its present form it will hardly yield one-tenth of this sum.

Incentive to Convert

Income into Capital Gains

With regard to capital gains the new legislation has the great advantage over the old one in that capital gains are now integrated with other forms of income for

income tax purposes. But they are not liable to Super-tax, which means that they are only liable to a maximum rate of tax of 27.5 per cent, whilst other kinds of unearned income are liable to a maximum rate of 84 per cent.* There is therefore still a very considerable incentive for converting income into capital gains, and thereby reduce the effective taxation of those who are in a position to benefit from it to well below the rates applicable to other tax payers. Moreover, while the new law disallows certain of the exemptions provided in the original Act, the important loophole of exempting transfers of property through inter-vivos gifts and through inheritance remains open, which means (if American experience is any guide) that only about one-third of the capital gains made by each generation come effectively within the tax net.

The effective rate of taxation of capital gains, even in the absence of any evasion, will thus not be 27½ per cent, but something more like 10 per cent.

There is undoubtedly some force in the contention that a high rate of tax on capital gains (such as the combined maximum rate of income tax and super-tax at present) might have highly undesirable economic effects. But this provides an argument not in favour of a discriminatory treatment of capital gains, but in favour of reducing the rates of taxation on ordinary income. There is no real justification for continuing the discrimination between income which takes the form of capital gains and other income; they both gene-

* I cannot, incidentally, see the advantage of maintaining the distinction between earned and unearned income once the wealth tax is introduced—it means using two separate instruments for the same purpose. It is true that the present wealth tax rates are very moderate. The effective rates are only one-third of the Swedish rates and yield only about two-thirds of the schedule of the rates which I recommended. But it is better in that case to increase the rates of the wealth tax than to maintain the sur-charge on unearned incomes.

rate the same spending power, and both represent the same taxable capacity. The maintenance of the high marginal rates of income-tax thus serves neither the interests of equity nor of revenue if it provides the justification for the continuance of the differential treatment of capital gains or for the maintenance of other equally serious loopholes in income-tax legislation.

Elastic Definition of Expenses

Of the latter the wide and elastic definition of deductible expenses in the case of business profits is undoubtedly the most important. So long as the owners, directors and managers of businesses are able to pass off so much of their living expenses as business expenditure the incidence of taxation is bound to remain highly arbitrary, and the effective rate of taxation on the business community will remain much below the apparent rate. In my report I suggested that the range of deductible expenses should be confined to "expenses wholly, exclusively and unavoidably incurred in earning the profits of the year" (as against the present rule which permits the deduction of all such expenses which are "wholly and exclusively laid out or expended for the purpose of trade"). This would undoubtedly strengthen the hands of the Revenue in disallowing expenses of various kinds, though the extent to which it will succeed in bringing the treatment of business incomes fully into line with that of contractual incomes will depend on the interpretation given to it by the Courts. It is a matter for consideration therefore whether, in addition to a stricter general rule for deductible expenses, the deduction of particular types of expenses (such as the so-called "expense accounts", entertainment outlays, private cars, etc.) should not be explicitly prohibited.

A further source of loopholes arises from the non-integration, or incomplete integration, of total family wealth and income. To close this it would be necessary to aggregate minor's income and property with that of the parents, and to include agricultural income and property within the scope of the Union income tax, wealth tax and capital gains tax. This latter

reform may require a constitutional amendment which, however, might well be carried with the support of the States, if the revenue resulting from the extension of these taxes to agriculture is earmarked to the States.

Tax Evasion

Even if these loopholes were plugged, the administration of the system will not become effective until far-reaching reforms are introduced for checking tax evasion. The compulsory disclosure of Benami holdings, the abolition of the system of blank transfers of shares and of bearer shares are essential ingredients of this. The introduction of a comprehensive reporting system on capital transactions and of a single comprehensive return for direct taxation are other necessary ingredients. These are matters within the purview of the Direct Taxes Administration Enquiry Committee recently set up and it is very much to be hoped that their recommendations will pay due regard to these basic requirements of the efficient administration of an integrated tax structure.

In closing I should like to refer to two particular matters on which the Government of India has frequently been criticised for its failure to follow my original recommendations. One relates to the failure to reduce income-tax to the maximum rate of 45 per cent and the other to the extension of the wealth tax to companies.

45 per cent Income-tax

I fully maintain the view that with a system of direct taxation of the kind I suggested, the maximum of rate of income-tax should not exceed 45 per cent. It should be evident, however, that this system has by no means been fully adopted; nothing has been done to tighten up business taxation, while the new taxes, owing to the truncated form in which they have been adopted, will only produce a fraction of yield which they would have produced otherwise. In their present form, and with the present administrative techniques, the new taxes will hardly yield 20 crores.

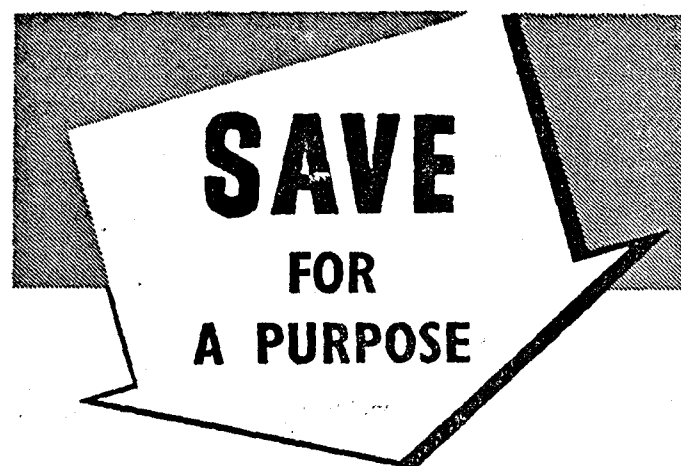
In the absence of these gaps in legislation and with an efficient system of administration, they should produce at least 50 crores more—quite apart from the gain in

Income tax revenue resulting from lower tax evasion, and the disallowance of certain classes of business expenses. As against that the loss of revenue resulting from the reduction of income tax to the ceiling rate of 45 per cent would only amount to 18 crores. I doubt whether the interests which agitate for the latter would willingly exchange the present high rates of sur-tax for these further legislative and administrative changes which would involve them in additional taxation amounting to several times this sum.

Wealth Tax on Companies

As regards the wealth-tax on companies, I would agree that this does not serve the same purpose of securing equity in the distribution of the burden of taxation as the wealth-tax on individuals. On the other hand it is no more inequitable than the taxation of the profits of companies as such—they both involve the taxation of legal entities over and above the taxation of individuals who own them, and on principles which are unrelated to the taxable capacity of the owners. But considered as an alternative to a higher rate of profits taxation on companies, it has this to be said in its favour that its economic effects are distinctly more favourable than that of the profits tax. For it penalises firms who earn a low rate of profit on the capital which they employ and favours those firms whose earning power is high. It thus rewards efficiency and penalises inefficiency, and in the present stage of India's development it is well worth while to offer special inducements to companies who use the resources at their command efficiently*. For this reason I should favour putting more of the burden of taxation on companies in the form of a wealth tax, and less in the form of a profits tax,—i.e., of raising the wealth tax rate (which at ½ per cent is very low) if the combined income-and-profits tax rate on companies were correspondingly reduced.

* Many other features of the present company tax legislation, such as the excess dividend tax, run completely contrary to this and these ought to be abolished and the whole system of company taxation rationalised and simplified without delay.



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DA 58/364

How Large the Public Sector, 1961-1966?

Wilfred Malenbaum

During the first two years of the Second Plan, governmental operations did not yield a surplus, after taking account of the non-investment outlays called for in the Plan. Indeed, it was external assistance and deficit financing which provided the resources for 85 per cent of the actual public investment in those two years.

The difficulties which government experienced in borrowing real savings from the nation at large occurred at a time when the economy as a whole was investing at a high rate: the private sector preferred to invest directly rather than through government.

These developments reflect basic savings-investment habits and patterns of the economy. A nation of entrepreneurs—and most of India's work force is self-employed—has a high propensity to invest directly any surplus arising in the individual enterprise.

The scale, investment pattern, and resource availability over the First Plan years did not demand any significant interference with these traditional patterns. The Second Plan did break markedly with past performance. But without a much more extensive and aggressive system of taxation and other fiscal and monetary controls, and perhaps a broad extension of pricing and distribution power to government, this expectation for change in savings patterns was simply unrealistic. This the actual record has been making patently evident.

The larger the public sector, and the smaller the dependence upon financing from abroad, the greater the need for intensification of governmental efforts to alter past patterns of the flow of domestic savings into investment. As plans for investment in the public sector expand, more and more attention must be given to taxation, especially in the rural sectors, coupled inevitably with systems of prices and marketing which can step up government surpluses.

This route involves major new ventures in India's economic life. A country in which government wants to make at least 50 per cent of all investment, may encounter certain incongruities in retaining responsibility for 90 per cent of total output in the private sector. In any case, the private sector must anticipate increasingly more limits upon its freedom of action—and government must determine these and administer them effectively.

THE key decisions in Indian Planning concern the area of direct governmental operations. How large will investment in the public sector be in the Third Plan? How will it be allocated? When the Planning Commission gives some indication, however preliminary, of the answers here, the "tone" for the development effort for 1961-66 will have been set.

Inevitably, government deprecates any "pause for consolidation" in its march forward to economic expansion. The investment programme must continue to expand; given the goal of a "democratic and socialist society," the role of government must also expand. Within these broad and understandable requirements however, there is considerable scope for major differences in the specific decisions as to how, how much and where.

This brief note is written far from New Delhi and remote from the various pressures and considerations which bear directly upon the official answers. None-the-less, it points up some past experiences in India which are directly relevant to these momentous decisions.

I
In the First Plan, development outlays in the public sector were eventually scheduled to aggregate to Rs. 2,378 crores; the investment component of these outlays was about Rs. 1,850 crores. For 1956-61 both these magnitudes were given explicitly: Rs. 4,800 crores and Rs. 3,800 crores respectively. An aggregate investment programme in the public and private sectors of the order of Rs. 3,500-3,600 crores was considered possible for 1951-56; for the Second Plan years, this was taken at Rs. 6,200 crores. The ratio of public to total investment was thus to increase from an estimated 50 per cent in the pre-planning years (1950-51) to 52 per cent over the First Plan and 61 per cent over the Second. It may also be noted that, with respect to allocation within the public sector, the First Plan tended to retain the same general picture of recent pre-plan years. The Second Plan called for significant reductions in agriculture and for significant increases (all on a relative basis) in modern industry, mining and power. Thus, it was the Second Plan which was to bring the marked changes in

the scale of investment effort, in the allocation of this between public and private sectors and indeed among major industrial categories.

II
So much for the Plans. What investment has actually occurred? During the First Plan, public investment, according to the Planning Commission, accounted for 48.5 per cent of the total of Rs. 3,100 crores actually achieved. Records for the Second Plan years are not of course available; nor is it yet possible even to present reasonably careful estimates. On the whole however, the first two years do indicate the persistence of a ratio closer to 50 per cent, as in preceding periods, than any approximation to the 61 per cent specified in the Plan. Moreover, it is not unlikely that for the first half of the Second Plan, total net investment (i.e. private as well as public) in the economy did actually achieve, and may even have exceeded, the levels originally expected. The public sector suffered seriously from a shortage of investment resources however, while the private sector was able to move ahead at much more

rapid rates than anticipated. It is inevitable that this situation will change over the remaining Plan years. Government is making great efforts to step up its performance. Success here requires a lower level of performance for investment in the private sector. Similarly, success in stepping up the activity by the public sector could also mean that the expansion in national product will be less than it might be—a point to which we refer again below.

The striking characteristic of the large increase which the Plan anticipated for the public sector in the Second Plan was the extent to which it was dependent upon borrowing, domestic and foreign, as distinct from surpluses on current account of regular governmental operations and of various public enterprises. Indeed, if account is taken of the fact that non-investment development outlay is actually a current account item, revenue surpluses from the various government activities were to provide but 5 per cent of all public investment; 63 per cent was to be borrowed domestically (but half of this through "deficit financing"), 21 per cent was "to be raised externally" through loans and grants, while the uncovered gap (11 per cent) might be covered by additional measures (unspecified) to raise resources domestically.

During the first two years, governmental operations did not yield a surplus, after taking account of the non-investment outlays called for in the Plan. Loans and small savings fell well below the target levels: in two years, only 27 per cent of the expected five year targets was achieved in this respect. Indeed, it was external assistance and deficit financing which provided the resources for 85 per cent of the actual public investment in those two years. Clearly, the difficulties which government experienced in borrowing real savings from the nation at large were the root cause of this extreme set of developments. These difficulties essentially account for the fact that public investment in two years did not reach 30 per cent of the five year target of Rs 3,800 crores. It will be remembered that this shortfall in government's plan to raise resources domestically occurred while the economy as a whole was in-

vesting at a high rate: the private sector preferred to invest directly rather than through government.

These developments reflect basic savings-investment habits and patterns of the economy. A nation of entrepreneurs—and most of India's work force is self-employed—has a high propensity to invest directly any surpluses arising in the individual enterprise. Self-financing is of great importance in large enterprise—and in small. Most Indian enterprise thus tends to have this direct-investment attribute. It is true that banks, insurance companies, stock exchanges, cooperative societies, and the like, do facilitate the flow of private savings from individuals into public investment, and perhaps into a few of the larger industrial enterprises. In 1950-51, this transfer to government may have involved about one-fourth of total monetized savings; the transfer to big enterprise about half this amount. (See for example, the rough estimates presented by the Planning Commission, 'First Five Year Plan' pp 107-108.) Before the Plans, at any rate, no less than 50 per cent and at times as much as 60 per cent of all investment was made directly by the private saver. With respect to the private sector alone, as much as 75 per cent may have been directly invested.

The scale, investment pattern, and resource availability over the First Plan years did not demand any significant interference with these traditional patterns. The public sector expected to invest about 50 per cent of total investment; it planned to mobilize for its purposes about 40-45 per cent of all domestic savings. These expectations were actually in line with performance in 1950-51. The Second Plan did break markedly with past performance: thus the planned expansion of the public sector implied that no less than 73 per cent of the anticipated growth in (monetized) savings during 1956-61 were to become available to the public sector (see Table I below). Without a much more extensive and aggressive system of taxation and other fiscal and monetary controls, and perhaps a broad extension of pricing and distribution power to government, this expectation for change in savings patterns was simply unrealistic. This the actual record has been making patently evident.

III

With the present emphasis upon investment in the public sector, it is conceivable that actual investment over the Second Plan (without adjustment for price changes) can reach Rs 3,300 crores, corresponding to development outlays of some Rs 4,200 crores. (While this achievement is "conceivable", a public sector of Rs 3,200 crores, still an impressive 100 per cent and more above the First Plan level, is more probable.) For the economy as a whole, net investment might well be of the order of Rs 6,000 crores. This result would be consistent with some degree of overperformance in the private sector (12 per cent) accompanying underperformance in the public (15 per cent)—and again we have not made adjustments for the lower domestic purchasing power of the rupee accompanying the price increase. This would mean a 55 per cent ratio for public investment, the financial resources for which were supplied in very important measure from external sources. Thus, it seems probable that net imports financed from abroad on government account will reach Rs 1,400 crores over the Plan years. Through deficit financing, India will provide Rs 1,200 crores, leaving about Rs 700 crores for government surplus and for direct loan, and small savings. (This last figure is not out of line with the official data published, after allowance is made for non-investment outlays, for depreciation items, etc.)

Table I sets out this projection for the Second Plan, alongside of comparable data from plans and performance from earlier periods. (Except for these projected figures, all the data are from official sources.) In the present view, therefore, government would over the Second Plan be able to mobilize—through various surpluses, direct borrowing and through deficit financing—some Rs 1,900 crores, out of the total of Rs 4,500 crores invested in monetized form from domestic savings. This last, as Table I implies, is based on the assumption that there will also have occurred a net inflow on private investment account of Rs 100 crores, so that Rs 1,500 crores out of total investment will have been financed from abroad. All this means that government was able

to mobilize and to use 42 per cent of the nation's savings, which was the same figure as in the First Plan years. In incremental terms, domestic monetized savings will have been some Rs 1,525 crores above the 1951-56 levels, and Rs 650 crores of these government was able to attract in one way or another—a marginal ratio equal to the average as against the 73.5 per cent which was implicit in the original Second Plan formulation. Government's achievements in this regard over both Plans, it may be added, were favourably influenced by special factors. Thus, it is questionable that such large reliance can in the future be placed on short-term borrowing through the Reserve Bank.

IV

What implication might this have for the scale of public effort in the Third Plan? Let us assume that the total investment target becomes Rs 9,000 crores—an amount which, given the above projection of actual investment performance during 1956-61, is not much out of line with the Rs 9,900 crores projected in the 'Second Plan' (p 11). Forward motion for the public sector might mean raising the planned ratio for the public sector from its 61 per cent in the Second Plan to 66 2/3 per cent in the Third, we'll say. Suppose now that India and the rest of the world arranged to finance as much as Rs 3,000 crores of this (net) total from abroad, with some Rs 300 crores of this amount from private sources. Under this set of assumptions, public authorities would need to attract 55 per cent of total monetized domestic savings, as against the 42 per cent calculated above in the Second Plan forecast. In marginal terms, almost 95 per cent of each additional crore of domestic monetized savings would need to go to the public sector! Obviously, if the degree of foreign dependence were smaller, these measures of government's ability to attract domestic savings would have to expand much more.

Even if the public sector were to retain the 55 per cent ratio of total investment here considered as probable for the Second Plan period—so that the public sector would account for Rs 5,000 crores from the Rs 9,000 crores total—net

Table I—Characteristics of Monetized Savings and Investment

	Pre-Plan (1950-51) Actual	(Rs crores)		Second Plan	
		First Plan	actual	Plan	Probable
Net Domestic Investment					
Total:	380	3,550	3,100	6,200	6,000
Public Sector:	190	1,850	1,500	3,800	3,300
Ratio:	(50%)	(52%)	(48.5%)	(61.3%)	(55%)
Net Imports					
Total:	—39 ^a	800	125 ^b	1,100	1,500
Public Sector:	—18.5	700	250	1,000	1,400
Domestic Savings					
Total:	420	2,750	2,975	5,100	4,500
Used in Public Sector:	210	1,150	1,250	2,800	1,900
Ratio:					
Average:	(50%)	(42%)	(42%)	(55%)	(42%)
Marginal:	—	(17%)	(23%)	(73.5%)	(42.8%)

a: India was a net investor abroad on both public and private account in 1950/51.

b: On private account there was net investment abroad over the First Plan years. (Both groups of figures exaggerate transactions on private account due to errors and omission).

c: Note: This is not saved by public sector, it is saved or borrowed, etc., by government from domestic sources.

financing from abroad would still have to be Rs 2,500 crores to keep the public saving ratio to the 42 per cent level derived in the preceding calculations for the Second Plan. In terms of the part of the increment in total monetized savings which the public sector can attract, this again means of course an incremental ratio of about 42 per cent. Government would still need to achieve the relative levels of domestic resource mobilization of the total Second Plan period.

These alternatives for the Third Plan are shown in Table II. Obviously, the larger the public sector,

Table II—Savings-Investment Calculation: The Third Plan 1961-66

Alternative	(Rs crores)	
	I	II
Net Domestic Investment		
Total:	9,000	9,000
Public Sector:	6,000	5,000
Ratio:	(66.7%)	(55%)
Net Imports		
Total:	3,000	2,500
Public Sector:	2,700	2,250
Domestic Savings		
Total:	6,000	6,500
Used in Public Sector:	3,300	2,750
Ratio		
Average:	(55%)	(42%)
Marginal:	(93.5%)	(42.5%)

and the smaller the dependence upon financing from abroad, the greater the need for intensification of governmental efforts to alter past patterns of the flow of domestic savings into investment. As plans for investment in the public sector expand to (beyond?) the Rs 5,000 crores level, more and more attention must be given to taxation, especially in the rural sectors, coupled inevitably with systems of prices and marketing which can step up government surpluses. This route involves major new ventures in India's economic life. A country in which government wants to make at least 50 per cent of all investment, may encounter certain incongruities in retaining responsibility for 90 per cent of total output in the private sector. In any case, this private sector must anticipate increasingly more limits upon its freedom of action—and government must determine these and administer them effectively.

V

These conclusions have been derived from consideration of total monetized savings and investment allocated only as between public and private sectors. A more definitive appraisal requires an examination of these flows by

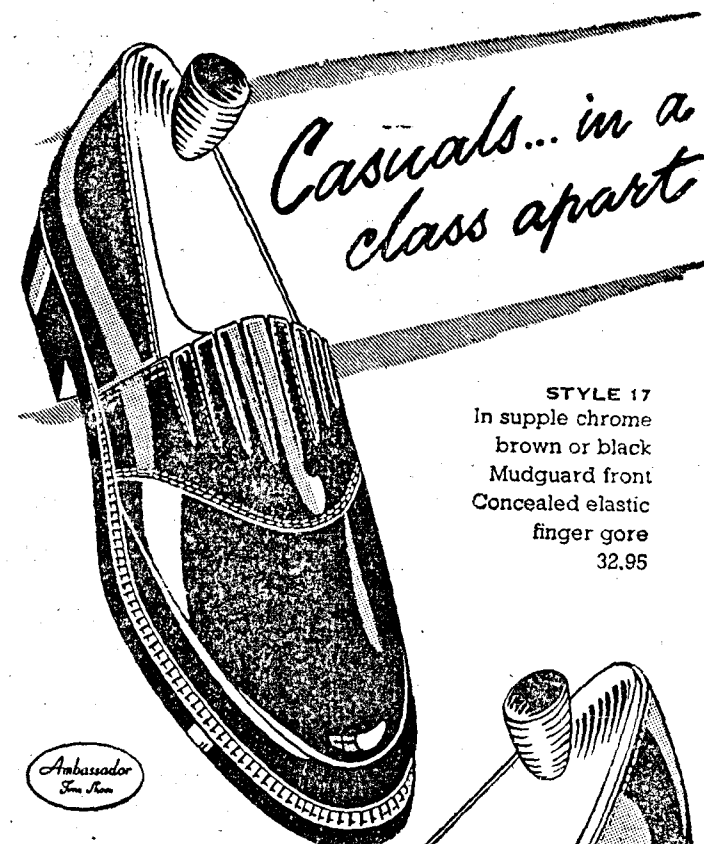
industrial categories. Preliminary conclusions based on past data in India suggest that such analysis by categories enhances the difficulty of attracting private savings to the public sector. Two major considerations are relevant here. First is the degree of complementarity between the types of public and private investment. For example, one might expect reasonably fixed relationships between the additional requirements for irrigation channels in the private sector and the expansion of large scale dam construction in the public. On the other hand, public and private fertilizer, or steel, plants can supplement or substitute for one another. Transfer of investible resources from the private sector in agriculture in order to expand investment in the public sector may actually limit the scale and rapidity of the national income flow (and of subsequent increments to investment). With reference to the illustration from industry, the difficulties will arise only from the probable level of over-all demand—or perhaps indirectly, from some ideological biases in the private sector.

The second point concerns the degree of mobility of investible resources in different parts of the economy. Where non-monetization is important, for example, government's ability to expand resource mobilization may be limited indeed at least if recourse is made primarily to the usual means by which government obtains control of private savings.

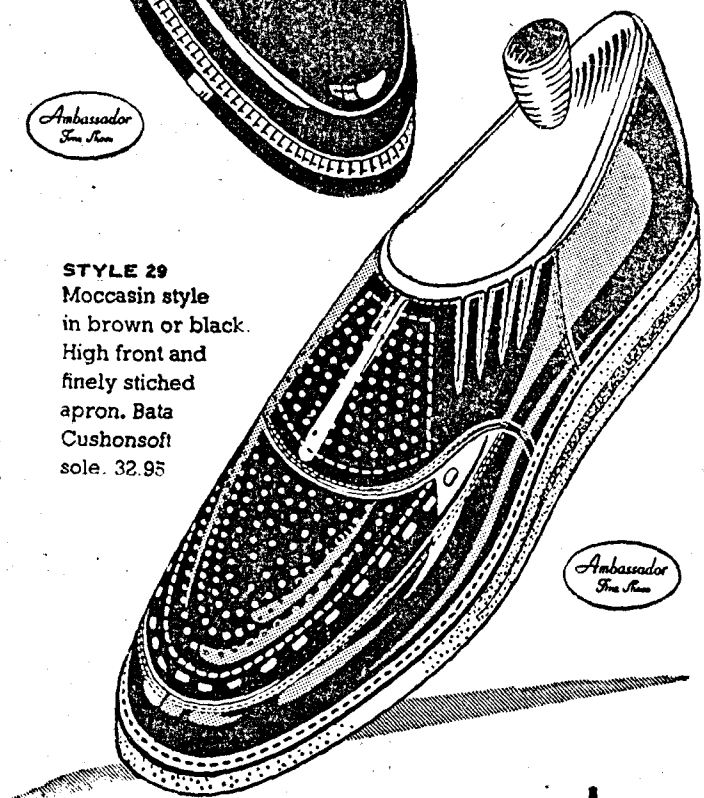
These technical and institutional factors indicate barriers to the ready expansion of the public sector relative to private—ideological considerations apart. India's decision to proceed in this direction will require a very broad expansion not only in the extent, but in the variety of ways in which government impinges upon economic activity as a whole.

Durgapur Steel

Although started two years after Rourkela and a year after Bhilai, Durgapur will probably market its finished products at about the same time as the other two plants. The first blast furnace and coke oven battery are likely to be commissioned in October.



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Resources for the Third Plan!

An Approach

K N Raj

The fact has to be faced that the marginal propensity to consume in the economy has to be brought down by tax restraints or by other means.

How to raise more tax revenue from the rural sector without affecting adversely the incentive to produce or to market more is, therefore, going to be the crux of the problem of mobilisation of resources.

Once a broad balance is attained, between the increase in demand and the increase in supply of resources on account of the investment programme, it will be a matter of secondary importance whether a large part of the investment outlay is financed by loans or by creation of money.

It is, therefore, on the actual measures needed for bringing about such a balance that we should concentrate attention, rather than on meaningless financial estimates about 'loans from the public', 'safe limits to deficit-financing', or even about 'additional tax revenue' without reference to the incidence of the taxation.

IT is a commonplace—accepted in theory though all too often forgotten in practice—that the problem of resources for a development programme cannot be discussed independently of either the content of the programme or the manner of its implementation. Different programmes not only impinge on different kinds of resources but, what is sometimes more important, the magnitude and variety of resources available are themselves dependant, to a considerable degree, on the kind of programme that is implemented.

To estimate first the resources for the Third Plan, and then decide how big it should be or what it should aim at, would be, therefore, putting the cart before the horse. Any appraisal of resources can be meaningful only if we consider alongside both the size and the content of the Plan.

There are obvious difficulties in attempting such a task (which, strictly speaking, requires a system of simultaneous equations, as also all the data necessary for solving them). But if we are interested, at this stage, only in a rough pencil-sketch of the Third Plan and the possible means of its implementation, we can simplify the problem by concentrating on a few general relationships, and the more important bottlenecks which, from experience, we know we ought to give special attention to.

II

The demand for resources created by a Plan, in the short period, can be considered under two heads: the labour and materials directly required for the investment pro-

gramme, and the secondary demand generated indirectly through them. In aggregative terms, the increase in demand over any given level, under both these heads, can be deduced from the relationship embodied in the 'multiplier' theory—provided, of course, we know the net increase in investment (including both the 'autonomous' and 'induced' investment in that period) as well as the marginal propensity to consume. (We may ignore, for the present, the problems presented by time-lags in expenditure.) Let us, therefore, see whether some broad orders of magnitude can be fixed with reference to this relationship.

It may be useful to start by examining the relevant magnitudes in relation to the Second Plan. The investment programme in the Second Plan implied an increase in the rate of investment, on the average, of about Rs 150 crores per annum (i.e., from an estimated base of approximately Rs 790 crores in 1955-56 to Rs 940 crores

in 1956-57, Rs 1090 crores in 1957-58, Rs 1,240 crores in 1958-59, Rs 1,390 crores in 1959-60, and Rs 1,540 crores in 1960-61, adding up in all to an investment outlay of Rs 6,200 crores over the period of the Plan).

Part of the impact on demand, of this rate of increase in investment, was expected to be abroad; if the increase in the estimated annual deficit in balance of payments as between 1955-56 and 1960-61 is, therefore, taken as a rough measure of the burden that is shifted in this way in the final year of the Plan, the increase in the rate of domestic investment outlay between these two years will work out at about Rs 650 crores (rather than at Rs 750 crores). Corresponding to this increase, it would seem, the marginal propensity to consume implicit in the Plan estimates was about three-fourth, requiring in consequence an increase in total output of about Rs 2,680 crores to meet the increase in

Table I—Increases in National Income and Tax Revenue** (Rs crores)

	1952-53	1955-56	1956-57	1957-58
National Income at current prices	9830	9990	11410	11410*
Total tax revenue of Central and State Governments	675	776	860	1006

* Estimates of national income in 1957-58 are not available yet. It is assumed here that the national income at current prices is likely to have been the same in 1957-58 as in 1956-57. Actually, there was a significant fall in output in the agricultural sector in 1957-58, and though rise in prices made up for this to some extent, it is probable that there was a slight fall in national income (at current prices)

domestic demand.

If the rate of investment is stepped up over the period of the Third Plan at about the same rate as in the Second Plan period, i.e., Rs 150 crores per annum, the total investment outlay in the Third Plan would amount to Rs 9,950 crores. This corresponds very closely to the figure indicated, in the Second Plan, as the order of magnitude of investment required in the Third Plan for attaining a specified long-term rate of growth of output. It is, therefore, worthwhile pursuing a little further, in the light of recent experience, the implications of this rate of increase of investment, and considering the conditions that need to be fulfilled in order to maintain (or improve upon) such a rate of increase.

III

The two crucial variables are, obviously, the marginal propensity to consume and the realisable rate of increase of output. Within these two broad categories, however, the marginal propensity to consume foodgrains, and the realisable rate of increase of output of foodgrains, may be regarded as the most vital variables in the conditions of our economy.

It is clear from such data as are available that the recent tax policies of the Government have succeeded—at any rate in the period 1955-58—in absorbing, by way of tax revenues, a significant proportion of the increase in national income during this period.

It will be seen from Table I that the share of tax revenue in the increase in national income, upto 1957-58, is well over one-fifth if we take 1952-53 as the base year, and about one-sixth if the base year is 1955-56.

As it happened, the increases in tax revenue over this period were almost wholly absorbed in the 'non-investment' outlays of the Government,† and so the marginal

†The increase in expenditure, between 1952-53 and 1957-58, under 'civil administration', 'defence', and 'direct demands on revenue' was only about Rs 160 crores per annum, as against the increase of about Rs 330 crores in tax revenue. There has been considerable increase, however, in recurring expenditure under 'developmental' heads like education, health, agricultural services, etc.

propensity to consume (taking the public and the private sectors together) could not have been reduced. But it is of interest to consider whether the difficulties in mobilising internal resources, encountered in the last two years, would have been substantially lessened if the increase in tax revenues had not been absorbed in this manner but used for financing the investment programme.

Table II—Approximate Share of the Rural and Urban Sectors in the Increase in National Income and Tax Revenue** Rs crores.

	1952-53			1957-58		
	Rural Sector	Urban Sector	Total	Rural Sector	Urban Sector	Total
National Income	6850	2980	9830	7900	3500	11400
Tax Revenue						
Indirect taxes (exclg export duties)	189	165	354	335	298	633
Direct taxes on income	4	185	189	7	205	212
Land revenue	58	—	58	88	—	88
Other (export duties, registration and stamp duties, etc)	45	44	89	37	36	73
	296	394	690	467	539	1006
Probable Actual Distribution of Tax Revenue (after adjustments)	289	386	675	430	576	1006

**The sources of data, and the assumptions made, in compiling this table, are as follows:

- 'Share of the Urban and Rural Sectors in the Domestic Product, 1952-53', by S K Chakravarti, Uma Datta and V Srinivasan (Paper read at the Preliminary Conference on Research in National Income, January 1957). For estimating the share of the rural sector in 1957-58, the industry-wise distribution of the national product has been assumed to be the same as in 1956-57; the whole of the income from agriculture, 2/3 of the income from 'small enterprises', 1/2 of the income from 'domestic services' and 'house property', and 1/3 of the income from 'other commerce and transport' are assumed to constitute rural income; a further 10% of the total, so arrived at, is also added to it (for no better reason than that this formula provided results, for 1952-53, which are fairly close to the data independently compiled in the paper referred to above).
- The Taxation Enquiry Commission Report gives the share of indirect tax revenue (excluding export duties) in the total expenditure of households in the rural and urban sectors, as percentages of this total expenditure (Volume I, Chapter 5). We assume that total expenditure amounted to 95% of the income in each sector in 1952-53, and 93% in 1957-58. As regards direct taxes, it is assumed that the incidence of income tax was wholly on the urban sector, and of agricultural income tax and land revenue wholly on the rural sector. For the lack of any clear criteria, the category 'others' is distributed roughly evenly between the two sectors.

- It was found that the total tax revenue in 1952-53, estimated as above, was slightly higher than actually realised that year. For 1957-58, it was assumed, in the first instance, that the increase in revenue from indirect taxes is distributed between the two sectors in the same ratios as indicated in the Taxation Enquiry Commission Report; but, on a perusal of the additional tax proposals between 1952-53 and 1957-58, it is clear that the share of the urban sector is likely to have been greater. The last column in the Table includes some adjustments on these two counts.

IV

For this it is necessary to have, in the first place, some idea as to the incomes from which the additional tax revenue was drawn and the kind of things for which, therefore, demand is likely to have been affected by taxation. A preliminary analysis of the available data, based inevitably on a great deal of guesswork, suggests that the increase in tax revenues since 1952-53 has been realised more from the urban rather than the rural sector and that, while Government taxation has probably absorbed nearly 40 per cent of the increase in incomes in the urban sector, the share of the Government in the increased income of the rural sector has been perhaps not more than about 14-15 per cent.

It would seem, therefore, that the impact of taxation on the marginal propensity to consume (of goods in general and of foodgrains in particular) in the rural sector could not have been very considerable. Considering the kind of incomes on which most of the additional taxation during this period is likely to have fallen, the impact on the income elasticity of demand for foodgrains, even in the urban sector, could not have been very significant.

It is this aspect of governmental tax policy, together with the failure in foodgrains on the production side, which must be held basically responsible for the problems that have arisen in the mobilisation of internal resources in the last two years. Actually the pressure of the rapid rise in investment over this period, on resources, would have shown up even more seriously—in the form of rise in prices—but for the increased imports of foodgrains and the fact that the bulk of the rise in investment was on account of imported capital goods, the multiplier effect of which outlay was, in effect, exported.

V

Not only has taxation during this period failed to affect incomes at strategic points—particularly in the rural sector—but the fluctuations in agricultural prices that have taken place alongside have had the perverse effect of lowering rural incomes when output of foodgrains was increasing, and raising them when it was ei-

ther stagnant or not increasing rapidly enough.

It is not, therefore, a case of the rural sector being not subject to some form of fairly heavy taxation but rather of its being heavily taxed at intervals (through decline in agricultural prices), haphazardly, and at the wrong time. (The same is, of course, true also of the urban sector, in so far as it has been affected by price fluctuations).

It is thus clear from recent experience (if indeed such confirmation was needed) that, in considering the problem of mobilisation of internal resources for the Third Plan (as also for the latter half of the Second Plan), we have to give particular attention to three factors:

- taxation which will impinge significantly on rural consumption at the margin;
- elimination of price fluctuations which cause major and unplanned shifts in the distribution of income; and
- sustained increases in the output of consumer goods in general, and of foodgrains in particular.

It is true that not much can be said in the abstract about either (b) or (c); success in these fields depends primarily on the organisational and administrative skill that can be brought to bear on solutions already known in theory. But it will be obvious that those who try to produce estimates of resources, without reference to these factors, are not only wasting their time but deceiving themselves and others as to what is really involved in such estimation. (It is bad enough attempting to estimate available resources in terms of increases in aggregate tax revenue, without reference to either the increases in output in strategic sectors or the particular measures

required for mobilising particular resources; but the Planning Commission goes further in assuming that receipts from borrowing also represent resources released from current consumption, and speculating on how much can be raised this way.)

VI

Raising additional tax revenue from the rural sector, in such ways as will effectively impinge on consumption at the margin, does undoubtedly involve many difficulties—particularly when the appropriations through rent, interest and trading profits are still as considerable as they are in this sector. But pending such action as will reduce the exploitation which goes on in these ways, it is possible to think of measures that will not only raise more resources within the existing framework but also introduce an element of progressive taxation in a sector in which it is now almost absent.

According to the Taxation Enquiry Commission, while the lowest income groups in the rural sector (i.e., households earning Rs 600 per annum and less) paid, by way of indirect taxes as much as 2.2 per cent of their total expenditure (in 1952-53), the share of such taxes in the income-groups Rs 600-1200, Rs 1200-1800, and Rs 1800-3000 per annum was only 2.3, 2.7 and 2.8 per cent respectively of their total expenditure. The prevailing system of levy of land and agricultural income taxation does very little to increase the progressiveness of taxation in this sector in the income range Rs 1200-3000 per annum (and perhaps even in the higher income ranges).

[Nearly 25 per cent of rural households, it would appear, have a total annual expenditure of less than Rs 600 each; nearly 70 per cent have a total annual expenditure of

Table III—Distribution of National Income between Rural and Urban Sectors, 1952-57† (Rs crores)

	1952-53	1953-54	1954-55	1955-56	1956-57
National Income (at 1948-49 prices)	9460	10030	10280	10420	11010
National Income (at current prices)	9830	10480	9610	9990	11400
Rural Sector	6850	7410	6380	6580	7900
Urban Sector	2980	3070	3230	3410	3500

†The rural-urban breakdown of national income, for the years 1953-54 to 1956-57, has been done in the same manner as for 1957-58, indicated in the footnote to Table II.

less than Rs 1200 each; and roughly about 25 per cent fall in the expenditure range of Rs 1200-3000 per annum, only 5 per cent or so being in the range of over Rs 3000 per annum (Anniversary Address by Professor Mahalanobis at the National Institute of Sciences of India, January 1958). It is the two latter groups (presumably, by and large, the same as those who also have holdings of more than 5 acres each), who are, relatively speaking, lightly taxed. It may also be mentioned that, in the urban sector, the households in the expenditure groups Rs 1200-1800, Rs 1800-3000, and over Rs 3000 per annum pay, by way of indirect taxes alone, 5.1, 5.1 and 8.3 per cent respectively of their total expenditure as compared to 2.7, 2.8 and 4.4 per cent respectively in the rural sector. (These figures are for 1952-53. Source: Taxation Enquiry Commission Report, Vol I, Ch 5.)

It is, obviously important not only to raise additional tax revenues from the rural sector, and increase the progressiveness of taxation, but also to take care, at the same time, to do both these without affecting adversely the incentives in this sector to produce or market more. Three forms of additional taxation may, therefore, perhaps be considered in this context:

(i) doubling of land tax on holdings above five acres;

(ii) a tax on agricultural rent (deducted at source from tenants), the incidence of which falls on the rent-receivers, and fixed at, say, one-tenth of the gross produce of the tenants; and

(iii) a surcharge on holdings, above five acres, under commercial crops (with adjustments, of course, for different kinds of commercial crops).

About three-fourths of the rural households are reported to hold less than five acres each and to possess, in all, less than one-sixth of the total area held by all rural households; both (i) and (ii) will, therefore, fall only on the remaining quarter of the rural population holding five-sixths of the total area. The data on land under tenancy are notoriously deficient and misleading, but if the estimate that agricultural rent amounts in all to nearly Rs 800 crores per annum (S J Patel, "The Distribution of the

National Income of India, 1950-51", 'Indian Economic Review', February 1956), is anywhere near the mark, a tax which seeks to absorb about Rs 100 crores of this rentier income cannot be considered unrealistic or over-ambitious. The details of these, as also of other related questions, will of course need further looking into, but broadly speaking it does not appear to be an impossible task to raise an additional Rs 300 crores per annum, from the rural sector, even at the existing level of incomes. (It is worth recalling that the initial wherewithal for larger investment in China was derived largely from a grains tax, imposed after the land reforms, and which, to begin with, is reported to have absorbed about 10-15 per cent of the agricultural produce.)

VII

If, by additional taxation both in the rural and urban sectors, the marginal propensity to consume in the economy can be brought down to about three-fourth of the increases in income*, and by other known measures the output of foodgrains can also be increased, say at the rate of about 4 per cent per annum, it should be possible to raise the rate of investment over the Third Plan period at the rate indicated earlier i.e., by Rs 150 crores per annum (or probably at an even higher rate, depending on the income elasticity of demand for foodgrains—about which no firm data are yet available) without creating a serious pressure on resources.

Once a broad balance is thus attained, between the increase in demand and the increase in supply of resources on account of the investment programme, it will be a matter of secondary importance whether a large part of the investment outlay is financed by loans or by creation of money. It is, therefore, on the actual measures needed for bringing about such a balance that we should concentrate attention, rather than on meaningless financial estimates about 'loans from the public', 'safe limits to deficit-financing' (particularly when 'deficit-financing' itself is defined merely in terms of additions to primary money

*This might require the Government steadily absorbing, by way of tax revenue, about a third of the additions to national income (since part of the increase in revenue may go on the 'non-investment' outlays of the Government).

supply on account of government expenditures), or even about 'additional tax revenue' (without reference to the incidence of the taxation).

VIII

Any imbalance in the over-all demand and supply of resources tends to get reflected, naturally, also in the balance of payments. But the balance of payments reflects, in the short period, not only leakages on account of such over-all imbalance but also more specific bottlenecks in the economy associated with particular types of investment, and most of these latter are difficult to remove even if the over-all balance is restored. We should, therefore, approach this problem of balance of payments in two parts: imbalance on account of specific bottlenecks of the kind indicated above, and imbalance reflecting over-all lack of balance between demand and supply of resources.

An examination of India's balance of payments, over the last three years, indicates that a considerable part of the drain on foreign exchange has been on account of specific bottlenecks connected with the investment programme. On the receipts side, in the current account, earnings have been fluctuating fairly steadily around Rs 700 crores per annum (Rs 600 crores on account of commodity exports, and Rs 100 crores on account of invisible items). The main changes are, therefore, reflected in the payments side, on account of imports of commodities. Table IV gives a rough breakdown of these imports for the period, 1955-58. This table is also based on a good deal of guesswork, but from such cross-checks as have been tried the estimates do not appear to be far off the mark.

It would appear that the increase of about Rs 425 crores in the import bill, between 1955-56 and 1957-58, which was reflected in a corresponding increase in the deficit on current account, is attributable, broadly speaking, to three factors: (i) increased imports of capital goods—by about Rs 270 crores, (ii) increased imports of foodgrains—by approximately Rs 100-120 crores, and (iii) increased imports on account of defence requirements.

IX

The sharp increase in imports of capital goods reflects partly the planned 'hump' in investment, on

account of the steel plants and the related expansions in other lines, and partly the 'unplanned' imports on private account in the first two years of the Plan. There is already evidence of these imports declining from the high level reached in 1957-58 (Rs 575 crores), and it is possible that they will fall to around Rs 400 crores by 1960-61.

With the increased availability of steel as a result of the Second Plan, relatively small amounts of investment should be adequate to produce machinery in the country, for which it is now dependent on imports. No doubt, it may not be economic in the immediate future to produce, domestically, all the different kinds of machinery that we use or even all the parts of selected categories. Imports of certain types of machinery, and recurring imports of particular parts, will therefore continue to be required. But from a preliminary consideration of the possibilities in this field, it would seem that, with an investment of around Rs 400 crores or so, in the Third Plan, on engineering industries for the fabrication of machinery, imports of capital goods could perhaps be reduced to about Rs 300 crores by 1965-66 even while sustaining a higher rate of investment. (The level of capital goods imported in 1965-66 will, no doubt, depend partly on the other items of investment undertaken in the Third Plan; the assumption made here, however, is that we shall go relatively slow with the expansion of industries like steel, which now require large imports of capital equipment, till we are in a position to produce fairly large proportions of the machinery required within the country.)

X

A category that requires equally close attention and scrutiny is that of 'raw materials'. Some of these

imports are no doubt essential, and cannot immediately be substituted by domestic production (e.g., mineral oil, which accounts for over Rs 100 crores per annum). But many of them are only imports of consumer goods in disguise (e.g., moulding powder for plastic-ware, 'essential oils' and waxes for cosmetics and toiletry, viscose yarn for rayons, etc) and it would be economic to produce them within the country.

There are many reasons why raw materials (and intermediate goods generally) are being imported now, when some of them can be produced economically within the country. The most important, perhaps, is that private entrepreneurs, possessing only small amounts of capital, tend to start with the final stage of fabrication of products, preferring to import the necessary intermediate goods (at any rate for some time), instead of starting with the intermediate goods or initiating simultaneously production all along the line. When there is a ready market for the final goods at prices which are high compared to the prices of the intermediate goods that are imported, the 'propensity to assemble' becomes indeed very high. This makes for, what has been called, horizontal development of industry in the private sector (as distinguished from vertical development).

An interesting case is provided by the automobile industry, in which a larger proportion of the parts could be produced domestically than now provided there are not five different units, each producing a number of different 'models', which makes it unworkable for any one of them to adopt local manufacturing in preference to the more profitable assembling of imported parts.

But there is some evidence of this 'propensity to assemble' in the pub-

lic sector also. The best example, perhaps, is presented by the Bhopal Heavy Electrical Plant.* The reasons for the decisions taken to date, and the scope that exists for manufacturing more of the necessary intermediate goods within the country, need looking into in such cases also.

Taken along with the possibilities recently opened up, of producing mineral oil within the country, it is by no means an extravagant hope that imports of 'non-capital' goods on private account can be reduced to about Rs 300 crores, or even less, by 1965-66 (from the level of Rs 335 crores reached in 1957-58); this target could be consistent with considerable expansion of industrial production in the country meanwhile. Imports of foodgrains can, of course, be eliminated altogether if the domestic output can be increased at the rate indicated earlier.

XI

It would seem, therefore, taking all these possibilities on the import side into account, that if measures are also initiated to increase our foreign exchange earnings by, say, Rs 75 crores (both through commodity exports as well as through services such as shipping), the deficit on current account in the balance of payments can not only be wiped out but perhaps turned into a small surplus by 1965-66. Provided we have a long-term strategy of this kind in regard to the balance of payments, there is no reason why we should be worried—at any rate on economic grounds—about taking more foreign aid in the Third Plan period. The main thing is to aim at developing a surplus on current account, if possible by 1965-66. (It would not matter even if it is a little later, provided the surplus that is made to emerge is correspondingly larger).

The question usually asked, as to what the size of the Third Plan should be, cannot therefore be answered in precise terms—at any rate, by starting from the side of

*There is some reason to believe that, in this case, unlike in the automobile industry, concentrating the whole manufacturing programme in one plant, and entrusting it to one foreign concern, has come in the way of effective competition and encouraged indirectly the 'propensity to assemble'.

Table IV—Distribution of Imports, 1955-58
(Rs. crores)

	1955-56	1956-57	1957-58
Total Imports	750	1095	1175
Imports on Government Account (including foodgrains)	140	290	495
of which			
Capital goods	65	115	230
Imports on Private Account	610	805	680
of which			
Capital goods	225	350	345
Non-capital goods (consumer goods and raw materials)	385	455	335

resources. It all depends on what goes into the Plan, what kind of long-term strategy it incorporates, and how steadfastly and single-mindedly we can pursue a strategy once we are convinced that it is sound in conception. Experience in regard to the last has not been very encouraging in the Second Plan period, but obviously unless we believe that things can be improved there can be no basis for planning.

XII

The sky is the limit if the magnitude of foreign aid for the Third Plan is estimated in terms of the

needs of the country (particularly if we make 'soft' assumptions about the possibilities of mobilising resources within a democratic framework). But it may be wise, on socio-political grounds, to fix a ceiling of around Rs 1,500 crores or so, avoid making too many facile assumptions about what is not possible in a democratic system, and adjust, if necessary, some of the items in the investment programme (particularly in the sector of industry now requiring large imports of capital goods, e.g., steel) during this period, rather than adopt an ambivalent attitude in this matter.

Given an approach of the kind tentatively outlined above, one may perhaps venture the statement that foreign aid of the order of Rs 1,500 crores should be able to see through an investment programme of the order of Rs 10,000 crores in the Third Plan period without much difficulty; but the size of the Plan could be more or much less, depending on the policies adopted to begin with, and the efficiency brought to bear in its implementation. Both success and failure will, by the nature of the problem, be cumulative in its effects.

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Road		Little Aden (Sub	Kericho	Jinja	RHODESIA—
Brabourne Rd.	Karachi—	Branch to Aden)	Kiambu	Kampala	
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D. G. MOORE,

Manager.

How to Stop the Gold Drain

I S Gulati

The question of gold that this article discusses has also important implications with regard to the country's external resources. That is why, considerable interest has been evinced in the various aspects of this question in recent days. My purpose is to take the current discussions on the subject a few steps further and suggest measures whereby

- the drain on our external resources on account of the illicit import of gold can be reduced to the minimum, and
 - the stock of gold held in the country is located and identified.
- The aim of these measures is to ensure that
- gold cannot be used as a medium of tax evasion, and
 - the country can mobilize these hoards when and to the extent it is necessary in the interests of planned development.

GOLD has considerable non-monetary demand in this country. This is purely because it is very extensively used for ornaments and jewellery. But the other part of the demand arises because of the use of gold as store of value especially by those who, for some reason or the other, do not want to disclose their wealth. Also it is an asset which is liquid because of the ease with which it can be sold off. Gold has large value in small bulk and costs little to store. It is therefore an ideal commodity in which value can be stored, provided storing value was the only purpose.

But the knowledge that the value could as well be conserved in income-yielding assets should ordinarily incline one in their favour. And some of these income-yielding assets may have all the merits which gold has and in addition yield regular income. Why is it that some people still prefer to hold gold rather than such income yielding assets? This happens because the gains from storing value in gold is, to such people, greater than the revenue from the comparable income.

Now this gain from storing value in gold may be purely psychic or material. The mere possession of gold may give to some greater satisfaction than 4 per cent income on a Government bond. But to many in this class of people (i.e. hoarders of gold), it is the material gain which attracts. This material gain may arise because of the rise in the price of gold in which case the gain is of the nature of capital gain, or it may arise through evasion of tax. This latter requires some elucidation. A person who is liable to a marginal tax on income of say 84 per cent (i.e. the maximum ob-

taining today for unearned income) gains 84 rupees out of every 100 rupees successfully concealed in gold hoards from the income tax authorities. The gain in this case as a proportion of the net income rightly due to the taxpayer (i.e. Rs 16 out of Rs 100 income gross of tax) comes to 525 per cent.

Loss from Smuggling

That there is a large demand for gold on all the above counts is borne out by the amount of gold that is being smuggled every year into the country. According to current estimates, the figure is of the order of 12 to 13 lakh ounces. Also the domestic production of gold amounts to about two lakh ounces per annum. In other words, 14-15 lakh ounces of gold are being absorbed by the Indian economy every year. In terms of current domestic price of gold, it works out at Rs 50-55 crores. (The figures are based on the data published in the Reserve Bank of India Bulletin for April 1958 under the heading "Estimates of Gold and Silver Stocks in India" except that I have chosen to apply the price obtaining in December 1958.) Now this leads to a substantial drain on the country's external resources. A complete curb on gold smuggling and the compulsory acquisition of domestically produced gold for monetary purposes (i.e. either to build up gold and dollar reserves or for sale abroad for offsetting current account deficit) should mean a betterment of the balance of payments over a five-year period by Rs 225-250 crores. This is quite a substantial amount, remembering that over the Third Five Year Plan, the total deficit in balance of payments on current account is expected to be in the range of Rs 1,500

to 2,000 crores. (Professor K N Raj expects the deficit to be in the region of Rs 1,500 crores, but it can be argued that his calculations rely on a number of optimistic assumptions like reduction in imports of defence materials, a severe restraint on imports of consumer goods and industrial raw materials which may not fully materialise.)

The figure of Rs 225-250 crores is based on estimates of current production and smuggling of gold. It may even be higher. There is reason to believe that smuggling has been mounting up from year to year and may keep on rising unless suitable steps are taken to check it. The disparity between world price of gold and the price ruling in India has been widening over the past five or six years. The gap has widened by about 70 per cent between 1952-53 and end of 1958 and today gold sells in the Indian bullion market at 90 per cent above the world price. This ever-widening gap between the world and Indian prices of gold should have provided strong incentive to increased smuggling of gold into India. Even the fact that over the past five or six years gold has appreciated in its price at an average rate of 7 to 8 per cent per annum should have built up people's expectation with regard to capital gains accruing on gold hoards.

This makes gold an income yielding asset and therefore a serious competitor with other income-yielding assets in the market where those who are interested in maximising the yield in their investments operate. If gold prices are allowed to rise, this investment demand for gold is likely to rise and in turn help further in raising the prices of gold and therefore in

widening the gap between local and world prices. If all this justifies the assumption of an increase in smuggling from year to year, an annual increase at the rate of Rs 2½ crores would raise our figure to Rs 260-285 crores and an annual increase at the rate of Rs 5 crores to Rs 300-325 crores.

Gold and Tax Evasion

Our excessive fondness of the yellow metal is costing us not only in terms of foreign exchange but also in terms of domestic revenue of the Government which is the most important source of financing the investment projects in public sector. This second type of loss arises because some of us tend to hoard gold with a view to hiding our income and wealth from the tax authorities so that our tax liabilities are less than if we were to disclose the true income and property. We have already seen how the hoarding of gold brings in large (fantastic is the more appropriate word) dividends to the tax evaders.

The problem of preventing evasion of taxation through the hoard-

* I do not think that the present structure of direct taxation is completely integrated. It is true that under the new structure of direct taxes taxable capacity is reduced from a number of different angles which makes the new structure more equitable than the earlier one based only on income tax. Still, even under the new structure different types of taxable capacity are treated differentially. For instance, the maximum rate at which tax is payable on capital gains is 25 per cent (plus surcharge) whereas the maximum rate of tax on unearned income is as high as 77 per cent (plus surcharge on income and supertax rates). Again in spite of the superficial resemblance in rates for estate duty and gift tax, in actual practice gifts would, because of the very nature of the provisions of the act, bear much lighter burden than transfers on death. Because of the wide differentiation which exists even under the new structure, there will remain with the tax payers a strong temptation to arrange his various accretions (or dispositions) in manner and forms other than the genuine ones.

ing of gold will become more and more important with the coming into existence of an integrated system of taxation.* Gold-hoards are, as stated earlier, easier to hide from the public view. Also under the existing legal system, it is not very difficult for the income concealed today in the form of gold-hoard to be re-introduced at a suitable subsequent date in business in the form of fictitious sale proceeds of, say, the wife's jewellery. Now that the Government has introduced a number of taxes on wealth itself in

the form of an annual wealth tax, the gift tax and the estate duty and made it necessary therefore for the taxpayers liable to these taxes and also to income tax to submit wealth returns, concealment of both income and wealth in the form of assets which are easily identifiable will become more and more difficult. This would be especially so, if the Government were to adopt some sort of system whereby all registrable property is automatically and is also promptly reported to the authorities and if the

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present system of blank transfers of stocks and shares is abandoned. Less Evasion, More Gold Smuggling

The evaders' demand for gold is likely to increase as a consequence. To say so does not amount to any original or new explanation for the currently high demand for gold in the country. One comes across some such explanations frequently in the 'City Notes' and financial columns of most of the dailies and commercial journals for the recent rise in gold prices. In fact, I expect that some such argument will be put forward before the Direct Taxes Administration Enquiry Committee as a plea against the introduction of administrative reforms whose purpose may be to improve the collection of taxes and reduce tax evasion. As an argument against administrative reform it is "really a most disreputable argument", since, as Nicholas Kaldor puts it, "Carried to its logical conclusion it simply says that anything that makes tax evasion more difficult will increase the economic ill consequences of evasion and that it is preferable, therefore, to refrain from measures which make it more difficult to circumvent the laws."

Still the problem remains that there is a likelihood of the demand for gold increasing which in turn will lead to increased smuggling of gold. This possibility of an increased demand for gold is greater under the present system of taxation than under the integrated system proposed by Nicholas Kaldor. Under the latter system the annual wealth tax with a maximum marginal rate of 1.5 per cent was to be combined with an income tax whose maximum marginal rate was to be 45 per cent. Thus a taxpayer who by virtue of both his existing wealth and his current earnings was liable to be assessed at the highest marginal rates would still be saving something if he employed his income productively than if he embodied it in gold. Assuming an annual return of 6 per cent he would be saving at the rate of 1.8 per cent. Even at a lower rate of return of 4 per cent, he would save 0.7 per cent. But with the rates of income and wealth taxes being at the present high levels of 84 per cent (for unearned income) and 1.5 per cent respectively, the person concerned will incur a net annual dis-saving of a little over 0.6 per cent for every accretion to his produc-

tive investments yielding 6 per cent per annum. Under the present combination of income and wealth taxes therefore even an honest taxpayer belonging to the income-cum-wealth group referred to above may choose to keep his savings in the form of gold.

Of course, it can be argued that even under the present combination of income and wealth taxes it will pay the honest tax payer to invest his savings productively. On a gold hoard his net out-go is 1.5 per cent in the form of wealth tax whereas on an investment yield of 6 per cent, his net out-go is only 0.60 per cent. The real danger however is that every new accretion to wealth will involve a net liability which may turn so many honest taxpayers into tax evaders. Also, as has been argued above, with the introduction of new administrative reforms, evasion will take place more and more in the form of gold-hoards. Therefore gold prices can be expected to appreciate. This would mean that even the open (as opposed to black) hoarding of gold becomes profitable and even the honest taxpayer who continues to declare his income and wealth truthfully to the tax authorities may find that it is more profitable to keep his savings in gold than in some of the income-yielding assets.

Make Gold-hoarding Identifiable

The point that I am anxious to make is that there is a real danger of gold hoarding and therefore smuggling increasing as a result of the introduction of the new integrated system of taxation, and the danger will become greater if the Tyagi Committee succeeds in formulating an effective and practicable scheme of administrative reforms which makes concealment of income and property extremely difficult and risky.

There are two ways of meeting the danger. One is to reduce the taxes (abolish some and bring down the rates of others) so that the incentive to hoard is thereby reduced. The other way is to make gold hoarding itself as easily identifiable as possible, so that it loses its present appeal to the tax evaders. It is in this latter direction that, I think, some steps can be and ought to be taken.

The ownership of gold and jewellery is difficult to identify under the existing scheme of things be-

cause at no stage of transfers taking place, is it necessary by law to identify the ownership of gold and jewellery. And as stated above, it is very easy to keep one's gold hoards out of the public view. Thus it is easier for any one to buy or sell gold without disclosing one's identity than to enter into transactions relating to other assets. This is what makes both evasion and smuggling so much easier than if it were compulsory to disclose one's identity while transacting in gold. Once a smuggler succeeds in getting his gold across the border into the country, the problem of introducing the smuggled metal into the system is relatively simple. Any measure which makes the disclosure of personal identity behind a transaction in gold or jewellery obligatory would go a long way to prevent not only evasion but also smuggling.

The Proposal

With the above purpose in mind, a legislation embodying the following features is recommended for the consideration of the Government.*

(i) Compulsory registration of all dealers in gold, jewellery etc including goldsmiths. (This should be on the lines followed for the registration of dealers for purposes of sales tax.)

(ii) Declaration of opening and closing stocks by dealers every year.

(iii) Maintenance of regular record of purchases and sales (including mortgages) of gold and jewellery. (The names and addresses of all persons selling to or buying from a dealer should be obtained along with signatures and the dealer should be personally responsible for the correctness of these entries.)

(iv) Maintenance by goldsmiths of a regular record of gold or jewellery converted or reconverted with names, addresses and signatures of their clients. (Again the goldsmith should be held personally responsible for the correctness of these entries.)

(v) Adoption of the Code Number system recommended by Nicholas Kaldor in respect of all transactions in gold above Rs 5,000 in value. This would make sure that all large transactions in gold are promptly reported to the Tax officers.

(vi) Submission in duplicate of a

quarterly statement by each licensed dealer and goldsmith of all transactions (including conversions and reconversions) of the value of Rs 500 and above to the local registration office.

(vii) Inspection of the records of the licensed dealers and goldsmiths at regular intervals (a) to check that all the transactions required to be reported under (v) & (vi) above were duly reported and (b) to make a list of, say, 10 per cent of the non-reportable transactions to be selected at random for cross checking with the records of the other dealers in the area to see if the same person had attempted to split sales or purchases through dealings with a number of dealers.

(viii) Declarations as illegal of all transactions in gold and jewellery above Rs 100 in value, if they do not take place through registered dealers and goldsmiths.

(ix) Disclosure by all persons other than registered dealers of gold and jewellery in their possession exceeding Rs 5,000 in value within a reasonable period as from the date of issue of such an order. As for the future, it should be obligatory for everyone to report his holding of gold once it exceeds Rs 5,000 and obtain a code number and any future transactions by him in gold or jewellery should be made reportable.

(x) Administration of the legislation may be entrusted to the Central Board of Revenue and through it, to the Income Tax Department. (The local I T O may for this purpose be also designated as the Inspector of Gold Transactions. Wherever the load of work justifies the appointment of separate officer, it may be done. Also close liaison will have to be kept between the Income Tax and Customs Departments so that any suspected cases of smuggling can be checked by both the Departments.)

Possible Objections

It will be observed that the main objectives which the above proposal aims at are (a) to identify existing gold holdings in the country and (b) to make it impossible for anyone to introduce gold held illegally, either because it embodies income or property concealed from the tax authorities, or because it has been smuggled into the country. There

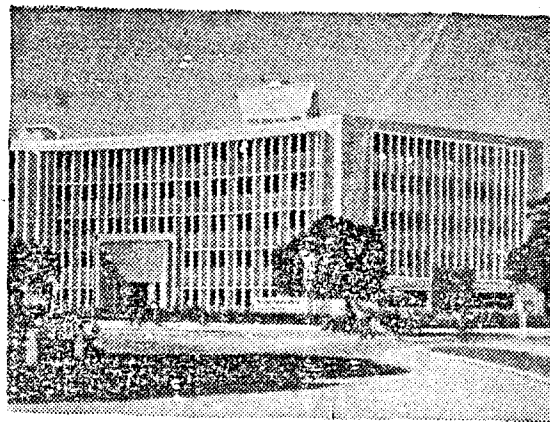
can be no two opinions that the objectives aimed at are not only worthwhile but have a certain urgency, in view of the existing economic situation. And still objections to the proposal itself may be many. Before I conclude I want to answer two possible objections, one on the score of hardship to the public and second on the score of administrative costs and difficulties involved in implementing this proposal.

As regards the first objection, I would say that the hardship which this proposal is likely to cause is not going to be any greater than that caused by the existing sales taxes in the country, which require both registration of dealers as well as maintenance of proper records by them. In fact the existing sales taxes apply in most States to the dealers in bullion, though only to those with turnover above a certain amount. Even if it were true that the hardship is likely to be greater

because of the provision that all (except of very trivial value) transactions should be through registered dealers, I would regard the imposition of the hardship as justified if my proposal can, at this price, save the country from the current drain on its resources.

The second objection with regard to administrative costs and difficulties has as much or as little basis as applies to any new proposal involving radical reform. I would only say in reply to this objection that even if the implementation of the proposal (if its soundness and practicability is otherwise conceded) costs Rs 40 crores (which is simply impossible) it will, perhaps, be worthwhile. For Rs 40 crores spent locally would save us Rs 40 crores in external resources. Of course, it goes without saying that we should adopt that proposal which secures to us maximum results at minimum costs. And the proposal outlined above does not overlook this.

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United States Foreign Investment

Paul M Sweezy

What has been happening in the field of American foreign investment activity?

This is an area in which, according to Professor Sweezy, false ideas and conceptions flourish, outdated theories, which implicitly assume pure competition and free trade are still taught and believed and many myths are current about the motives and beneficial effects of such investment.

Even the facts and figures are available in such quantity and detail that the seeker after truth cannot often see the forest for the trees.

The author attempts to abstract from the mass of data the main contours of the pictures which show that American foreign economic policies—and to a large extent military and diplomatic policies too—are determined by the giants of petroleum.

TO understand America and its role in the world today it is obviously necessary to know what has been and is happening in the field of the U S foreign investment activity. The publication by the Department of Commerce of its annual survey of foreign investment provides a convenient occasion for reviewing this important subject. (Samuel Pizer and Frederick Cutler, "Private Foreign Investments Near \$ 57 Billion," 'Survey of Current Business', U S Department of Commerce, September 1958, pp 15-23. Unless otherwise noted, all facts and figures are from this and earlier annual surveys published in the same periodical.)

This is an area in which false ideas and conceptions flourish. There are many reasons for this. Outdated theories which implicitly assume pure competition and free trade are still widely taught and believed. The spokesmen and apologists of imperialism have every interest in concealing the true significance of foreign investment, and with this end in view they cultivate all manner of myths about its disinterested motives and beneficial effects. Finally, and perhaps no less important, facts and figures are available in such quantity and detail that even the conscientious seeker after truth is often left with no clear idea of the overall pattern and its meaning: he cannot see the forest for the trees. The purpose of the present note is to provide assistance in this respect. I shall attempt to abstract from the mass of data available the main contours of the picture, and I shall refrain from cluttering up the canvas with all the qualifications and modifications which an effort to achieve literal accuracy would require. The method is one

which the social scientist no less than the artist must employ, not to distort reality but to reveal its inner structure.

...to Breed Surplus Value Abroad

First a few words of explanation and definition. We are concerned with investments of Americans abroad and not with investments of foreign nationals in the United States. Except in a purely statistical sense the two do not cancel each other out, and the net balance of foreign investment, whether positive or negative, has little significance in and of itself. For example, if U S investment in Britain were equal to British investment in all other countries, the British net foreign investment position would be zero. But this does not mean, of course, that foreign investment would have no influence on British life. On the contrary, it would play a double role, and its total significance would be better represented by adding the two sums than by subtracting the one from the other. We can concern ourselves with either side of the investment balance sheet without at the same time bothering with the other, and it is this procedure which will be followed here.

Ploughing Back of Profits

As to definition, Hilferding was undoubtedly right in characterizing capital export as "export of value which is destined to breed surplus value abroad. It is essential that the surplus value remain at the disposal of the domestic capital." (Rudolf Hilferding, 'Das Finanzkapital', p 395.) It does not follow, however, as one might be inclined to assume, that foreign investment results exclusively from capital export. Historically, much foreign investment has resulted from out-and-

out robbery or plunder, and nowadays there is a third method of adding to foreign investments which is of large and growing importance. I refer to the "ploughing back" abroad of profits earned by existing foreign investments. To illustrate, let us suppose that an American oil company has a wholly owned Indian subsidiary with capital of \$ 100 million invested in refining and distributing facilities. During a given year the company makes profits of \$ 20 million from its operations in India. Of this, \$ 10 million is paid as dividends to the parent company, and \$ 10 million is invested in a new refinery. There has been no export of capital from the United States to India, and yet American investment in India has risen by \$ 10 million.

Available statistics do not allow us to say just how much of the increase of U S foreign investment in recent years has come about in this fashion, but the proportion is certainly large and probably growing. A study made a few years ago for the Commission on Foreign Economic Policy put the "net outflow of U S private long-term capital" for the years 1947-1952 at \$ 8,985 million including reinvested earnings, and at \$ 5,478 million excluding reinvested earnings. From this we can deduce that reinvested earnings for the six-year period must have been of the order of \$3.5 billion, or just under 40 per cent of the total. ('Staff Papers Presented to the Commission on Foreign Economic Policy', Washington, 1954, p 80. The Department of Commerce is now conducting a study of the sources and uses of funds for foreign branch and subsidiary investments which should clear up the question of the relative importance of reinvested profits as a source of

increased foreign investment. See Pizer and Cutler, *op cit*, p 21.) This shows that a given increase of foreign investment is by no means the same as capital export of the same magnitude. Foreign investment can, in fact, expand without any capital movement at all and hence also without any of the beneficial effects that are so often alleged to result from the transfer of capital from the more developed to the less developed areas.

Growth of U S Foreign Investment

United States foreign investment activity began in the decade following the American Civil War (1861-1865) and from the outset has predominantly taken the form of so-called "direct" as opposed to "portfolio" investments. In 1957, total U S foreign investments of all kinds, including short-term investments and government credits and claims, amounted to \$ 54.2 billion, which is approximately one eighth of the Gross National Product of that year. The overall total of private investment was \$ 36.8 billion, of which \$ 3.2 billion was short-term. It is the remaining \$ 33.6 billion of long-term private investments which primarily interest us in what follows. Here is the way long-term private investment has grown over the years (Table 1):

Table I—Long-term Private Investments of the U S in Billions of Dollars for Selected Years*

	Total	Direct	Portfolio
1869	0.1	na	na
1897	0.7	0.6	0.1
1914	3.5	2.6	0.9
1919	6.5	3.9	2.6
1930	15.2	8.0	7.2
1939	10.8	7.0	3.8
1946	12.3	7.2	5.1
1954	24.4	17.7	6.7
1957	33.6	25.3	8.3

*Pre-1941 data from 'Historical Statistics of the United States', 1949, p 242. na=not available.

Note that the increase was continuous in both direct and portfolio investments up to 1930. The depression decade of the 1930's saw a setback in both items, specially sharp in the portfolio category. A small increase marked World War II, but neither direct nor portfolio investments had recovered to the 1930 level by 1946. Since World War II, however, the expansion has once again been continuous, with

the emphasis heavily on direct investments. It is, of course, no accident that the period of declining or stagnant foreign investment (1930-1946) corresponded to the period of Roosevelt liberalism in domestic and foreign policy. American history fully bears out the theory that the aggressiveness of imperialist policies is closely correlated with the magnitude of foreign investment activity.

By Geographical Area

As noted, the total of U S private investment abroad in 1957 was \$ 36.8 billion. According to some popular theories, one would expect this to be distributed over the surface of the globe according to reasonably definite criteria. The less developed countries would be expected to attract more capital than the more developed, and among the less developed those with larger populations and more natural resources would be favoured over the more sparsely populated and poorer areas. A glance at Table II will show that it has not worked out this way at all.

Outside the U S itself, the economically most advanced areas of the world are Western Europe and Canada. Together they contain more than half (53.6 per cent) of total U S private foreign investments. Most of the rest is concentrated in Latin America, which has little more than 5 per cent of the world's population and less than 15 per cent of its area. Obviously U S foreign investment, far from flowing in seemingly "natural" channels or going where presumably it might be

able to do the most good, has been attracted into areas where socio-political conditions are most favourable to private profit-making enterprise and/or where geographical proximity gives to the United States overwhelming military and political power.

If we concentrate on direct investments, the table shows that the share of Western Europe and Canada is a little lower (48.8 per cent) and that of Latin America somewhat higher (34.9 per cent). The rest of the world remains practically unchanged.

By Industry

In the case of direct investments, the data are broken down not only by area (and by selected countries) but also by major industry categories. Here, too, there is a popular theory to be tested. Foreign investment, it is said, is the transmission belt carrying economic progress and development from the more advanced countries to the less advanced. If this were true we would expect to find it distributed in a well-balanced manner among the industries which provide the framework of a soundly developing economy. Examination of our next table, however, demonstrates that this expectation is far from being fulfilled.

Nearly half (45.9 per cent) of direct foreign investment is concentrated in mining and smelting and petroleum, the chief extractive industries; and less than a third is in manufacturing, which of course is the greatest need of the underdeveloped areas. But even these

Table II—Private U S Foreign Investments by Area, 1957

	Total		Direct	
	Billions of dollars	% of total	Billions of dollars	% of total
All areas	36.8	100.0	25.3	100.0
Western Europe	6.8	18.5	4.0	15.8
Canada	12.9	35.1	8.3	33.0
Latin America	11.0	29.9	8.8	34.9
Other areas	6.1	16.5	4.1	16.3

Table III—Private Direct U S Foreign Investments by Major Industries, 1957

	Billions of dollars	% of Total
All industries	25.3	100.0
Mining and Smelting	2.6	10.4
Petroleum	9.0	35.5
Manufacturing	7.9	31.4
Public Utilities	1.8	7.2
Trade	1.6	6.3
Other	2.3	9.2

figures give a very misleading picture, because most of the investment in manufacturing (\$ 5.6 billion or more than 70 per cent of the total invested in manufacturing) is in Western Europe and Canada and hence makes no contribution to the development of underdeveloped countries.

One must conclude that in terms of the industries to which it is attracted, no less than in terms of the countries to which it flows, the pattern of private foreign investment makes but slight contribution to the rounded and rational development of the poorer and more backward areas of the world.

As noted above, direct investments are broken down not only by area and industry but also by selected countries. It may interest Indian readers to know that as of 1957 the total amount of U S direct investment in India was \$ 110 million. This means, of course, that relatively speaking India has been the recipient of a very small amount of private American capital — roughly the same amount as Sweden which has about two per cent of the population of India.

Profitability of Foreign Investment

It has long been known that foreign investment is generally more profitable than domestic investment, and this relation holds for the United States as well as for other capital-exporting countries. Strictly comparable data are not available, but what we do have leave no doubt about the orders of magnitudes involved:

Table IV shows: (1) the ratio of total net profit to the value of assets for all active U S corporations filing tax returns with balance sheets, and (2) the ratio of earnings on direct foreign investment to the total value of such investments. (The figures for all corporations are taken from the U S Treasury's 'Statistics of Income' for 1953 (part

Table IV—Rates of Return, All U S Corporations and U S Foreign Direct Investments, 1949-53

	All Corporations (per cent)	Foreign Investments (per cent)
1949	5.2	14.0
1950	7.1	15.3
1951	6.7	16.8
1952	5.3	15.5
1953	5.2	13.5

2), which is always published several years after the date last covered, which explains why no year later than 1953 is included in the comparison.)

It seems safe to generalize from these figures that on the average direct investments abroad yield profits two to three times as large as investments at home.

An attempt made several years ago to compare the domestic and foreign profits of similar large-scale enterprises—which are, of course, virtually the only ones to undertake direct investments abroad—confirms the conclusion that foreign investment is more profitable, but, as would be expected, the margin is not so large. Table V below gives rates of return on comparable investments in underdeveloped areas, developed areas, and the U S for the years 1945-1948.

It appears that foreign investment in developed areas is only slightly more profitable than in the United States, while foreign investment in underdeveloped areas is consistently close to 50 per cent more profitable. It would seem to follow that the big corporations have good reasons for not wanting to see the underdeveloped countries in which they are inter-

ested develop too fast or too far.

Oil Imperialism

The foregoing facts and figures on foreign investment should help to explain the nature of U S foreign interests and hence also of U S foreign policy. But one factor of crucial importance has been omitted. I refer to the special role of oil in the foreign economic position of the U S.

The statistics presented in Table III above show that the petroleum industry is quite the largest absorber of U S foreign investment. More than a third of the total is in petroleum, a considerably larger proportion than all manufacturing industries combined. Petroleum accounts for an even larger share of the earnings of foreign investment. Table VI repeats the data of Table III in rounded form and juxtaposes the percentage distribution of earnings on foreign investments.

From this table there emerges the startling fact that almost exactly half of total profits of foreign investment comes from the petroleum industry. Even this, however, is not the full measure of the strategic position occupied by oil. For one thing, the oil industry has very large investments in all areas, with emphasis on extraction in the

Table V—Percentages of Earnings to Book Value of U S Direct Foreign Investments in Developed and Underdeveloped Areas as Compared to the U S, 1945-1958

	United States	Developed Areas	Underdeveloped Areas
1945	7.7	7.2	11.5
1946	9.1	10.1	14.3
1947	12.0	12.4	18.1
1948	13.8	14.2	19.8

Source: H J Dernburg, "Prospects for Long-Term Foreign Investment," Harvard Business Review, July 1950, p 44.

Table VI—Percentage of Assets and Earnings by Major Industry Groups, 1957

	Assets (per cent)	Earnings (per cent)
All industries	100	100
Mining and Smelting	11	8
Petroleum	36	49
Manufacturing	31	26
Public utilities	7	4
Trade	6	6
Other	9	7

Table VII—Geographical Distribution of Foreign Investments in Petroleum, 1957

	Billions of dollars	Per cent of total
All areas	9.0	100.0
Western Europe	1.2	13.3
Canada	2.2	24.4
Latin America	3.2	35.6
Other areas	2.4	26.7

underdeveloped countries and distribution in the developed countries. This is brought out in Table VII.

What this means is that there is no part of the world in which the U S oil industry is not vitally interested; whereas the foreign investments of most industry groups are heavily concentrated in a few countries, or even in one single country.

Finally, and perhaps most important of all, the foreign investments of the oil industry are almost entirely owned by a few billion-dollar corporations—Standard of New Jersey, Standard of California, Standard of New York, Gulf, and the Texas Company—which in turn are interconnected by an intricate network of intercorporate and joint-subsidary relationships. These five companies have vast interests in all parts of the world, receive directly or indirectly close to half of the total

profits of U S direct foreign investments, and by reason of their enormous size and fewness of numbers are able to coordinate their policies and make their influence felt both at home and abroad in a manner far surpassing that of any other industry or group of corporations.

It is hardly an exaggeration to say that U S foreign economic policies—and to a large extent military and diplomatic policies too—are determined by the giants of petroleum. American imperialism is an oil imperialism.

Import of Textile Machinery

THE State Trading Corporation has entered into special agreements with manufacturers of textile machinery in Japan, the German Democratic Republic and Czechoslovakia for the supply of various

types of textile machinery on deferred payment terms ranging between four to five years.

The machinery and equipment covered by these agreements include weaving machinery, finishing machinery, blow room equipment, carding engines, drawing frames, combing sets, speed frames, ring frames, complete cotton waste spinning plant, winding and warping machines, sizing machines and automatic looms.

The import of this machinery will be subject to the Import Trade Control Regulations current from time to time. The supplies available from these countries through the agreements may cover bulk of the requirements of the textile mills which may require modernization and rehabilitation in pursuance of the public notices issued by the Government of India on October 31, 1958 and November 5, 1958.

Labour Market Insulation and Technical Change

Rationalization in Bombay Cotton Textiles

Ralph C James

Galenson and Leibenstein emphasize that chronic unemployment creates trade union and political obstacles to technical change and suggest that these obstacles may be surmounted, "by making labour scarce artificially." ("Investment Criteria, Productivity, and Economic Development," Quarterly Journal of Economics, Vol LXIX (August 1955), pp 359-60; 368-9.)

Their suggestion finds its practical application in the labour market for Bombay cotton textiles: labour has been made artificially scarce and, as a result, technical change has been facilitated.

This article considers the ease of technical change and the barriers to labour mobility in Bombay, and then develops a concept of labour market insulation consistent with the Galenson-Leibenstein proposal.

INDIA is burdened with the problem of mass unemployment. Fear of job loss has provoked widespread worker opposition to technical change. This is well illustrated in cotton textile centres other than Bombay city, where management attempts to introduce rationalization have frequently been met with political opposition, vigorous trade union objection, wildcat strikes, and violence. The anti-rationalization strike in Kanpur in 1955, and the anti-reorganization strike in Nagpur in 1956 serve as the two most recent, and dramatic examples. Yet, technical change is taking place with relative ease and with trade union and worker cooperation in the cotton textile industry of Bombay city.

Practically every Bombay mill has effected significant rationalization changes within the past six years or is contemplating doing so. In some cases, they have involved the introduction of new machines, whereas in other examples, the change has been restricted to the rearrangement and intensification of machine assignments per worker. One of Bombay's largest mills illustrates the ease as well as the degree to which technical change has been taking place. In 1952, management embarked upon a programme to introduce new equipment throughout the mill. The union was consulted on each change and extended its cooperation, in return for various wage and working conditions concessions. The average number of workers employed daily was reduced from 6,400 to 4,900 between 1952 and 1955—without a single day's strike. Many similar cases could be cited for other mills in the textile industry of Bombay city.

The representative trade union, the Rashtriya Mill Mazdoor Sangh, is legally invested with considerable power to block or seriously delay rationalization under the Bombay Industrial Relations Act (1946). How then can we explain its reluctance to utilize this power, and its frequent cooperation with management? The union finds that it can most effectively achieve wage and working condition gains by bargaining away its power to forestall technical improvements. Thus, the trade union serves as an active instrument promoting rationalization.

Worker objection to trade union behaviour might then be expected to arise. Sometimes it does, particularly among women for whom re-employment opportunities are severely limited. However, the displaced workers often do not object. (The workers who stay on, operating new machines or an increased number of old machines, usually do not object either for there has been little or no increase in their workload, a condition which is somewhat in contrast with the effect of rationalization in other Indian cotton textile centres. However, this contrast is of relatively minor importance for this paper which is concerned with the employment effect on permanent workers who are displaced or on badli workers who as a result of the rationalization receive significantly less substitute work each month.) In fact, several retrenching mills have been faced with the need to select from among the excess number of workers who are anxious to leave. The reason for this competition for the right to be discharged is partially found in the "retrenchment compensation" and "gratuity" pay-

ments provided by management. Yet Bengal jute workers or Nagpur cotton workers fiercely resist rationalization efforts, despite the frequently larger size of the retrenchment compensation which they will receive. This difference in response can largely be explained in terms of the alternate employment opportunities which the Bombay worker can turn to, but the Bengal jute worker lacks. The Bombay worker can accept his retrenchment compensation and quickly pick up another cotton textile job, because he is in "insulated" labour market.

Occupation Hiring

The insulation of the Bombay cotton textile labour market stems from the industry's extreme occupational hiring, and is strongly reinforced by the regulations of the State government's employment offices for textile workers. Hiring practices within the Bombay textile industry present a striking contrast to the formalized ladders of in-plant promotion prevalent in the United States. The possibility of intra-mill occupational promotion is only rarely given consideration in Bombay textiles. The writer questioned many Bombay personnel officers on their promotion practices. The response of the labour officer of one of the "most enlightened" mills was typical of the vast majority. Laughingly, he replied to the author's question concerning occupational movement: "In this mill, if a man comes in a doffer he stays a doffer." The explanation for this extreme occupational hiring is to be found in:

1. The jobber system as it existed prior to the 1930's.
2. The management attack on the jobber system, and the failure

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to replace it with on-the-job training.

3. The government buttress to occupational hiring: the "Decasualization Scheme."

The Jobber System

The "jobber" constitutes the lowest level of managerial control over labour. Thirty years ago the jobber possessed sweeping power over the workers beneath him. Primarily, they were his workers and only secondarily the workers of the mill. He hired, disciplined, and fired.

Under the jobber system, attachment to job was not based upon impersonal standards such as ability or seniority, but was dependent upon the worker's personal relationship with the jobber. To acquire a job, the worker in the village needed to establish communication in some way with a jobber. Most often, this contact was made through a mutual friend and stemmed from the fact that the worker and jobber had both migrated from the same village or local area. To retain his job, the worker was often required to borrow money from the jobber at a high rate of interest, or to pay the jobber kick-backs from his pay envelope. By hiring men from his own village the jobber could be assured that the worker would not default on a loan. If a worker from his village disappeared, the jobber knew exactly where he could be found. Such isolated clusters of workers and jobber all from the same village developed early in the growth of the labour market. These islands of employment rendered movement alternatives of all kinds more difficult.

Barriers to Labour Mobility

If the worker's personal relationship with his jobber was severed, it became necessary for him to establish another such relationship in order to continue working in the Bombay cotton textile industry. If such contact was impossible, he might try to make an inter-industry move. However, given the need to establish a new personal contact plus the threat to his personal safety, stemming from jobber capacity to mete out small-scale mob violence, the most common move brought the worker home to his village. Thus, the pattern of movement was primarily geographical. It was highly rational and with but little element of accident or random choice. The

worker went to a specific job, based on a specific contact. When he lost it, he went home. (To be sure, he sometimes quit his job or absented it for long periods of time. But similarly, when he did this he did not move within the Bombay labour market. He moved out of it.) Inter-mill, inter-occupational, and inter-industry movement opportunities were all slight.

Attack on Jobber System

Bombay cotton textiles was confronted with several major strikes in the 1920's and early 1930's. This led many millowners and managers to conclude that they did not have sufficient control over their work force. They felt that the jobbers had been a major factor in these strikes, and that attack on the jobber system of hiring would help restore control and safety to their mills. The management campaign to undermine the jobber system began in the late 1920's and has continued and increased since that time.

Major changes have occurred—the hiring function has been assumed by management; hiring has become much more formalized; job attachment has changed to impersonal industry identification instead of loyalty to a particular jobber. Barriers to movement within the industry have also undergone a serious change during the past thirty years. The worker's inter-mill, intra-industry mobility potential has been greatly expanded as a result of the new hiring practices. However, his opportunities for inter-occupational movement, have, if anything, grown even fewer.

Management was ill-prepared to assume responsibility for the hiring function—it needed an explicit standard upon which to base these decisions. Occupational hiring supplied such a standard, and therefore, was an understandable reversion from the system of jobber hiring, filling the gap created by managerial ignorance and inexperience. The introduction of workmen's service cards by the Millowners' Association in the 1920's had facilitated this practice. (Upon departure from a mill, a worker is given a card stating his occupation, years of service, and quality of performance.) Thus, attack on the jobber formalized the definition of a cotton textile worker in the explicit occupational terms of the industry.

Lack of On-the-job Training

On-the-job training is necessary for non-occupational hiring and in-plant promotion. However, with the exception of a few mills which train a few fourloom weavers and four-side spinners, there is practically no formal on-the-job training in Bombay cotton textiles.

The qualification standard of occupational experience is comprehensible in the context of declining jobber power in the 1930's. However, its persistence in the 1950's can be fully explained only by reference to managerial prejudice against on-the-job training. Cotton textile technology requires a low level semi-skilled worker. In Karachi, Pakistan, the author talked with the manager of a new mill who had come from thirty years experience in India as a cotton textile mill manager. In this new Karachi mill he has one main hiring qualification: lack of previous cotton textile mill work experience. (Harbison reports a similar hiring standard for an Egyptian textile mill, where the company has a "... firm policy of engaging young workers with no previous industrial experience." F. H. Harbison and I. A. Ibrahim, "Some Labour Problems of Industrialization in Egypt," *The Annals of the American Academy of Political and Social Science*, May, 1956, p. 117.) He proudly exhibited his new British Northrup automatic looms working at an unusually high rate of efficiency, manned by workers who twenty days before had never been inside any factory, let alone a cotton textile mill. Even Bombay mill management personnel admit that most jobs can be learned in a few weeks at the very most, and that many can be learned in a few days. However, they refuse to act upon this knowledge, continuing to rely on narrow sub-occupational cotton textile experience as the basis of hiring for low skill jobs. This occupational hiring has stratified the labour market into largely non-competing, sub-occupational categories.

The Decasualization Scheme

In an effort to eliminate remnants of corruption in the recruitment process, the Government of Bombay's "Scheme for the Decasualization of Cotton Textile Workers" was inaugurated in 1949. Employers are subjected to con-

siderable pressure from government, trade union, and even from their own employers' association, to hire through the four government hiring halls scattered throughout the mill portion of Bombay city. As a result, about 75 per cent of the workers hired are supplied by the Government.

An unemployed worker is eligible for listing on the Scheme's employment register only if he has formal written evidence of employment in a cotton mill in Bombay State within the past seven years; the obvious effect of this is to preserve textile jobs in the city exclusively for workers with previous experience. Furthermore, the Scheme files the names of cotton textile workers under over 200 sub-occupational categories for administrative purposes. Employers must request workers on the basis of these sub-occupational categories. Thus, co-operation with the Scheme perpetuates the practice of sub-occupational hiring.

The Scheme has formalized and given government sanction to the prevailing employer hiring practices, and thereby has supported the restriction on the labour supply to the industry. In addition, it has directly eased a worker's potential for making an inter-mill movement by increasing his knowledge of available job alternatives and diminishing corruption in hiring. Hence, the overall effect of the Scheme is to increase a worker's job alternatives and thereby facilitate a mill's capacity to introduce a rationalization change.

Restricted Labour Supply

Extreme occupational hiring results in labour supply bottlenecks unless a surplus labour supply exists in most or preferably all sub-occupational classifications. That is to say, extreme occupational hiring can work successfully from the standpoint of the employer only if there are many pockets of unemployed workers. Such chronic unemployment in a labour market would ordinarily provoke trade union protest. However, trade unions were extremely weak in Bombay cotton textiles in the 1930's. The extreme labour surplus conditions of this period rendered occupational hiring feasible without effective opposition.

The 1940's witnessed a quickening of economic activity in Bombay cotton textiles and an increased demand

for labour. At the same time, the attack on the jobber system and the imposition of extreme occupational hiring tended to thin out the labour force. By the end of this decade, the conditions of increased demand began to exert strong pressures against the supply restrictions. It was just at this time that the Government intervened in the labour market to buttress the labour supply restrictions.

It seems likely that the artificial ("artificial" in the sense that the occupational barriers are institutionally, not technically determined) barriers to movement of labour into the industry would have been dissipated in the early 1950's in the absence of government intervention. By 1949, unemployment in cotton textiles was probably much less than it was in the broader labour market for the city. This disparity greatly increased during the early 1950's. The government's Decasualization Scheme lent the necessary support to occupational hiring and industry isolation during this period. As a result, relative labour scarcity has been created in a subdivision of a labour market more generally characterized by a plethora of labour.

"Labour Market Insulation"

A labour market is isolated to the degree that workers are barred from entering it. The market is insulated if the barriers facilitate the reemployment of the workers already within its boundaries. An isolated labour market provides insulation if the ratio of job seekers to job openings is greater in the broader market than in the restricted one. Under this circumstance, a displaced worker has greater alternate employment opportunities to the degree that the labour supply of his narrower market is cut off from the broader supply.

The width and dimension of the restricted market are crucial to the success of such a policy. Insulation based on occupation may provide protection but probably will not facilitate technical change. In contrast, insulation defined in terms of a major industry may significantly ease the rationalization process, as illustrated by Bombay cotton textiles.

Furthermore, labour market insulation works most effectively if the reduction in the total number of jobs is not in excess of the voluntary departure rate from the industry. Thus, although enabling

change, labour market insulation also contains a built-in guarantee that the change will not effect unduly deleterious consequences upon the workers involved.

Comparison with the United States

The "labour market insulation" concept and its relevance to the under-developed area may be clarified by comparison with the United States.

The two most prevalent forms of labour market insulation in the United States may be conceived as:

1. Occupational insulation stemming from the "closed shop" policy followed by craft unions.
2. Plant insulation deriving from the seniority principle as applied to layoffs and rehiring.

Both of these forms of insulation protect workers but obstruct technical change. Occupational and plant insulation are to be contrasted with industry insulation as illustrated by Bombay cotton textiles. Industry insulation not only protects the isolated workers, but also tends to facilitate technical change in an economy characterized by chronic unemployment.

American trade union history provides many illustrations of attempts to differentiate and isolate the labour market for a particular occupation. In fact, this phenomenon is a basic underlying principle of the traditional AFL form of craft organization. The craft union attempts to restrict and control entry into the occupation, and establish itself as the monopolistic supplier of labour for a particular occupational classification. This form of labour market isolation has frequently provided insulation in that it has added to the job security of the employed worker and supplied him with eased access to alternate employment. However, this form of labour market insulation has often tended to obstruct technical change: the union resists any change in technology which might dilute the skill of its occupation or undermine the barriers to entry into the occupation which it has established as its preserve. (To be sure, there are certain exceptions to this. For example, the typographical workers attempted to maintain the insulation while at the same time cooperating with technical change. They agreed to change providing only union members would be used on the new machines.)

The seniority principle as applied to layoffs and rehiring serves as another major American illustration of labour market insulation. Seniority isolates the work force of the individual plant: within the plant, seniority may provide the same sort of insulation which the Bombay factors do for the entire industry labour market. Laid-off workers are in a preferential position with regard to the individual firm. However, plant insulation obstructs technical change for it is so narrowly defined that it does not offer the displaced worker an alternate employer from whom he can seek a job. A moving worker, in the context of recession, meets the barrier of firm insulation at every employer he encounters. The only way his union can protect his opportunity for reemployment within the industry is to preserve the number of jobs in the industry on a plant-by-plant basis, and do this by opposing technical change. *

Plant and Industry Insulation

The Bombay cotton textile insulation differs from the American in that it is based on an industry rather than a plant demarcation. If the Bombay insulation restricted inter-plant movement, the negative effect upon technical change would undoubtedly be far greater than that in the United States, for it would block the displaced worker out of his industry and subject him to the pervasive unemployment of the broader labour market. This conclusion is supported by experience in Kanpur and Sholapur, where the insulation provided by the local Decasualization Scheme is plant-oriented rather than industry-oriented. Rationalization has encountered much greater opposition in these two Indian textile centers than in Bombay city.

American workers are blocked in making job moves because of their inability to "shop around" while remaining unemployed. An American worker frequently must quit his old job before he is able effectively to search for a new one. Although this may not serve as a significant barrier to movement in a fully employed local labour market, it probably does in one characterized by recent layoffs. The Bombay worker also must quit his job before seeking another; the Decasualization Scheme will not register a worker unless he has been officially

separated from his previous employment. However, the Bombay worker is free from plant defined seniority in seeking re-employment in one of the 55 employing units in the Bombay cotton textile industry. He is not insulated out of other firms in the industry as is the Michigan auto worker—rather he is "insulated in," protected from the unemployment of the broader labour market of Bombay. Thus, in a recession, fluidity in the American local labour market must be viewed in the context of the plant insulation which a moving worker encounters at every employer he confronts. In contrast, the Bombay barriers to movement are in the context of industry insulation, an insulation which eases rather than obstructs intra-industry movement of labour. This is true even under conditions of contracting demand for labour within the industry, provided the contraction is not significantly in excess of the rate of voluntary departures from the industry. Thus, the message of this article is applicable to the relatively small plant-by-plant technical change, rather than to the large industry-wide innovation.

Occupational Insulation

Although the phenomena stem from quite different causes (the American form follows the practices and traditions of craft trade unionism. Occupational insulation in Bombay stems from the employer emphasis on sub-occupational hiring, a practice which originated in the 1930's during the management attack upon the jobber system), labour market insulation in the United States and Bombay are similar in that they both have a strong occupational basis. When hiring is occupationally based, technical change that eliminates an occupation creates its own opposition. This is particularly true under conditions of persistent unemployment, when displaced workers cannot find new jobs.

Sub-occupational hiring in Bombay textiles tends to counteract the industry insulation which facilitates technical change. Until the present, this adverse effect has been mitigated by a fortunate combination of favourable circumstances. Rationalization changes have been spread fairly evenly throughout the different occupations; no one occupation has been threatened by

elimination. The work force is old, and thus the voluntary departure rate is relatively high. Production volume has been expanding, reducing the degree of unemployment which might result from rationalization.

However, these favourable circumstances cannot be expected to dominate in other industries, or even to continue in Bombay cotton textiles. Consequently, it would seem that reliance should be placed on industry, rather than occupational insulation. Optimum labour market conditions for technical change could be promoted by eliminating the occupational basis for the industry insulation in Bombay cotton textiles, and placing greater emphasis upon the fundamental rule of the Decasualization Scheme: to be a cotton textile worker, you must have been one.

Nevertheless, a too rapid elimination of occupational hiring could be disrupting. Elimination of occupational barriers might, indeed, undermine the industry insulation altogether. The present insulation as provided by the Decasualization Scheme depends upon the voluntary cooperation of employers. It is not compulsory in nature. Twenty-five per cent of the hiring in the industry is done in violation of the Scheme's procedure. Yet, most of the violations are consistent with the Scheme's principle of reserving cotton textile jobs for ex-textile workers, for the employers prefer sub-occupational hiring. If labour-market insulation be deemed a desirable device through which to facilitate technical change, it is probably necessary to retain the occupational barriers, at least until the Scheme's rules are made mandatory upon the employers.

Even if the Scheme is made compulsory upon employers, abrupt elimination of the occupational hiring standard would probably be disrupting. Sub-occupational hiring has served as the basic hiring standard for over twenty years. Sudden change would tend to imbue a mobile worker with uncertainty and a desire to hold on to the present job. It might provoke one or more of the anti-change responses characteristic of cotton textile centers of India other than Bombay. Gradual change from the occupational hiring basis for industry insulation is probably the most practical solution consistent with long-

run facilitation of technical change. Employers can correct the rigidity inducing barrier of occupational hiring by placing greater stress upon on-the-job training. Given the conservatism of Bombay employers, there is little danger that the change from occupational-enforced insulation to purely industry insulation will proceed at too fast a pace.

In the Context of Unemployment

Industry insulation facilitates technical change only in the context of the pervasive unemployment characteristic of heavily populated, under-developed economies. Labour market insulation in the United States presents a contrast to that of Bombay not merely in form but also in the context of unemployment and alternate job opportunities. Aside from frictional and seasonal unemployment, the threat of unemployment in the United States is primarily of a cyclical nature. It stems from insufficiencies in aggregate demand. The widespread unemployment in India is of a different sort; it is to be explained in terms of structural imbalance in the relative supplies of the factors of production: superfluity of labour and paucity of capital, with technologically limited opportunities for factor substitution.

Labour market insulation tends to obstruct technical change in an economy characterized by relative balance in the supply of its factors of production. In such a case, decreases in the number of jobs available within one industry are roughly matched by increased opportunities in expanding industries or in other geographical areas. The generally accepted remedy for unemployed anthracite coal miners in eastern Pennsylvania or unemployed textile workers in New England is movement into other industries. Somers succinctly presents the argument for maximum labour mobility in the United States:

In a dynamic economy of declining and expanding industries, changing manpower needs call for a ready mobility of labour between industries, occupations and areas. This problem has been high-lighted by the persistence of serious pockets of unemployment in areas dominated by declining industries. For these areas, the

solution lies in either outward migration of workers, or introduction of new employment opportunities to which local labour can adapt. — Gerald S. Somers, "Labour Supply for Manufacturing in a Coal Area," *Monthly Labour Review*, Vol. 77, No. 12 (December 1954), p. 1327.

Thus, labour market insulation, even if defined along industry lines, would tend to obstruct technical change in the United States for it would hinder movement to expanding industries and areas.

In contrast, India and other densely populated underdeveloped lands are faced with an imbalance in the supply of their factors of production. Labour opposition to technical change may result because a displaced worker cannot easily find a new job in another industry or geographical area. Such economies may facilitate technical change and increase productivity by deliberately protecting particular sectors from chronic labour surplus by a policy of labour market insulation, industry defined.

Conclusion

I have presented a case study of rationalization in the Bombay cotton textile industry, relating the ease of technical change to the structure of the labour market. It is found that a policy of "labour market insulation" can create an artificial scarcity of labour, and thereby greatly diminish worker opposition to productivity-enhancing improvements. It was apparent in conversations with this writer that several Bombay management officials are aware that labour supply restrictions are diminishing labour opposition to rationalization, and indeed, this is a major reason some of them support the State's Decasualization Scheme. Similarly, one of the most prominent Ahmedabad millowners, Shri Gautam Sarabhai, has in effect argued that the absence of labour market insulation in his industrial center has intensified worker opposition to rationalization. Therefore, he has advocated a more extreme form of labour market insulation than is present even in Bombay. (Ministry of Commerce and Industry, Government of India, 'Report of the Working Party for the Cotton Textile Industry', April 1952, pp. 585-588.)

However, the fact that rationalization can be facilitated in this way does not mean that it should be. No implication of strong advocacy of capital-intensive techniques in the heavily populated underdeveloped area should be read into this article: this is another question and beyond the scope of this manuscript. I, personally, would maintain that labour displacing changes should be introduced in these countries only on a gradual basis, with consideration given to their effect upon displaced workers and labour-intensive village production. The Indian cotton textile industry which serves as the empirical basis for the concepts developed in this paper, illustrates well the potentially harmful consequences of rapid technical change for these two groups. But even in Indian textiles there are occasions when any reservations as to the desirability of capital-intensive machinery must be abandoned. For example, in June 1956 the Indian Government sanctioned the importation of 14,600 automatic looms. Once imported, these looms should certainly be utilized. Given such a governmental sanction, it becomes the economist's job to suggest means to reduce worker opposition and thereby facilitate the introduction of the new equipment. This article provides a potential answer to this policy question.

Norms Committee

THE Government of Bombay has appointed a norms committee to evolve norms in respect of various matters which form the subject matter of industrial disputes between employers and workmen in 24 different industries.

The committee consists of: Deputy Commissioner of Labour (chairman); Labour Adviser, Bombay Chamber of Commerce, and Joint Secretary of the Bombay Branch of the Indian National Trade Union Congress (members); and Assistant Commissioner of Labour (secretary).

The committee will examine the settlements, agreements and awards made under the Industrial Disputes Act, 1947, from January 1, 1953 onwards and suggest norms in relation to various industrial matters, other than those relating to wages and dearness allowance, which have formed subject matter of disputes in the 24 specified industries.

The Nagpur Resolution

Agrarian Organisation Pattern

K S Gill

The unanimous vote on the Nagpur Resolution should not delude anyone into the belief that the august assemblage that adopted it were all thirsting for its implementation. Indeed, the proceedings of the session indicate considerable open opposition. More than that, there was widespread mental reservation.

The chances, therefore, are that, left to themselves, some State Governments may just refuse to enact the necessary legislation, and most of the rest may leave enough loopholes for the landlords to escape.

And, if as is most likely, in case the State Governments are left to themselves, no attempt is made to confer proprietary rights on the remaining occupancy tenants, the ceiling is fixed as high as 30 standard acres or so, all sorts of exemptions are allowed. . . and legislation is implemented through the bureaucracy without participation of the landless tillers themselves, the Resolution will remain virtually a dead letter.

There will hardly be any impact on the existing organisational pattern of agriculture.

THE Nagpur Resolution on agrarian organisational pattern is, in letter, quite forward looking. It recommends that:

- 1 The village organisation and development should be based on Panchayats and co-operatives;
- 2 The future agrarian pattern should be that of cooperative joint farming, the produce of land being shared partly in proportion to labour rendered and partly in proportion to land pooled;
- 3 As a first step, prior to the institution of joint farming, the whole country should be covered with service co-operatives during the next three years;
- 4 Even within the three years, wherever possible, joint cultivation may be started;
- 5 Ceilings should be fixed on existing and future holdings and legislation to this effect, as well as for the abolition of intermediaries, should be completed in all States by the end of 1959; and
- 6 The surplus land should vest in the Panchayats and should be managed through co-operatives of landless labourers.

The actual impact of the Resolution on the agrarian pattern will, however, depend on how it is interpreted and implemented.

Issues in Interpretation

The most important issue in the interpretation of the Resolution is that of appropriate definition of the different relevant categories. Much will depend upon how these cate-

gories are defined in the legislation to be enacted to give effect to this Resolution. Some of the major definitional issues are discussed below.

Landless Labourer

The Resolution recommends that the surplus land should be managed through co-operatives of landless labourers. This calls for definition of the terms "labourer" and "landless".

"Labourer" is intended in the Resolution to mean hired farm workers, i.e., those working for wages. But how to distinguish hired farm workers from tillers working on own account, i.e., from cultivating tenants? The difficulty arises because quite a proportion of attached (as distinguished from casual) farm employees are paid not a fixed wage but a share of the crop. As long as a farm worker is paid a fixed wage — whether in cash or kind, and with or without the supply, in addition, of perquisites, is immaterial for the present purpose — he is certainly a hired farm worker. The problem arises when he is paid a share of the crop. The Congress Working Committee in their suggestions appended to the report of the A I C C Agricultural Production Sub-committee have recommended that a tiller whose wages depend upon the produce or the crop should be treated as a tenant. If the term "labourer" is interpreted to mean hired farm workers, if accordingly, the membership of the co-operatives that would manage the surplus land is limited to landless hired farm workers, and if tillers receiving wages as a share of crop are

classed as tenants, a sizeable proportion of landless tillers would be debarred from the membership of such co-operatives. There seems to be little justification for this. Indeed, there is little justification for keeping out any category of landless tenants. To get over this difficulty, it is suggested that the term "labourer" should be interpreted to mean a "tiller". And a "tiller" should be defined as a person who personally engaged (as distinguished from mere supervision) during the last two years in specified principal farming operations (ploughing, sowing, hoeing, weeding, harvesting etc) for a total of not less than 240 days. The capacity in which a person engaged in farming operations — i.e., whether as hired farm worker, tenant cultivator, or owner cultivator — should be considered irrelevant in determining whether or not a person was a "tiller".

The problem, next, is to define the term "landless". If it is defined literally to mean a person without any agricultural land whatsoever, a good proportion of even hired farm workers, not to mention other categories of tillers, would be debarred from the proposed co-operatives. As revealed by the 'Report on Agricultural Labour Enquiry' (1954), a considerable proportion of agricultural labourers (defined as persons who had been engaged in agricultural operations as hired labourers for wages for 50 per cent or more of the total number of days worked by them during the previous year) owned small plots of land. Over the country as a whole, agricultural labour

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families (defined as those in which either the head of the family or 50 per cent or more of the earners were agricultural labourers) formed 30.4 per cent of the total of rural families. Of the former, exactly half, i.e., 15.2 per cent of the total of rural families, were with land. It would be wrong to exclude these small holders. The term "landless" should, therefore, be defined to include all those holding no land, or holding less than a specified minimum of land, say, 2 - 3 standard acres.

"Landless labourer", understood as "landless tiller" could then be defined as: "any person, not holding more than 2 - 3 standard acres of land, who, during the previous two years, had personally engaged in specified principal farming operations for a total of not less than 240 days." All such landless labourers or tillers should be eligible for membership of the proposed co-operatives.

Panchayat

The Resolution suggests that surplus land should vest in the Panchayats. Since this land is proposed to be managed through cooperatives of landless labourers, it would be very improper to vest it in the existing Panchayats which are dominated in most cases by the rural rich — the substantial holders, the moneylenders and the traders — who are the very people who today employ, exploit and oppress the landless labourers. If the latter are to be freed from exploitation and oppression, if their social status is to be improved, and if they are to be enabled to make full and efficient use of the surplus land, such land must vest in them, at least collectively. To this end the term "Panchayat" should be interpreted to mean Panchayats exclusively of landless labourers. Once the landless labourers of each village have been demarcated in accordance with the definition suggested above, the election of their separate Panchayats could be easily arranged. The surplus land should vest in such landless labour Panchayats rather than existing Panchayats.

Holding

A "holding" should be defined, for the present purpose, as the area over which a person has full proprietary rights, i.e., exclusive permanent, heritable and trans-

ferable rights. In other words, no one below or above this person should have any permanent and heritable rights on the area. The definition adopted in the Census of Holdings insisted only on one of these conditions, namely that for an area to be considered as a person's holding no one below him should have any permanent and heritable rights on it. If below him (A) any other person (B) had such rights, the area was to be considered the latter's (B's) holding and excluded from the former's (A's) holding. For the present purpose it is necessary to insist on the second condition as well, namely that for an area to be considered a particular person's holding no one above him, either, should have any permanent and heritable rights or otherwise limit his proprietary rights on it. Or else two different categories, namely "area held in full proprietorship" and "area held under occupancy rights only" will be (wrongly) treated alike.

Occupancy Tenants into Full Owners

Where occupancy rights are yet held under intermediaries, as, for instance, in the case of "protected tenants" in Bombay, legislation for the abolition of intermediaries should be enacted, as required by the Nagpur Resolution, by the end of 1959. If this legislation is modelled, as is most likely, after the U P Zamindari Abolition Act, its effect would be to transform the occupancy tenants of the intermediaries into that of the State. It may be recalled that in U P, as a result of the Zamindari Abolition Act, the occupancy tenants of the Zamindars became the occupancy tenants of the State, called Sirdars, paying to the latter the same rental as previously paid to the farmer. Naturally, the problem next is to turn the occupancy tenants of the State into full proprietors. Under the U P Zamindari Abolition Act the Sirdars, in order to acquire proprietary rights (called Bhumidari rights) had to pay 10 times their rental liability in lump sum (or a somewhat higher multiple in instalments). The majority of the Sirdars, some three-fourths of them measured by the area held, have failed to acquire Bhumidari rights. The process has practically come to a halt, with little chances of revival.

A practical way now to enable the Sirdars to acquire proprietary rights appears to be as follows. Such of them as hold (including the area held under Bhumidari rights) less than a minimum amount of land, say, half a plough-unit, may be conferred proprietary rights gratis. All others must be required to acquire such rights by a specified date either by paying up the amount due or by surrendering land in lieu of it. The same general procedure may be adopted elsewhere to turn the occupancy tenants of the State into full owners. The suggested procedure then is: from occupancy tenants of intermediaries, through those of the State, to full owners. That is the way to ensure that all holdings shall represent uniformity of rights, namely full proprietary rights. These could then be treated alike for the present purpose. In case of a mortgage with possession the area could be treated as forming part of the holding of the mortgagee.

Ceiling: Tillers and Non-tillers

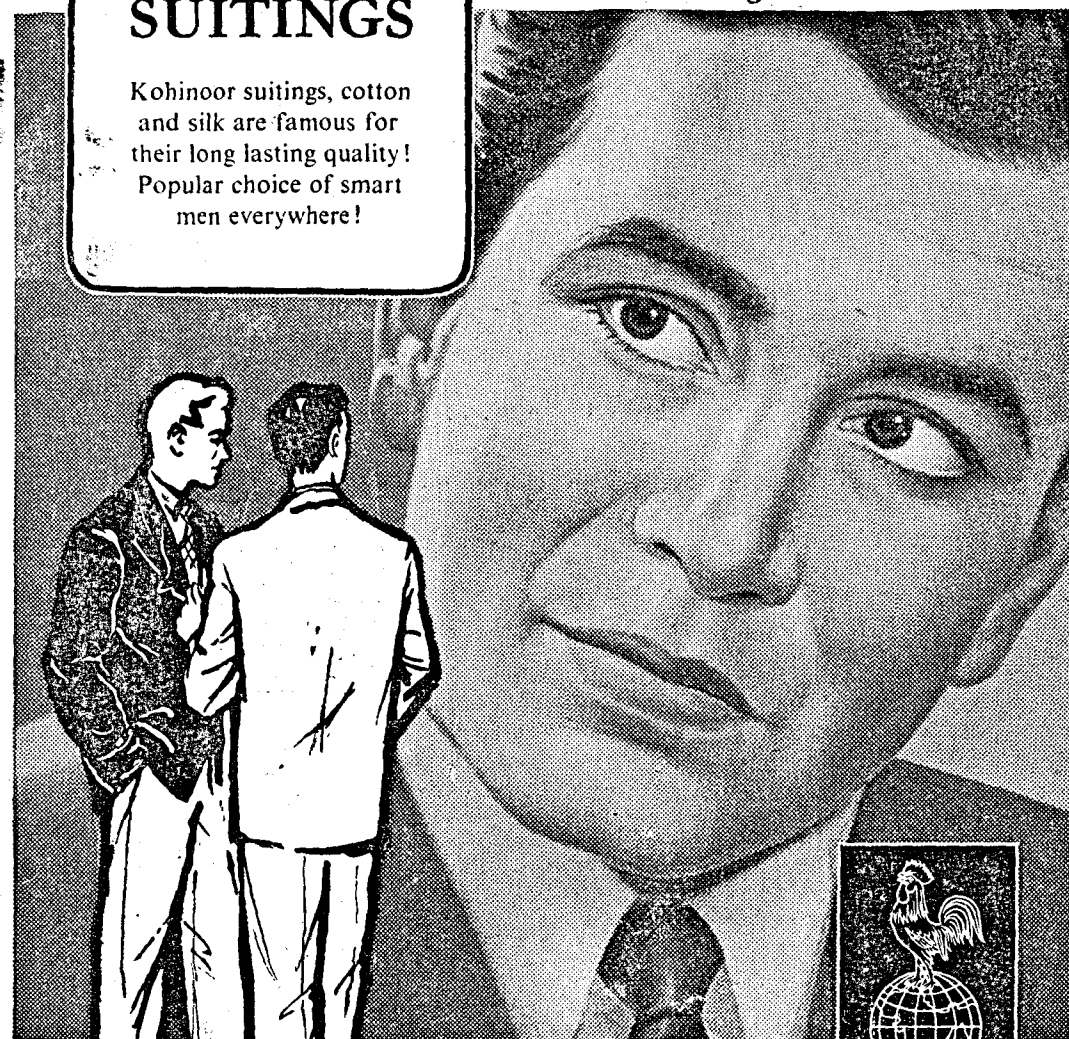
In fixing the ceiling, account must be taken of the fact that landlords all over the country have, by now, very largely either sold off or dispersed the surplus land. One way to counteract this would be to invalidate all transfers since a suitable date and proceed to determine the surplus with reference to the size of the holding on that date. Recent experience, e.g., in the Punjab, shows that it is very difficult to fix a date early enough to yield adequate results. Besides, even if an early enough date were actually fixed, its implementation would raise several thorny problems. A considerable proportion of this land, it may be recalled, has been sold to bonafide buyers, many of whom are actual tillers. Would it be desirable to deprive them of this land? Even if so, how should they be enabled to recover the price paid by them? And so on.

A better way, consistent with the objectives of the Resolution, appears to be to have two ceilings — one for the tillers and the other for the non-tillers. The two ceilings must be fixed in terms of the most important indivisible unit of agricultural real capital. Pending co-operativisation, i.e., as long as family farming remains the general rule among the substantial holders, the

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most important such unit must be the plough unit. Cultivation by tractors is socially unnecessary at the present stage of the country's development. It is doubtful if to-day it is generally paying even in the sense of private net return on capital. It should, therefore, be discouraged. Indeed, the main incentive to cultivation by tractors to-day is the desire to escape redistributive agrarian legislation through instituting "personal" cultivation. Once such legislation is finally enacted and implemented, this incentive will no longer be there. Accordingly bullock cultivation may be considered as the normal rule for a considerable time to come. When such cultivation is carried on on a family basis, the most important indivisible unit of real capital naturally is the plough unit. The ceiling may, therefore, be fixed best in terms of this unit: two plough-units for tillers and one plough-unit for non-tillers. (Persons who are non-tillers because of exceptional circumstances, e.g. defense personnel other than senior Commissioned Officers, minors, widows, invalids, workers and employees drawing less than Rs 250 per month etc. could be treated for this purpose at par with tillers.) In terms of standard acres, as the term is understood in the Punjab, the ceiling would thus be fixed at about 20 and 10 standards acres, respectively. This way the dispersal of lands by the substantial holders could be considerably counteracted while the interests of bonafide tiller-buyers of such land could be protected.

Surplus Land

If the ceiling is imposed at the indicated level, the surplus land released would be large enough to afford considerable relief to the landless tillers and to impart significant impetus to cooperativisation of farming. On the other hand if a single ceiling of about 30 standard acres is fixed for all holders, whether tillers or non-tillers, the proposed agrarian legislation will be a flop. The country just cannot afford this. For this would frustrate hopes alike of overcoming agricultural stagnation and of achieving peaceful and orderly social change.

For determining the "surplus land" available with the large holders, the holdings and the ceiling must be reduced to a common mea-

sure, i.e., into "standard acres". The "standard acre" may be defined as one-tenth of a "plough-unit". The "plough-unit", in turn, may be defined as the area of land that can be adequately serviced, under the existing agricultural techniques, with a pair of bullocks. The "plough-unit", and hence the "standard acre", will naturally vary in terms of ordinary acres depending upon the nature and quality of land. Ceiling at the suggested level would fix it at 20 standard acres for the tillers and 10 standard acres for the non-tillers.

The Second Five Year Plan had suggested several exemptions from the operation of the ceiling on existing holdings. The Nagpur Resolution is silent on the point. But it is obvious by now that such exemptions, particularly those, in respect of orchards, specialised farms, and efficiently managed farms would provide wide loopholes for the substantial holders to escape. When distribution of the surplus land among the landless and the landpoor was contemplated, there could be some justification, even if just theoretical, for leaving highly mechanized or well-managed farms intact. For fragmentation could possibly impair their efficiency. But now that it is proposed to keep the surplus land intact and to manage it cooperatively, there is really no case for such exemptions.

To be Augmented

The Resolution suggests that the surplus land should vest in the Panchayats and should be managed through cooperatives of landless labourers. If at least a minimum of success is to be achieved in providing land to the landless tillers, the term "surplus land" should be interpreted to include not only the part of holdings in excess of the ceiling but also:—

- land surrendered by occupancy tenants in lieu of the amount payable by them for the acquisition of proprietary rights;
- surplus government lands;
- the Bhoodan lands;
- the village common lands, and
- the lands acquired under the land management legislation (i.e., for failure of the owners to cultivate these).

All these lands should vest in the landless labour Panchayats and be managed through the landless la-

bour cooperatives. Besides, all other land available for renting out should be disposed of only through the landless labour Panchayat. This will ensure that all such land is made available to those who need it the most and that legislation in respect of fair rents, fixity of tenure etc. is adequately enforced.

The Resolution, while accepting cooperative joint farming as the future agrarian pattern, envisages, as a first step, a three-year period in which the emphasis is to be on creating a network of service cooperatives to cover the whole country. This is a correct approach. As experience elsewhere indicates, the transition from individual to cooperative joint farming cannot be effected in one step; it has to proceed through several transitional steps. However, in the case of "surplus land", the Resolution requires that the Panchayat should forthwith manage it through cooperatives of landless labourers. If "cooperative management" is interpreted as "cooperative joint farming", it would require change over to cooperative joint farming at a single step. This would be anomalous. Why should landless labourers be required to do straightway what is considered proper only through several transitional steps in the case of the rest of the peasantry? It would, therefore, be proper to interpret "cooperative management" in such a way as to permit the cooperatives of landless labourers, in the first instance, to distribute the land equally among the members for cultivation, while performing some minimum common services. At the same time, it could be made incumbent on such cooperatives to organise their members into labour exchange teams within three years and to pass on to cooperative joint farming within five years. This interpretation would remove the apparent anomaly in the Resolution as between what is expected of the landless labourers and the rest of the peasantry in regard to the change over to cooperative joint farming.

Implementation: Administering Agency

Defective implementation can bring to nought even the most soundly conceived land reform legislation. It is, therefore, imperative to ensure correct and effective implementation. Some of

the issues that this raises are discussed below.

The land reform legislation and other measures seeking to give effect to the Resolution should be implemented through two distinct agencies working in collaboration: The Land Reorganisation Department and the Landless Labour Panchayats. Each State should create an independent Land Reorganisation Department. Its personnel should be drawn temporarily from among such of the staff of the revenue, agriculture, cooperative, consolidation etc. departments and the N E S as are known for their honesty, integrity, sympathy for the tillers and a reasonable understanding of the land problem. If necessary, the desired type of personnel may also be recruited from the "open market". The entire staff of the new department should be put through a short but intensive course of training, preferably in conjunction with pilot surveys for the implementation of the legislation. While the proposed department will remedy the weakness felt hitherto of "inadequate administrative action", the way out of the "weakness in organisation at the village level" must be sought in the organisation and activation of Landless Labour Panchayats mentioned above. This is the first job to which the proposed Department should address itself. The Village Landless Labour Panchayats should form the base, and indirectly elected Circle, District and State Landless Labour Panchayats, the superstructure.

Land Evaluation

And Determination of Status

The evaluation of holdings in terms of standard acres and determination of the status of the holders and the labourers should be the responsibility of the village Land Reorganisation Tribunal comprised of the Land Reorganisation Officer deputed to the village (Chairman), the Chairman of the village Panchayat and the Chairman of the Landless Labour Panchayat. An appeal against a decision of the village tribunal may lie with the Circle Tribunal comprised of the Circle Land Reorganisation Officer (Chairman), and the Chairman and the Secretary of the Circle Landless Labour Panchayat. The decision of the Circle Tribunal should be final. Disputes as to whether or not a tiller was a "land-

less tiller" should likewise be disposed of by the village Tribunal with right of appeal to the Circle Tribunal.

As soon as the status of substantial holder had been determined and their holdings evaluated in standard acres, the ceiling could be applied. The surplus land could then be demarcated and vested in the Landless Labour Panchayats.

The Land Reorganisation Department assisted by the Landless Labour Panchayats and Landless Labour mass organisations could now proceed to organise landless labour cooperatives to manage the surplus land. In due course, the Department, assisted by the village Panchayat and mass kisan organisations, could proceed to organise joint farming cooperatives embracing other tillers.

Cooperative joint farming raises all sorts of problems which need to be solved satisfactorily. It is, therefore, imperative that steps should be taken right now to gain necessary experience. One way to do this would be to seek to organise such cooperatives on other categories of surplus land, e.g., surplus government land, Bhoodan land etc. Another way would be to organise small holders' cooperatives which, naturally, would be very similar to the proposed landless labour cooperatives. On the basis of the experience thus gained, a set of model regulations could be drawn up to serve as a guide for the proposed cooperatives of landless labour and the rest of the peasantry.

Peasant Movement Needed

The unanimous vote on the Nagpur Resolution should not delude anyone into the belief that the august assemblage that adopted it were all thirsting for its implementation. Indeed, the proceedings of the session indicate considerable open opposition to the entire approach to the agrarian organisational pattern embodied in the Resolution. More than that, there was widespread mental reservation. The chances, therefore, are that, left to themselves, some State Governments may just refuse to enact the necessary legislation, and most of the rest may leave enough loopholes for the landlords to escape. Hardly any Congress government is expected to interpret and implement the Resolution in the manner indicated above. And, if as is most

likely, in case the State Governments are left to themselves, no attempt is made to confer proprietary rights on the remaining occupancy tenants, the ceiling is fixed as high as 30 standard acres or so for both tillers and non-tillers, all sorts of exemptions are allowed, the surplus land is vested in the existing Panchayats rather than the suggested Landless Labour Panchayats, surplus government lands, Bhoodan lands etc. are not pooled into the surplus lands released through imposition of ceilings, and legislation is implemented through the bureaucracy without participation of the landless tillers themselves, the Resolution will remain virtually a dead letter. There will hardly be any impact on the existing organisational pattern of agriculture.

Only a vigorous peasant movement spearheaded by the landless tillers can ensure anything like the interpretation and implementation of the Resolution suggested here. Here is an opportunity and a challenge for all those who genuinely believe in a socialist pattern of society to work towards putting the country on the road to that goal. Is it too much to hope that they will rise to the occasion?

Jet Service to India

STARTING at the beginning of April, B O A C will operate four services a week with the Comet from India to Europe and London in one direction, and to Hong Kong and Tokyo in the other. The first of these will serve both Delhi and Calcutta.

Both these cities will have at least two services a week from the outset, and in due course the Comet will take over all the B O A C services throughout the East from the Britannia jet-prop airliner. This summer, too, they will offer services from Bombay and Colombo to Singapore and the Far East and later in the year, from India to Australia as well.

When B O A C's first Comets are heading East, their Britannia's will start flying West out of London on the 14,000 mile journey across America and the Pacific Ocean to Tokyo and Hong Kong. There they will link with the Comets out of Calcutta and Delhi to make India a major focal point on the world's first round-the-world jet air service.

Agricultural Development

No Integrated Approach

(Contributed)

A large number of Commissions and Committees have inquired into various aspects of our agricultural problems over the last 30 years. Their recommendations have generally been well thought out but they have rarely been implemented.

Whether one takes up the question of land reforms or cooperative credit or cooperative farming or price stabilization, our performance has been more or less uniformly disappointing. The reasons lie in administrative weakness and lack of clarity about objectives.

Our approach to problems of agricultural development has to be much more integrated than it has been so far.

IT is nearly 30 years ago that the Royal Commission on Agriculture submitted its epoch-making report. The different sub-committees of the Policy Committee on Agriculture, Forestry and Fisheries reported in 1945. Since then we have had a plethora of committees and surveys, the First and Second Five-Year Plans, and several assessments of the performance in the agricultural sector. In spite of all these, we are still in the ridiculous position that "India, a pre-dominant agricultural country, should import foodgrains from industrialised western countries like Canada and U S A". That is to say, our performance in the agricultural sector has been far from satisfactory, and it appears poor indeed when compared with the reportedly marvellous achievements of Chinese agriculture.

The more important aspects of agricultural planning may be brought under these four broad heads:

- (1) planning for research.
- (2) physical and operational planning;
- (3) institutional planning; and,
- (4) price policy.

In subsequent paragraphs, we shall refer briefly to the more important reports that have been submitted under each of these heads.

Planning for Research

The report of the Joint Indo-American Team on Agricultural Research is an important document, which gives us an insight into the effectiveness with which research in agriculture is being carried out by various agencies sponsored by Central and State Governments. Assessing the current status of agricultural research in India, the report says:

"The agricultural research under way in India includes some excellent work in well-equipped laboratories with trained and able scientists making a real contribution. The total research programme under way, however, is inadequate to meet the needs and demands for improved agricultural materials and practices on Indian farms" (p 16). However, while assessing the working of the Indian Council of Agricultural Research, which is the most important policy-making body for agricultural research, the report had to emphasize this unpleasant truth:

"The temporary nature of the Council's schemes...precludes the employment of permanent staff.... Such temporary staff can hardly be expected to give their undivided attention to research work with an uncertain future.... In many cases, competent research workers leave the schemes because of insecurity and seek their prospects elsewhere, resulting in the break of much desired continuity in research work and the dissipation of trained research workers, often into fields not even remotely connected with their training and experience. This is one of the reasons why a hard core of trained research workers in different scientific fields has not been built up through I C A R research schemes although the council has been sponsoring research for the past 25 years"—(p 10).

The position is, therefore, such that agricultural research falls short of our requirements, mainly because of faulty administrative policies, absence of co-ordination among different research organisations, and ill-conceived personnel policy. Moreover, research workers do not have the social and financial

status of the administrative personnel. So it is not surprising to find brilliant research workers wasting their time and energy on problems of administration. But has it led to any improvement of administrative efficiency either? The answer is given by the several reports submitted last year.

Physical and Operational Planning

The four important aspects of physical and operational planning are (1) agricultural administration, (2) land use planning, (3) planning of fertilizers and irrigation water supply, and (4) extension agencies.

The Agricultural Personnel Committee of the Planning Commission, it is reported, has submitted its report to the Planning Commission. But the report has not been published. But another report, that of the Agricultural Administration Committee, submitted in October 1958, is available and anyone going through it would be struck by the sorry state of affairs in agricultural administration. "It is often said", the Committee notes, that "technical services have not been able to deliver the goods. Maybe this is partially true. The fault is not so much of the technical services, but the conditions in which they work....Agricultural services have suffered from a number of chronic disabilities, which have inhibited their growth and development. The right type of environment for full blossoming of their initiative and constructive abilities has been lacking." (—p 13). Low scales of pay, promotions by seniority alone, absence of advance planning of training programmes, absence of co-ordination of research extension and educational programmes, improper programme planning, outdated budgeting procedures and unsatisfactory

delegation of powers—the Committee pinpoints these defects in present administrative policies.

Land Use and Extension

The volume on 'Readings in Land Utilisation', published by the Indian Society of Agricultural Economics, and the presidential address of Professor D R Gadgil at the Allahabad session of the Society, set out the magnitude of the problem in the planning of land use. The Second Five-Year Plan made some provisions for soil conservation and improved land utilisation. Little concentrated effort, however, has been made at planning land use through rearrangement of land surface uses, shifting of unsuitable land to forests, proper forestry management and maintenance and development of grass lands. Valuable resources continue to run waste, and even the concept of regional planning is still foreign to our planning authorities.

Very little needs to be said about the success of our planning in increasing the supply of manures, fertilizers and irrigation water. An objective assessment of our performance in the utilisation of irrigation has been attempted by the Minor Irrigation Committee which submitted its Report to the Government of India in 1957, and in papers published in official journals, by well-known authorities on irrigation. Little is now heard about compost manure, which was boosted for years in the period immediately following the Second World War, while cowdung continues to be wasted to light fires in the kitchen instead of enriching the fields of agriculturists.

The community development projects, whatever the term may signify (or may be held to signify by authorities connected with community development), are no more than mere administrative arrangements for extension of improved practices to cultivators. The Evaluation Reports on their working are constant reminders of our failure in properly implementing a scheme to which so much resources have been devoted by Government.

Institutional Planning

The most difficult part of planning in agriculture is of course the formulation of a well-thought out and integrated policy for changes in the institutional framework, whether the changes relate to abo-

lition of intermediaries, co-operative credit, co-operative farming or rural local-self-government. There are several research reports on the working of tenancy reforms, reports financed by the Research Programmes Committee of the Planning Commission. The reports on the working of Bombay Tenancy Act by the Gokhale Institute of Politics & Economics, Poona, and by the Indian Society of Agricultural Economics are only two of the several reports which clearly bring out the meagreness of our achievement in the sphere of land reform. The deliberations of the All India Congress Committee highlight our failures.

The position with regard to co-operative credit is only slightly less satisfactory. The All-India Rural Credit Survey Committee Report submitted in 1954 recommended an integrated programme for the development of rural credit. But what has actually been achieved can be seen from the recent Report of the Crop Loan Evaluation Committee appointed by the Bombay State Co-operative Bank. This committee found that even the co-operative workers administering them do not adequately understand crop loan policies and procedures. Even in the State of Bombay, which is most advanced in co-operation, the integrated Rural Credit Scheme is being implemented only in part. Except in a few districts like Broach, which had a Pilot Project under the Scheme and where more than 50 per cent of the cotton grown is marketed through co-operatives, this scheme has not been properly implemented. But for the controversy over the size of the primary society, perhaps the scheme would have fared better. Had it done so, it would have been a major step towards changing the institutional framework in the right direction. But it has now been abandoned for something else.

Few detailed statistics are available about consolidation of holdings and co-operative farming, nor have competent committees examined these problems. Experiments in co-operative farming so far have not been fruitful, and though the Delegation to China on Agrarian co-operatives was reported as long ago as May 1957 to have recommended it, no properly worked out policy for development of co-operative farming has yet been evolved. Even

the objectives of such a policy have not been clearly defined, as is evident from the resolutions of the All-India Congress Committee passed at the last Nagpur session.

Thus, in regard to institutional planning, not only does the programme for development of desired institutions in the rural areas remain to be phased, but even the overall policy objectives have not yet been defined and co-ordinated.

Price Policy

The same indecision and uncertainty envelopes the recommendations of the Asoka Mehta Committee on Foodgrain Prices. We have yet to evolve a co-ordinated price policy for agriculture. In the midst of this indecision, West Bengal is facing an acute jute crisis. State Trading in foodgrains, which has been widely talked about, is yet to come into operation. The public is still unaware of the form and method of operation of this policy. The decision to stabilise agricultural prices can be said to be a step in the right direction, but by itself, the decision means little unless one knows how it is going to be implemented.

Conclusion

This, in brief, is our performance in the agricultural sector. The most notable feature is the lack of integration in our approach to agricultural development despite all the careful thinking done in respect of separate problems connected with agriculture. As compared with 1957, however, there is a welcome change. The performance is still admittedly inadequate, but the self-criticism, rethinking and re-assessment that have been going on encourage the hope that something will emerge from all this. This is subject to the proviso that in the course of self-criticism, the general objectives of agricultural policy are not lost sight of.

The need at this stage is not self-pity or cynicism, but painstaking effort at integrating and synchronising the various programmes that have been launched by various agencies. This should be the responsibility of the Planning Commission, which, busy as it is with sanctioning of year to year budgets, appears to have little time not only for perspective planning, but even for coordinating the various policies and programmes which are on hand.

Higher Deposits Add to Banks' Liquidity

Sukumar Chakrabarty

1958 will stand out as an important landmark in the history of banking in India as the year in which aggregate bank deposits exceeded notes in circulation for the first time.

This is a notable occurrence indeed in a currency-using country.

THE increase in scheduled bank deposits during 1957 was distributed not too unevenly between the busy and slack seasons; the rise was Rs 145 crores during the busy season, and Rs 103 crores during the slack season. During 1958, on the other hand, deposits increased by Rs 170 crores and Rs 69 crores in the busy and slack seasons, respectively. This increase was, moreover, distributed more unevenly than in previous years between the two banking sectors, Indian and Foreign. Indian scheduled banks expanded their deposits by Rs 118 crores, and foreign banks by Rs 27 crores during the 1957 busy season. Deposits of the former increased further by Rs 103 crores, while those of the latter declined nominally by Rs 1 crore, during the slack season that followed. The busy season of 1958 swelled deposits of Indian banks by Rs 167 crores. But foreign banks could gather only an additional Rs 3 crores. From October 1957 to October 1958, in fact, their deposits declined by Rs 1 crore while Indian banks received a substantial inflow of Rs 240 crores (see Table on p 232).

Curb on Liquidity

The decline in the deposits of foreign banks appears to be due, among other reasons, to the change in the composition of bank deposits. Between October 1957 and October 1958, demand deposits of scheduled banks as a whole increased by Rs 1 crore, whereas time deposits increased by Rs 238 crores. A large proportion of the increase in the latter was attributable to U S assistance under P L 480, the proceeds of which have been lying with the State Bank in the form of time deposits. Slowing down of economic activity, due partly to the sharp fall in imports, accounts for the balance of accretion to time deposits. The curtailment of imports has, to some extent, encouraged transfer of money from demand to time deposits, making foreign banks suffer in the process. For, while foreign banks barely made up for a loss of Rs 14 crores in demand

deposits through an increase of Rs 13 crores in time deposits, Indian banks received another Rs 15 crores of demand deposits, in addition to Rs 225 crores of time deposits between October 1957 and October 1958. Apart from P L 480, vigorous branch expansion by some of the big Indian banks was largely responsible for this unprecedented inflow of funds.

The rise in time deposits, with demand deposits remaining almost stationary, has had wider repercussions. Though all time deposits may not represent savings as such, they do serve as a curb on liquidity, and to that extent have an anti-inflationary effect. During the 1958 busy season, money supply with the public increased by Rs 167 crores, of which Rs 133 crores represented currency expansion. During the 1957 busy season, on the other hand, currency had increased by Rs 153 crores while money supply had expanded even more—by Rs 258 crores. During the last slack season (May-October 1958), currency contracted by Rs 87 crores, and money supply by Rs 157 crores, whereas during the previous slack season, a decline of Rs 99 crores in note circulation had led to a fall of Rs 102 crores in money supply. The rise in time deposits, thus, checked monetary expansion in the busy season and accentuated its fall in the slack season, to cushion the economy against the impact of deficit financing.

Inter-bank Deposits

Inter-bank deposits also underwent a remarkable change in 1958. They increased from Rs 36 crores in October 1957 to Rs 64 crores in October 1958, demand deposits by Rs 1 crore and time deposits by Rs 27 crores. Inter-bank time deposits of Indian banks used to be quite negligible in the past, but in last June they suddenly jumped to more than Rs 11 crores and to Rs 18 crores in October. Foreign banks' inter-bank time deposits increased by Rs 8 crores to Rs 20 crores over the year, but their inter-bank de-

mand deposits declined by Rs 9 crores to Rs 13 crores. Thus, between October 1957 and October 1958, the inter-bank deposits of foreign banks remained almost stationary, and Indian banks accounted for nearly the entire rise of Rs 28 crores in such deposits.

The sharp rise in inter-bank deposits is reflected in the expansion of 'money at call and short notice.' Advances under this head declined by Rs 2 crores during the last slack season and stood at Rs 51 crores in October last. During this period, however, inter-bank deposits increased by Rs 32 crores—Rs 8 crores under demand, and Rs 24 crores under time, deposits. This indicates that inter-bank time deposits are now being held for a longer period than in the past. Had it not been so, the rise in inter-bank deposits would have been reflected in a corresponding rise in 'money at call and short notice.'

Seasonality Returns

The nature of bank credit has also undergone considerable change. Advances, including call and short loans, increased by Rs 117 crores during the last busy season, which started quite late in November 1957 and ended early in April 1958. The 1957 busy season, on the other hand, continued upto the middle of May and advances during the season increased by Rs 180 crores. Bank advances contracted by Rs 49 crores during the 1957 slack season and by Rs 123 crores during the comparable period of 1958. Advances against "Industrial Raw Materials" declined by Rs 70 crores and against "Manufacture and Minerals" by Rs 34 crores in 1958. During the 1957 slack season, advances under these two heads together had declined by Rs 46 crores only, those against "Industrial Raw Materials" going down by Rs 43 crores.

Moreover, the seasonal variation in advances which had been flattened out by the rising tempo of industrial activity in the past few years re-appeared in 1958. The effect of import restrictions was felt most

severely during the last slack season. Scarcity of imported industrial raw materials, particularly of steel, slowed down the growth of industrial production. The Index of Industrial Production went up by 4.7 per cent in 1957 whereas during the first half of 1958 it increased by 2.4 per cent only. This has been reflected in the pattern of bank credit since April 1958. Advances against cotton textiles declined by about Rs 5 crores by July, but recovered in October to the busy season height; those against raw cotton declined by Rs 41 crores. In the 1957 slack season, on the other hand, advances against cotton textiles had increased by Rs 12 crores and those against raw cotton declined by Rs 25 crores. Advances against iron, steel and engineering products increased during the 1957 slack season by Rs 11 crores but declined in the course of the last slack season by Rs 4 crores, to stand at Rs 83 crores in October as compared with Rs 101 crores a year ago.

Foreign Banks Lose Business

The advances of Indian scheduled banks increased by Rs 118 crores during the last busy season, but those of foreign banks declined by Rs 11 crores. The credit ratio of foreign banks declined by 10 per cent while that of Indian banks increased by about 2 per cent during this period. High interest rates in London and the decline in local deposits, perhaps, explain the poor performance of foreign banks. The reluctance of foreign banks to expand their credit portfolio during the last busy season may have had an adverse influence on their performance in the slack season, when

their advances declined by Rs 26 crores. Compared with October 1957, advances of Indian banks were higher by Rs 21 crores in October 1958, and those of foreign banks were lower by Rs 37 crores. It is not unlikely that some business has been transferred from foreign to Indian banks. The latter, with higher deposits at their command, are now in a position to grant very large overdrafts which only the foreign banks could extend formerly. This is even more likely in view of the fact that some big Indian banks have lately reduced the interest rates on their advances.

During the 1st half of 1958 the average value of foreign bills purchased and discounted amounted to Rs 39.7 crores compared with Rs 56.5 crores in the corresponding period of the year before. Between July and October 1958, the average slightly improved to Rs 40.2 crores, but it was still Rs 15.4 crores below the average during the same period in 1957. Such a steep decline in advances against exports, at a time when higher exports are a dire necessity for the country, has led the Reserve Bank to accept the Export Promotion Council's recommendation to expand the Bill Market Scheme to cover export bills as well. But since the effective interest rate under the Bill Market Scheme is pitched at about 4 3/16 per cent, and the bank bill rate is 3 1/4 per cent in London, the expanded scope of the Scheme does not serve as an adequate attraction to the banks to increase their advances against exports. A more boldly conceived scheme is needed to enable the banks to increase their advances under this head.

Higher Investments

Banks as a whole did not have to take recourse to the Bill Market Scheme to the same extent as they did in the previous busy season to replenish their resources. Their borrowing under this head was Rs 23 crores in March 1958 as against Rs 39 crores a year before. This was the result of a lower demand for bank credit. With advances declining and deposits increasing rapidly, banks expanded their investments in a big way. During the last busy season, investments of scheduled banks increased by Rs 54 crores as against the fall of Rs 30 crores in the previous busy season. They went up further by Rs 159 crores during the slack season compared with the rise of Rs 45 crores during the corresponding period of last year. It was mostly the bank's demand for Government securities which strengthened the market. Their price index stood at 100.5 in October last against 98.3 a year ago.

This rapid rise in investments, together with the increase in cash and balances with the Reserve Bank, raised the liquidity ratio of banks to 48 per cent in October from 38 per cent in April. The comparable rise in 1957 was only 2 per cent. Moreover, in the last busy season, the ratio fell by only 2 per cent, as compared with 7 per cent in the previous one. Bank liquidity was, thus, considerably strengthened during the year but a heavy price had to be paid to acquire this additional strength for, profits, especially of foreign banks, have declined to a considerable extent in the process, the State Bank alone being an exception to the rule.

From the Chair

The Associated Cement Companies Limited

Speech of the Chairman, Shri Dharamsey M Khatau

SPEAKING at the 22nd Annual General Meeting of the Associated Cement Companies, Ltd, the Chairman, Shri Dharamsey M Khatau, said: "The year under review has been one of increased production and despatches, the latter having increased by 2.57 lakh tons. Nevertheless, we have ended the year with considerable diminution in the profits available for distribution mainly due to the aggregate burden of taxation and the mandatory Development Rebate Reserve.

"It is beyond one's comprehension," the Chairman continued, "that a basic industry which has such an impressive record of progressive performance, which has contributed so much to the country's economic progress and in which the public from all classes has invested so much with such confidence, should be expected to operate under the burden of such exactions. The result is a ridiculous position, in which everybody, with the sole exception of the shareholder, seems to come out on the right side, at any rate in monetary terms. But that is not by any means the end of this dismal story. The final net result of the last year's working of your Company affords ample proof of the serious effect of taxation policy on Corporate Finance. For, apart from depreciation, the net 'plough back' of profits after a whole year's working on a vast scale is only about Rs 6 lakhs! And it is from this paltry sum that your Company is expected to meet not merely the cost of replacements and renewals at steadily rising prices but also the needs of an expanding business!"

Tariff Commission

"It is in this context," the Chairman stated, "that the recommendations of the Tariff Commission have to be examined. Your Company had high hopes that the Commission would be alive to the realities of rising costs and increasing taxation and would recommend a fair price, such as would cover all costs and leave a fair margin of

net profit after tax. Unfortunately, our hopes have been belied and the only substantive outcome has been the award of a totally inadequate increase of Rs 3.50 per ton in the ex-Works price of our cement. And even here, the Commission's recommendation that this price increase should be retro-active from 1st January 1958 was rejected by Government without assigning any cogent reasons save that it would involve 'administrative and financial complications'."

While commending the concept of 'fair return' on 'capital employed' accepted by the Tariff Commission as a welcome departure from past practice, Shri Khatau remarked, "the substance of this 'fair return' on capital employed was taken away by the incomprehensible proposition that such return was intended to cover not merely taxation and dividend, but also such charges as the annual bonus to employees and the commission contractually payable to Managing Agents which were manifestly items of overhead costs. Moreover, while it can be accepted that any reserve that may be voluntarily created by a company out of its profits, (and which can be drawn upon by the Company at any time), should be ignored in fixing the 'return' to be allowed, such cannot obviously be the case with the mandatory reserve which is statutorily required to be made at 75% of the Development Rebate. But the price structure as now determined and which is to remain in force up to July 1961 totally ignores these considerations, with the result that your Company will have to provide for all these charges besides taxation and dividend out of the 12% return on capital employed that has been allowed to it in the price of cement.

"Your Company, therefore, submitted a representation to Government that items of cost such as Stockists' Commission, Bonus to Employees, Managing Agents' Remuneration etc and the charge for 75% of the Development Rebate should be allowed as legitimate

and necessary elements of 'overheads' in computing costs and that the price of our cement ex-Works should be refixed accordingly. We also requested Government to allow the price increase with retrospective effect from 1st January 1958 as recommended by the Tariff Commission, in view of the considerable loss of profits suffered by the Company since the time the industry's case was referred to the Tariff Commission in 1957. I regret to have to report that our proposals have not found favour with Government and the representation has been wholly negated."

Expansion

Shri Khatau reported that the various expansion projects of the ACC were proceeding satisfactorily. The dry-process plant at Manchester, which went into operation recently, though slightly higher in initial capital cost, would economise in coal consumption. The extensions to the Sindri and Chaibasa Works had been completed and those of the Kymore and Shahabad Works were proceeding satisfactorily. The Chairman also announced that the Company would manufacture Blast Furnace Portland Cement at Chaibasa by utilising the slag obtained under agreement from the TISCO Works at Jamshedpur.

Finance for Expansion Projects

Speaking about the enormous capital outlay involved in financing the Company's expansion and modernisation projects, Shri Khatau stated: "As the internal resources of the Company were diminishing and as the funds which had been already raised through borrowing against Debentures for Rs 4 crores issued in 1954/55 and by the offer of equity capital were inadequate to meet these requirements your Board has now made arrangements for obtaining further advances to the maximum limit of Rs 5 crores on Cash Credit Accounts from the Company's Bankers against the security of 6% First mortgage Debentures of a like amount ranking pari passu in all respects with the earlier Debentures. The proceeds will be utilised partly

Changes in Banking Activity (Rs crores)

	Oct 1956	May 1957*	Oct 1957	April 1958	Oct 1958
Average of Fridays					
Demand Deposits of Indian Scheduled Banks	508	574	576	624	591
-do- Foreign Banks	121	139	133	131	119
Time Deposits of Indian Scheduled Banks	391	443	544	663	769
-do- Foreign Banks	62	71	76	81	89
Advances† By Indian Scheduled Banks	575	729	684	803	706
-do- Foreign Banks	198	223	220	211	185
Investments by Indian Scheduled Banks	330	303	348	402	557
-do- Foreign Banks	43	41	40	40	44
Borrowing by Indian Banks under Bill Market Scheme	17	27	3	—	—
Borrowing by Foreign Banks under Bill Market Scheme	24	34	25	19	1

* As the busy season continued upto May, 1957, figures for that month have been taken for comparison.

† Including call & short loans.

Source: Reserve Bank of India.

for financing the immediate needs of our modernisation and expansion programme and partly for investment in the heavy engineering project set up in collaboration with Messrs Vickers Ltd and Messrs Babcock & Wilcox Ltd, of U.K."

ACC-Vickers-Babcock Ltd

The Chairman announced that a new Company under the name of ACC-VICKERS-BABCOCK LTD had been formed and registered as a Public Company, with its headquarters in Bombay. The first Board Meeting of the new Company was held on the 20th of January. "The Authorised Capital of the Company is Rs 10 crores, of which about Rs 5.4 crores will be subscribed and fully paid up over a period of some three years. Your Company's share of this will be 49.8% while the two Overseas Shareholding Companies will take up 24.9% each. The balance of 0.4% will be held equally by the four firms who are the principal shareholders in the Cement Agencies (Private) Ltd.

"The Works of the new Company will be located at Durgapur, West Bengal. It will manufacture cement-making machinery, general machinery, pumps, water tube boiler plants and accessories and pressure vessels. Production is expected to commence in 1962 and the Works will attain its target of full manufacturing capacity by 1965." The project is expected to save a substantial amount of foreign exchange and in course of time perhaps earn foreign exchange through export of machinery items.

"This project constitutes an important step in the diversification of your Company's activities. The returns will be slow, because it may take as long as seven years before any dividends begin to come in; but when they do, they will be sure though not spectacular. In itself the project will be one of major significance in the national economy."

The Chairman expressed his thanks to the Government of India for their continued encouragement and guidance and to the Government of West Bengal for their assistance in acquiring land and other facilities at Durgapur.

Central Workshops

Referring to the ACC's Central Workshops, the Chairman reported that their surplus capacity was

being utilised to meet the requirements of outside parties and said that these Workshops would be operated integrally with the Works of ACC-VICKERS-BABCOCK LTD.

Demand For Cement

Shri Khatau then referred to the sharp drop in the demand for cement since August last and remarked: "Any further deterioration in the situation would compel us to curtail production. In fact, whereas at one time the Government of India were continually pressing us to expand production capacity even more rapidly than we thought either practical or prudent, they have been recently suggesting that we should curtail production. But the stand we have taken is that in the best interests of the country such a desperate remedy should not be resorted to until all other measures have first been tried to correct the imbalance between supply and demand."

The Chairman narrated how the cement target under the Second Five-Year Plan was raised again and again—starting with 10 million tons in 1954 to 12.5 million tons in 1955 and then to 15 million tons or so in 1956. This was contrary to the industry's considered advice, based on a careful assessment of the market conditions then prevailing, that the target should be pitched at 8 million tons. Referring to this unrealistic target of 15 million tons, Shri Khatau remarked: "In cement, as in most other basic industries, 'physical planning' based on a 'plan frame' held the field, in total disregard of all such relevant considerations as the availability of transport or resources (whether internal or external), or the relationship between over-rapid investment, deficit finance, costs and prices, or between demand and supply at any given level of costs and prices, etc."

Shri Khatau then listed (a) the licensing of excessive capacities for new factories and for the extensions to old factories, based on fanciful targets; (b) the rapid pace of such expansion, which is running quite out of step with, and far ahead of, the demand for cement both for Government requirements and for private and industrial consumption; (c) the licensing of expansions at the wrong places

and (d) shortage of re-inforcement steel, as the main causes of the serious imbalance between supply and demand and warned that "this imbalance will intensify as more and more production becomes effective every year between now and 1960-61".

Coming to the immediate causes of the sudden drop in demand, he hoped that the falling off in Government demands was temporary and that the off-take would soon pick up again and that as regards private and industrial demands the position would also improve gradually over the next year or so. He expressed some concern over the one million tons or so of additional cement capacity which would come into production in the meantime.

"In these difficult circumstances, and following upon the deliberations at a Conference of Cement Producers convened by the Government of India in October last, we joined with other Producers in submitting a Memorandum to Government suggesting certain specific remedial measures. Among the more important of the suggestions so made were: (1) The diversion of large quantities of cement to road building, (2) Rapid promotion of Cement Exports, (3) Suspending further work on licences for the expansion of existing factories and for the establishment of new factories in those cases where no substantial financial commitments had yet been made, (4) Reduction in price by reducing the Excise Duty back to Rs 5/- per ton."

Regarding cement prices Shri Khatau observed that while the Excise Duty on cement was raised from Rs 5 per ton in 1954 to the incredible figure of Rs 24 per ton in 1958, "the price of cement remained steady at an average of Rs 90/- to Rs 91/- per ton packed (f o r destination) until the middle of 1956 when, with the advent of State Trading in Cement, it was pushed up to Rs 102.50 per ton. In May 1957, the price of packed cement was raised again to Rs 117.50 per ton (f o r destination), at which level it stands today."

Tax Burden on Cement Industry

Referring to the tax burden which cement has to carry apart from Excise Duty, Shri Khatau observed: "The other indirect tax burdens included in the price of

cement—at any rate for ACC cement—account for an aggregate average of Rs 2.23 per ton (based on 1957-58 figures) for Royalties, Duties, Sales Taxes, Municipal Taxes, etc. This does not include the incidence of direct taxes such as Income-tax, Corporation Tax, etc., because it may be objected that, being taxes on profits, they do not enter into the make-up of the price of cement. This is, of course, totally wrong, because in the case of commodities such as cement where the price is controlled and fixed by Government from time to time, not only the net profit element but also the direct taxes do enter as a specific load in the final make-up of the price so fixed. In the case of ACC cement, the incidence of this load was Rs 5.52 per ton based on 1957-58 figures.

"The total tax-loading (including Excise Duty) in the price of unbagged ACC cement is therefore as much as Rs 31.75 per ton ex-Works as against the present ex-Works selling price of Rs 82/- per ton (inclusive of Excise Duty). It is against this background that the suggestion to cut back the Excise Duty to Rs 5/- per ton must be considered because there is, I submit ample justification for this proposal in the facts I have just outlined. It should also not be overlooked that Excise Duty was increased in 1957 and 1958 with the specific purpose of inhibiting demand when cement was in short supply. This purpose it has served admirably; but today, when there is urgent need to stimulate demand and increase sales, the high Excise Duty is acting as a serious deterrent.

"As I have said earlier it would be quite wrong to attempt to resolve the present surplus situation by recourse to desperate measures such as curtailing production until all other remedies have first been tried. The various measures to which I have referred in this connection are designed, on the one hand, to increase the off-take in such directions as accelerated programmes for building cement roads and exporting cement to the near markets and, on the other, to stimulate demand by a substantial, necessary and fully justifiable reduction in price by reducing the load of Excise Duty."

Labour-Management Relations

Turning to labour-management relations, the Chairman stated: "Except at the two Collieries our relations with employees at our various Works continued to be harmonious. I would like to congratulate our employees and trade union officials at the various factories on their growing sense of realism, maturity and increased awareness of their responsibilities in our common and joint endeavour.

"We have reached three-year agreements with the workers' unions at Katni, Kistna, Dwarka, Lakheri and the new Works at Mancherial. These bring the total number of Works covered by such agreements to eleven. Though it is too early to evaluate the results of these settlements, it is evident that they have been beneficial both to workers and management, by fostering goodwill and mutual trust, and ensuring smooth working, better emoluments and minimum loss of production time through industrial strife."

Wage Board for the Industry

Referring to the Central Wage Board for the Cement Industry constituted by the Government of India, the Chairman observed: "The responsibility lies squarely on employers as well as on labour to put all relevant facts before the Wage Board and to assist the Board in

arriving at correct conclusions. An even heavier responsibility lies on the Board itself to make recommendations, after a thorough study, which will be found acceptable to labour as well as to employers."

Shares for Employees

Shri Khatau announced that the 12,202 shares of the new issue which had been offered to permanent employees as they had remained unapplied for by shareholders, had been fully subscribed for by the employees.

Bonus

The Chairman expressed regret that due to the substantial reduction in net profits, the Directors were compelled not only to reduce the net appropriations to Reserves and to lower the dividend to 8.5 per cent, but also to scale down the bonus to employees to one-fifth (instead of one-fourth) of their annual basic salaries. The Chairman concluded by recording the Company's warm appreciation of the unremitting 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.

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A useful, handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

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Around the Markets**Bull Market Has Emerged**

Critics said that Shri T T Krishnamachari had ruined the investment market. Yet, strange as it may seem in retrospect, the 1956-57 bear market actually ended with T T K's May 1957 Budget!

The subsequent recovery has not been a mere correction of the preceding downward trend. It is a reversal of the primary trend.

That a bull market should emerge in an economy faced with severe stresses and strains surprised many. But a bull market did emerge.

The price pattern in cotton has been moulded by changing ideas about a turn in the cotton textile situation.

Bullion continues to rise. Gold is now again at its all-time peak of 1951. But that was the Korean War—why up now?

All fiscal impediments in the way of oil exports have been removed. It is now for the trade to show its enterprise.

NINETEEN-FIFTY-EIGHT was a boom year for stock markets. True to the spirit of the Sputnik Age, Wall Street shot into space never explored before. The Dow-Jones Industrial average which had touched the low of 420 during the Syrian crisis in October 1957 and had recovered to 435.69 by the beginning of 1958, crossed the 580 mark by the close of the year and it now stands around 595. The U S had missed the moon but Wall Street's bull had made it—and over—with ease. Coming in a time of recession, the market's amazing performance baffled most of the experts. But Wall Street's bull really symbolised the new economic power and stability of the U S.

The performance of the London Stock Exchange was also quite impressive. The Financial Times' Ordinary share index which had touched the low of 154.4 on February 25 stood at 225.5 on December 31. This is not only the highest for the year but also a record high for a very long time. The highest point recorded in 1957 was 207.6. The impressive rise on the London Stock Exchange followed the progressive cuts in the Bank Rate from the crisis rate of 7 per cent to 4 per cent and the steady growth in the sterling area's gold and dollar reserves which has made it possible to widen the area of convertibility of the £.

Bear Market Ended with T T K Budget!

In India too 1958 was a very gainful year for the investor. Equities recorded spectacular gains all round and quite a large number of

shares crossed the 1956 bull market tops which were lower only than the all-time highs touched in the 1946 boom. An analysis of price changes in 200 leading shares in different markets shows that 152 issues recorded a net rise over the year, gains averaging 24.7 per cent. In 1957, only 24 shares out of 125 had been able to show net improvement and the average rise was no more than 9.9 per cent. Of the 48 shares which suffered losses in 1958, the losses of as many as 31 were below 10 per cent.

The phenomenal decline in equity prices since August 1956 had shaken the investor rather badly. The then Finance Minister, Shri T T Krishnamachari, was blamed for it. His tax policy was thought to have spoiled the investment climate by depriving private enterprise of the incentive to work and earn. But as the Finance Minister was entrusted with giving a concrete shape to the socialist pattern of society, T T K could not allow himself to cater to the private sector's prejudices. The Plan called for an all-out effort to mobilise every pie of available resources. The challenge had to be met.

Savings Drained Away?

Strange as it may seem in retrospect, the 1956-57 bear market ended with T T K's May 1957 Budget. The 1958 recovery was not a mere correction of the preceding downward trend. The primary trend itself got reversed. That a bull market should emerge in an economy faced with severe stresses and strains surprised many. But a bull market did emerge.

Drastic import curbs, following the foreign exchange crisis, affected raw material supplies. A difficult food situation added to the strain and the tempo of economic activity tended to slacken. That apart, the big business propaganda campaign against New Delhi's socialism was not calculated to create a healthy economic climate in the country. Even the Chairman of the Tata Iron and Steel Company did not hesitate to complain about New Delhi's "ideological attitude of hostility and mistrust towards private enterprise". And about the beginning of the year the champions of the investors' cause tried hard to convince the Government that penal taxation and the heavy food bill had cut deep into the community's savings and unless these savings were restored, life could not return to the investment market. But the market put them in the wrong by staging a rise which exceeded the anticipations of even the most optimistic bulls.

The Tide Turns

It would be naive to suggest that speculators were encouraged by the small concessions announced in the February Budget and the further relief in cloth excise duty some time later. Speculators who are more daring and possess no less foresight than the captains of industry did not take long to realise that the criticism of the Government's economic policy was intended mainly to wrest more and more concessions. T T K's Budget had been harsh, but it had set at rest future uncertainties by laying a firm foundation for a well integrated tax structure.

The worst had been known and had got discounted. The lessons of the foreign exchange crisis, which dominated official thinking throughout the year, had not been ignored. Fiscal impediments in the way of exports were removed and incentive schemes were devised to stimulate exports. Imports were kept at the minimum. The drain on foreign exchange began to decline and since October-end, foreign exchange reserves have actually begun to rise. Foreign aid outlook brightened as the year progressed and almost the entire requirements of the remaining period of the Second Plan have now been virtually underwritten.

Easy Money Changed Yield Pattern

The most important bull factor for the stock market was perhaps the extremely comfortable money conditions. The 1957-58 busy season had all the characteristics of a slack season. Easy money helped the boom in equities but it was not through the availability of huge funds for speculation on the stock exchange. Its influence was indirect. Easy money produced a boom in the gilt-edged market which, in its turn, markedly changed the pattern of yield on all investments.

By about the middle of September, equities had risen to levels which suggested that speculators had discounted the future too optimistically and too soon. The market therefore paused for an important technical correction. This lasted until about the end of the year. Most technical analysts would say that the corrective phase is over and that the primary upward trend has been resumed. The way the market withstood the A I C C session was really remarkable. For, the tone of the speeches at the Nagpur session was not encouraging.

Improved foreign exchange position, larger supplies of steel, better harvest and easy money should help the economic tempo in 1959. But its extent will depend on the co-operation between the Government and the people. Opportunities exist, but they have to be availed of. Successful implementation of the National Plans depends as much on mobilisation of monetary resources as on the nation's will to work.

1958 was a good year for investors; 1959 promises to be much better. It is true that with the country facing

crisis of internal resources one cannot be too sure what the February Budget will have in store for the market. But the volume of investible funds will continue to grow. How it will find its way to the stock exchange is another matter. In recent years investment activity has tended to grow at the expense of speculative business and this has affected the fortunes of the stock exchange profession.

Gilt-edgeds

Impressive Rise

THE Gilt-edged market showed remarkable strength in 1958 due to sustained support from banks and other institutional investors. Prices rose even during the 1957-58 (October-June) busy season and the further rise thereafter was only to be expected. While scheduled banks' total advances showed a decline of Rs 8.68 crores over the year, their advances recorded a rise of Rs 206.78 crores from 1367.51 crores to 1574.29 crores. And what is more the rise occurred only in time deposits. Demand liabilities were slightly down by Rs 7.16 crores over the year. Time deposits are now well above demand deposits.

With deposits steeply up and advances down, banks had ample funds to invest. Little wonder that their holdings of Government Securities increased by Rs 204.15 crores. Of course support to the Gilt-edged market did not come from banks alone. Life Insurance Corporation and other institutional investors also played an important part. That is why, the market has continued to hold firm despite selling by banks in the past few weeks because of the rising seasonal demand for funds.

The rise in Government Securities over the year has indeed been very impressive. The 2-1/2 per cent 1961 loan is up from Rs 94.45 to Rs 97.25, 3 per cent 1964 from 93.85 to 96.90, 3-1/2 per cent 1967 from Rs 99.60 to Rs 100.80, 4 per cent 1972 from Rs 100 to Rs 101.20 and the three per cent Conversion Loan from 71 to Rs 73.20. This rise has brought about a marked change in the yield pattern. That is perhaps why the Reserve Bank had to insist that the Ahmedabad Municipality should float a ten year loan only at four per cent.

That the increase in bank deposits is largely due to the accrual of

funds under P L 480 must be readily conceded. The withdrawal of these funds (amounting to over Rs 200 crores now) will have important effect on the money market but the time is not yet. Conditions in the money market therefore can be expected to remain easy in the foreseeable future because of the continued import curbs. Of course seasonal influences will have their effect which will last till about the end of May.

The net borrowings of the Central and State Governments in 1958 amounted to Rs 245 crores. Despite easy money, the outlook for Government borrowing in 1959 seems less promising because banks have already got their funds locked up in Government Securities and they will not be in a position to lend the support they did last year.

Cotton

Erratic and Unexciting

TRADING in cotton in 1958 was a very unexciting affair. Fluctuations were erratic but they were not wide enough to attract the attention of the Forward Markets Commission. With the supply position of cotton neither tight nor very comfortable, sentiment in cotton futures was generally guided by changing ideas about a turn in the textile situation.

New Delhi's helpful attitude encouraged the hope that the textile crisis might be resolved soon but the relief in excise duty did not bring about any marked revival in the trade. Off-take tended to pick up but at a rather slow pace. Exports of cloth continued to disappoint and the incentive scheme failed to yield any quick result in the face of sluggish conditions in the world textile trade. Exports of cloth in 1958 are estimated at barely 580 million yards as against 845 million yards in 1957, and mill cloth output is down from 5,317 million yards to 4,910 million yards.

Government policy towards export of raw cotton was also very helpful. Not only were export quotas liberalised but export duties were slashed, the quota system abandoned and exports allowed on a first-come-first-served basis. The policy has been liberalised still further in the new season and the whole season's quota announced right at the beginning of the season. The trade is now free to show its enterprise.

Exports Better

Export performance in 1958 was better than in the previous year and imports were restricted because of the difficult foreign exchange position. Even so the carry-over at the end of August 1958 was appreciably larger because of reduced mill consumption following the decline in cloth output. Cotton futures which had been moving up and down in an erratic fashion within a comparatively narrow range developed pronounced weakness in September under the influence of the record estimate of the crop around 57 lakh bales. By November 1, Jarilla March had been marked down to Rs 593.4, a record low for many years.

Briefly fluctuations in various contracts in 1958 were as under:

Jarilla March 1858: open 690, high 723.8, lowest 652, closing 720 (March 25).

Jarilla May: open 685.4, high 694.8, low 638.8, closing 684.

Jarilla August: open 672.8, high 694.8, low 647, closing 674.

Tenders issued were: 4,200 bales against March, 5,250 bales against May and 4,800 bales against August.

The current hedge contract, March 1959, opened at 671.8 on July 14 and touched a high of Rs 687.8 on July 16. Thereafter it developed a downward trend which brought down the rate to Rs 593.4 on November 1. Since then it has been improving gradually because of the drastic revision of crop estimates from 57 lakh bales to 50/51 lakh bales and some recovery in cloth off-take. On January 19 it touched a high of Rs 667.12. Apart from the downward revision of crop estimates the recovery has been helped by the delay in the movement of the crop and the scarcity of imported cotton. But with arrivals likely to pick up well in coming weeks prospects of any further marked and sustained rise in prices are generally discounted.

Oilseeds

Fiscal Impediments Go

IN many ways 1958 was an eventful year for the oilseeds market. The foreign exchange crisis compelled the Government to remove all the fiscal impediments in the way of exports. The ban on the export of groundnut oil and H P S ground-

nut was lifted. Groundnut prices rose to record high levels for many years. Groundnut extractions enjoyed such fantastic premium over expellers, which contain 6 to 7 per cent oil, as had never been heard before. The U S which had always been taking between 15,000 and 20,000 tons of Indian castor oil annually hardly took a thousand tons last year.

Groundnuts were marked up to around Rs 41 per cwt, the highest price for a long time. Prices realised by groundnut oilcakes were the highest ever recorded. The crop was just normal but consumption had increased with the rise in population. Of course speculators too did not hesitate to exploit the untimely announcement of export quotas for groundnut oil, H P S and expellers. The export of extractions had been free and overseas demand was always good. Business was limited only by the manufacturers' ability to produce the stuff.

Bullish Fervour

Linseeds too recorded an impressive rise to around Rs 36 per cwt. This was based on the encouraging export performance of oil made possible by the tight world supply following the failure of crops, both in the U S and Canada. Shipments of linseed oil from Bombay in 1958 were nearly twice those in 1957. Although comparatively subdued, castor seeds never came down to a level which could bring the price of Indian castor oil to around Brazil's parity. Little wonder therefore that the U S kept off the Indian market throughout the year. Of course the U S consumption was also substantially down in 1958. Export of castor oil from India was about 20,000 tons less than in the previous year but the Indian crop too was very much smaller around 95,000 tons against 1.30 lakh tons in the previous season. The Iron Curtain countries accounted for the bulk of the export business done last year.

Below are the figures of shipments of oils, oilcakes, and seeds effected from Bombay in 1958. The figures for 1957 are given in brackets. The figures are in tons.

Castor oil 18,661 (38,408), linseed oil 14,020 (7,548), cottonseed oil 2,388 (6,623), kardi cake 1,652 (373), groundnut oil 355 (10), sesame oil 262 (nil), niger oil 54 (629) and mustard and rapeseed oil 30 (nil);

H P S groundnut 629 (nil), linseed 2 (nil), nigerseed 205 (149), kardi-seed 88 (nil), sesame seed 25 (nil); groundnut expellers 45,460 (19,628), groundnut extractions 51,490 (6,634), linseed cake 5,306 (550), cottonseed cake 2,378 (6,737), niger cake 256 (2,964), kardi cake 95 (nil), mowra meal nil (2,121), mowra cake nil (485) and sesame cake 40 (nil).

The oilseed market is in the grip of a bullish fervour at present. Groundnut May is already quoted at around Rs 181 per candy even though the season has still a long way to go. New Delhi's helpful export policy when the crop is just normal has made bulls crazy.

Bullion

Gold at New High

IN India gold touched its all-time high of Rs 118.10 in 1951. The Korean War had sent prices of commodities sky-rocketing with the result that the value of money fell steeply. Gold seemed to be the only commodity worth holding and hoarding. With the Korean War boom over, gold declined heavily to Rs 77.4 by the end of 1952. Since then it has been gradually seeking higher levels. On January 21, 1959, it was up again at Rs 118-10½ almost near the all-time peak.

What does the rising trend in gold indicate? Can it be that economic development has brought prosperity to the rural sector where people are believed to have a bias in favour of precious metals as media for investment? Or does it reflect the flow of hidden wealth into the bullion market? This is not improbable, particularly with the heavy incidence of taxation and lack of faith in the Government's attitudes among the class of people which makes big money. Hidden wealth must be indeed be very huge. Even in a small country like Pakistan hidden wealth disclosed after the establishment of the new army regime is placed at Rs 134 crores.

Fluctuations in bullion in 1958 were quite erratic even though the underlying trend was unmistakably upward. The highest and lowest rates recorded by gold and silver ready in 1958 with the 1957 figures in brackets were: gold; high Rs 115.4 (112.8), low 104.9 (103.13); silver; high 202.8 (191), low 178.7 (174.2). The all-time high for silver is Rs 207.4. This was recorded in 1951. The price pattern last year continued to be moulded by con-

jectures about the flow of smuggled gold and silver coins from Tibet. The West Asian political situation and the army coup in Pakistan were the other two factors which had a profound effect on the market for precious metals.

Margin Raise Falls to Check

Margin rules were tightened to discourage the rising tendency in prices, but all in vain. Margins can only influence the volume of speculative business but they can seldom have any profound effect on the price trend. And speculators cannot be blamed for taking full advantage of the poor supply position of precious metals, while demand continues to be fairly good. Smuggling of gold has been seriously affecting since the establishment of the army rule in Pakistan. Sales of Kolar gold have remained suspended since July. The supply of Tibetan coins has also tended to fall, presumably because of the decline in the Indo-Tibetan trade. The Deputy Finance Minister once told the Lok Sabha that the Chinese authorities had banned the export of Tibetan coins to India.

Tibetan coins constitute the only source of supply of silver. And gold comes only through smuggling. The supply of gold from Kolar is too small to make any difference to the supply position. In such a situation the existence of forward trading in precious metals is really beyond comprehension. The Forward Markets Commission report on the recognition of associations in respect of forward contracts in gold and silver, submitted last year, contains sufficient material to ruin the case for a futures market in these metals, which, however, has been upheld by the Commission.

No reliable estimates are available of the floating stocks of precious metals in the country. But the figures accepted by the Commission are 44,000 tolas of gold and 6,000 bars of silver. Even on the basis of the current high prices these stocks are worth only a few crores and it is easily possible for a few powerful operators to manipulate the market by cornering the stocks. That is what has actually happened in the past. Perhaps the only good purpose served by a forward market in precious metals is that it brings a fairly large amount of revenue through stamp duty.

The Indian Iron and Steel Company Limited

NOTICE is hereby given that a General Meeting of the members of the Company will be held at the Registered Office of the Company, 12, Mission Row, Calcutta, on Tuesday, the 24th day of February, 1959, at 3 p.m. to consider and, if thought fit, to pass, with or without modification, the following resolutions namely:—

As a Special Resolution :

1. That the authorised capital of the Company be increased to Rs. 16,00,00,000/- by the creation of 20,00,000 further Ordinary shares of Rs. 10/- each.

As a Special Resolution :

2. That the Articles of Association of the Company be altered in manner following :

Article 5(1) shall be deleted and the following substituted therefor—

"5(1) The capital of the Company is Rs. 16,00,00,000/- divided into 1,30,00,000 Ordinary Shares of Rs. 10/- each and 3,00,000 Five per cent Cumulative Preference Shares of Rs. 100/- each."

As an Ordinary Resolution :

3. That it is desirable to capitalise the sum of Rs. 2,07,34,830/- out of the amount standing to the credit of the Share Premium Account as at the 31st March, 1958, and that such sum be capitalised accordingly and that such sum be applied in paying up in full at par 20,73,483 Ordinary Shares of Rs. 10/- each to be allotted and distributed as fully paid bonus shares (hereinafter referred to as "Bonus Shares") to and amongst the holders of Ordinary Shares in the Company whose names appeared on the Company's Register of Members on the 22nd January, 1959, in the proportion of one Bonus Share for every five Ordinary Shares of Rs. 10/- each held on that date and that the Bonus Shares shall rank in all respects pari passu with the existing Ordinary Shares of Rs. 10/- each except that the Bonus Shares shall not rank for dividends for any period ending on or before the 31st March, 1959.

4. That the Chairman of this Meeting be and he is hereby authorised on behalf of the holders of the existing Ordinary Shares of the Company on the said 22nd day of January, 1959, to enter into an Agreement with the Company in the form submitted to this meeting and that such Agreement be and is hereby approved.

5. That the said 20,73,483 Bonus Shares be and they are hereby allotted and credited as fully paid up in pursuance of and subject to the provisions of the abovementioned Agreement.

12, MISSION ROW,
CALCUTTA,

28th January, 1959.

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

NOTE : (1) A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

(2) The Share Transfer Books and Register of Members were closed from the 12th to the 22nd January, 1959, both days inclusive.

(3) Definitive Certificates for Bonus Shares along with cheques in payment for fractional entitlements will be posted to the registered addresses of shareholders who are entitled or to their mandatees promptly after the resolutions are passed at the Meeting.

N. B. Explanatory Statement as required by Section 173 of the Companies Act, 1956, has been sent to all Shareholders.

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The House of Railways

DUE, perhaps, to the timing of the monsoon, and the crop calendar of the country, spring is the season of Budgets in India. Early this week Shri Jagjivan Ram, the Union Minister for Railways, presented the Budget of the Indian Railways for 1959-60. It was perhaps to be expected that after the fairly wide changes in the freight structure introduced in October 1958, the Railway Minister would not have any dramatic disclosures to make within less than five months when presenting his formal Budget. This latter exercise would certainly provide him with an excellent opportunity to highlight the achievements of the Indian Railways in various spheres and of the achievements of his Ministry in handling passenger amenities and amenities for its very large number of employees. This has been done; there are bright patches in the picture as many as there are dark ones, although, in the financial year which is presently drawing to a close, the darker hues appear to predominate.

Although, as we have said, nothing very exciting was to be expected, the Railway Minister could certainly have devoted some time in explaining to the Lok Sabha the broad aspects of the manner in which the Railways, which are not only the largest single commercial undertaking in the public sector, but also the largest component of transport in the country, are fulfilling the tasks assigned to them—which have been accorded the highest priority in the Second Plan—and the manner in which the mind of the Government was moving, having in perspective the Third Plan in which the Railways would perhaps have to shoulder greater burdens than in the present one. There is but one brief reference to this latter issue, namely that with a view to reducing the time lag attendant on the commencement of new line projects to the minimum, as the first step towards the achievement of the targets of the Third Plan, and as also to maintain the constructional activity generated in this Plan period, it has been decided to initiate action on certain new line projects which would mature in the Third Plan period. Except for this, there is no hint of either a total appraisal of the achievement of the Railways so far, or of any forward thinking. It seems that the Ministry is more occupied with the problems immediately at hand, although there is no indication that even these will be handled with the foresight and impartiality they deserve.

Let us take some of the facts of the operation of the Railways during the current financial year. On the physical side, it is stated that while during 1956-57 and 1957-58 there were increases of ten and eight million tons respectively in the tonnage lifted by the Railways, in the current year the increase is expected to be of the order of only five million tons. Broken down into commodities, the decline has been stated to be marked in the cases of grains and pulses, oilseeds, cotton, jute and sugarcane. The Railway Minister has confessed to an unmistakable diversion of high-rated traffic to road transport. The true significance of this diversion will be appreciated when it is remembered that this has arisen not because of the inability of the Railways to carry that traffic, but at the cost of surplus wagon capacity on certain routes. Although the Railway Minister has assured that a study is being undertaken to devise ways and means of ensuring that the limited transport resources of the country

are utilised to the maximum extent possible, there must surely be something wrong somewhere, that in the face of the very heavy investments that the country is making in the railway system at considerable cost, traffic should have been diverted to road transport, leaving unused capacity with the railways. The country doubtless visualises a vigorous expansion for road transport in India, but certainly not at the cost of the Railways. There is scope here for very careful planning of the two major arms of transport in India. It is only hoped that the stronger of the two arms will not dictate the manner of this planning.

The reduced tempo of working of the Indian Railways, either because of the competition of road transport which, however, would account for but part of the decline, or of other causes, runs all through the Budget speech of the Railway Minister. We

have stated above the very moderate rise in the tonnage which is expected to be handled by the Railways in 1958-59. This is also reflected in the smaller net surplus that is now estimated for the current year, namely Rs 13 crores. The pressure on Railway Finances is shown by the wiping out of the Development Fund which stood at Rs 13 crores in 1955-56, and by the sharp fall in the Depreciation Reserve Fund. In this connection one would have appreciated if the Railway Minister had explained in somewhat greater detail why for the year 1957-58 the net surplus of Rs 13 crores was as much as about Rs 8 crores less than the Revised Estimates for that year.

In the face of disappointments in net realised earnings in two successive years, 1957-58 and 1958-59, as compared with the Budget Estimates, the Minister has considered that in the Budget year

1959-60 the Railways will earn a net surplus of over Rs 21 crores. He has buttressed this estimate by stating that while during 1958-59 the tonnage moved by the Railways will increase by perhaps only five million tons, during 1959-60 the increase will be of the order of no less than 14 million tons. He gives a break-up of this figure into an increase of three million tons in general goods traffic, to which better crops of the current season will contribute no mean proportion, of three million tons for coal, and of eight million tons for transport for the steelworks in the public as well as private sectors—of coal, ore and finished products of the steelworks.

One feels that the Minister is being over-optimistic. In food-grains, for example, if State Trading does come in, even in a limited fashion, some part of the movement of grains on private account in search of profits out of price differ-

entials in different areas should be considerably curtailed. Secondly, the increase in transport requirements arising on account of the steelworks is perhaps over-estimated. Basing himself on this increase in tonnage and certain other factors, a higher surplus in 1959-60 has been presented. But a rather crucial component of the ordinary working expenses does not seem to have been allowed for. In another connection, the Minister has stated that the recommendations of the Pay Commission are yet to be received. But they would be received before long and would doubtless involve a larger wages and salary bill for the Railways for which apparently there is no provision.

The budget estimate of ordinary working expenses in 1959-60 has

been placed at Rs 9.49 crores over the Revised Estimate of the current year on account of the following factors—the net effect of annual increments to staff and of other normal variations in personnel (about Rs 2 crores), increase of nearly Rs 1 crore in the expenditure on Staff Welfare, increase of about Rs 2.5 crores in repairs costs which covers the additional assets created in 1958-59 and to be created in 1959-60, and about Rs 4 crores operation (namely staff, fuel, etc), necessitated by the anticipated increase in transport requirements. It is likely, therefore, that the same story of disappointment at a surplus lower than is budgeted for will be repeated this time next year.

This brings us to the leading theme of our editorial comment on

Railway Finances last year, namely operational efficiency as well as efficiency judged by financial standards. One does not feel that the Ministry of Railways is yet seized with the problem that the largest single commercial undertaking of the Government should be earning progressively smaller net surpluses when very large volumes of resources are annually being devoted to increase its efficiency and capacity. As the country's steelworks come into operation, as industrial production slowly creeps up, and, along with it, production from agriculture, the Railways will be called upon to move an increasing volume of tonnage. The success of planning will be judged by the extent to which such demands can be met at the least cost to the economy.

Russia's Surprising Bungle

THE breakdown of last week's talks between Persia and the Soviet Union, with the possible conclusion of a non-aggression pact as their objective, has been widely hailed in Washington and London as proof of Teheran's unshakeable loyalty to the Baghdad Pact. Few people have bothered to ask, however, that if that is so, why were the talks initiated in the first place. The Shah's Government now disclaims all responsibility on this score, saying the initiative for the talks came from Moscow, not from Persia. Russia, on its part, denies this. But whoever is telling the truth, the fact remains that the talks did take place, and that even if the invitation to hold them came in the first instance from Moscow, Teheran was quick to agree. If Teheran's loyalty to the Baghdad Pact was all that unshakeable, would it have agreed to a conference which could only lead in the end to its secession from that pact?

It can be argued, of course, that Persia agreed to the talks (if it did not actually initiate them) under strong Russian pressure, and that no small country of the size of Persia could possibly resist such pressure from so powerful a neighbour as the Soviet Union. If one accepts this line of argument, one must also accept its corollary: that the Persian acceptance of the Soviet invitation was a formality aimed at avoiding to give the latter any brusque cause for annoyance, but that there was never any genuine inten-

tion on Persia's part to carry the talks to a successful conclusion. This theory is let down badly by the fact that the talks seemed to be on a genuine enough level to make it necessary for President Eisenhower to write to the Shah about them, presumably asking him not to commit himself with Russia in any way and promising greater American assistance in the future.

The more likely explanation of the Russo-Persian talks (though not of their eventual breakdown) is that both the countries had been wanting for quite some time to make their mutual relations less open to strain and suspicion. Persia has long considered the Baghdad Pact an inadequate guarantee against any possible hostility from Russia. Its geographic position exposes it to easy aggression; and the recent trend of events in Iraq seems to have suggested to the Shah the wisdom of making some sort of peace with Soviet Russia. The Shah has also been conscious of the fact that of all the member-States of the Baghdad Pact, Persia alone is without the advantage of being militarily protected against aggression by means of a bilateral treaty; all the other B-Pact members belong securely either to Seato or to Nato. And once you accept the principle of safety through alliances, you begin to sympathise with Persia's apprehensions.

Russia, on its own side, has also had its fears. The Soviet displea-

sure at Persia's membership of the Baghdad Pact is no secret; but with the serious hole punched into the Pact by the revolution in Baghdad, Moscow had perhaps begun prematurely to discount its importance. Recently, however, when the United States joined the military committee of the Pact (becoming for all intents and purposes its full member), Soviet displeasure revived quickly. Mr Khrushchev naturally cannot be expected to treat lightly the prospect of American garrisons and bases being installed next-door to him in Persia,—and already there were reports in the air that this is precisely what the Americans were proposing to do. There was even the possibility of an early military pact of a bilateral nature between Teheran and Washington.

In the circumstances, it is not surprising that once the idea of a Russo-Persian non-aggression pact was mooted (regardless of who mooted it) it was eagerly seized by both sides, and the conference got under way. That much seems clear. What is less easy to understand is the reason for its breakdown in so precipitate a fashion. It is said that the breakdown was caused by Russia's insistence that Persia should not allow any American troops or bases to be installed on her soil, and that she should not proceed with her reported intention of concluding a defence treaty with the United States. But unless the Shah's advisers are blessed with far



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greater naivete than seems possible, they must have realised from the very beginning that those are just the terms which the Russians would, in fact, lay down. Why should Moscow be interested in coming to an agreement with its neighbour except to make certain that this neighbour was neutralised in the military sense? The whole point of the talks, from the Russian standpoint, was to keep Persia free of G Is. And from the Persian standpoint, that might not (in theory at least) have been too stiff a price to pay for an insurance against Russian hostility. If those two were not the respective attitudes on both sides, it is difficult to see how and why the conference took place at all.

That it has failed so decisively shows that the Russians have bungled it. Otherwise, it seems incredible that such a complete breakdown should have resulted from negotiations from which Mr Khrushchev stood to win so many Cold War victories, to say nothing of

the immediate advantages to Russia of a militarily neutralised Persia. The bad temper of the Russians towards the end of the talks, and the unholy acrimony between the two countries since then, suggests that once the civilities were over, the Soviets took too heavy-handed a line for Persian liking. (If it was indeed the Persians who initiated the talks, the Russians may subsequently have overplayed their hand under the impression that Teheran was negotiating from panic.) Apparently, while words were being bandied across the conference table, Persian morale was being boosted all the time by friendly overtures from Washington. The result was that in the end the Persians decided, not unnaturally, to continue with a willing ally who was promising to become progressively more and more willing, than to try and safeguard their interests by means of an uneasy treaty of "friendship" with a bullying neighbour. How completely the Russians have lost their oppor-

tunity in Teheran can be seen from their latest threat to invoke the 1901 Russo-Persian Treaty (in probability defunct and obsolete now) and march their own troops into Persia if the Americans installed their bases there. At this stage the threat looks far more like further exhibition of bad temper than anything else. Certainly neither the Persians nor the Americans are at all likely to be intimidated by it. Considering the position Persia already occupies in the Western camp, it cannot be said of course, that the Persian pendulum has swung in favour of the West; but it has been effectively stopped from swinging against it. And the tragedy from the Russian standpoint is that it is Soviet bungling that has done the stopping. From this point onwards, Teheran is destined to get more and more deeply committed to the West; and the United States can be confidently expected to follow this opening to the hilt.

increase. Does this shift indicate any basic improvement in our exports?

The data so far available do not show any increase in exports during the second half of 1958 as compared to the level of exports during the corresponding period of 1957; exports during this period probably declined by about Rs 10-20 crores over the corresponding period a year ago. The improvement in the position of reserves was, thus, attributable primarily to decline in imports, larger utilisation of external assistance and some capital-inflow on private and government account.

Because of the decline in the British bank rate, the exchange banks have probably brought funds from London; this inflow of banking capital itself may have accounted for an improvement of nearly Rs 10 crores. Further, in February, the U K made an advance payment under the pension-annuity arrangements of about Rs 15 crores. Total imports probably have declined by about Rs 100 crores at an annual rate during 1958-59 and have been financed to a larger extent by the utilisation of external assistance.

Exports, thus, have still not recovered from the effects of American recession, slowing down of economic activity in Europe and several other special factors. The largest decline in exports is on account of cotton textiles; in this respect, competition from China has played an important role. Some vigorous action on the part of Government as well as industry is necessary if we are not to lose our export markets for cotton manufactures. The solution probably lies in segregating the export sector of the cotton textile industry, to which all kinds of inducements and incentives could be given by Government on the same principles on which it gives tax-incentives to new investment. No tinkering with the problem would be of any avail. It is high time the Government realised the gravity of this problem.

Central Banking Policy

Innovation in Pakistan

THAT new situations call for equally new remedies is proved once again by the latest amendment to the State Bank of

Pakistan Act. An Ordinance has been issued empowering the Pakistan Central Bank "to purchase, hold and sell shares and debentures of banking companies which are established to promote the economic development of any specified

area, and also any corporation established for the purpose of promoting agricultural and industrial development in the country". It is true that central banks in most underdeveloped countries have not always fashioned themselves

Weekly Notes

Price Support for Whom?

RAW jute prices have declined during this season by about 25 per cent. Even though the cultivators' total income may not have suffered in the process because the size of the crop this year was larger by 28 per cent, this decline has coincided with a considerable increase in rice prices. The distress in jute growing areas of Bengal and Bihar has, therefore, been considerable. Unlike cotton and sugarcane, there has never been a minimum price for raw jute, ostensibly on the ground that since 80 per cent of jute goods are exported to highly competitive markets, a floor price for the raw material would handicap the jute industry. The Government had, till recently, taken no action to stem the rot, apart from reducing imports from Pakistan. This had little or no effect on prices, for high quality Pakistan jute hardly competes with the home-grown material. Jute mills were also asked to increase their purchases; but though mills had taken in stocks for four and a half months at the end of December, the jute grower was still in the lurch. More than a month back, representatives of Governments of jute-growing States and

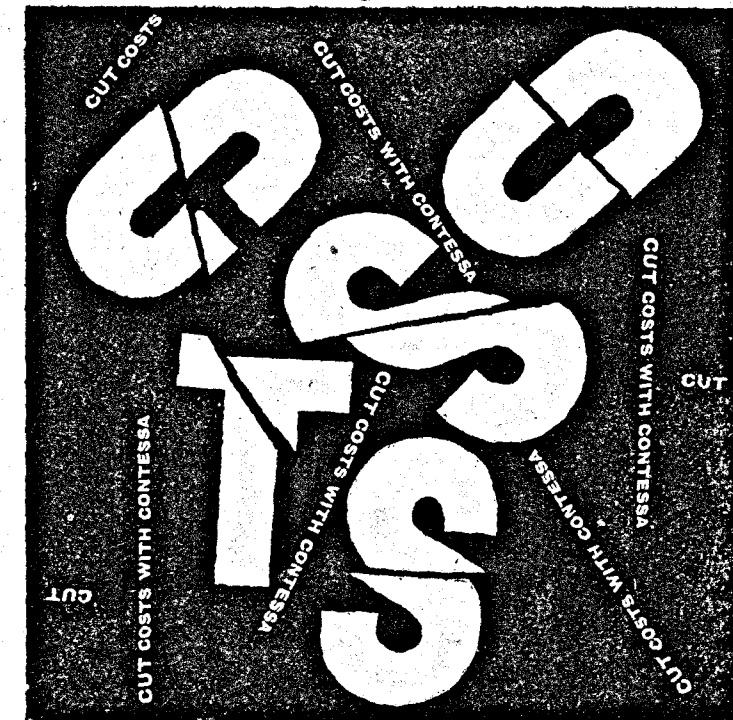
the State Trading Corporation met at Calcutta under the chairmanship of Shri B Venkatappiah, Deputy Governor of the Reserve Bank. The only long term arrangement this conference could decide upon related to strengthening of the co-operative machinery in jute purchases. The Government's decision to order the State Trading Corporation into the jute market was expected, at this conference, to take care of the immediate problem.

It is now reported that, following this decision, and the permission to the S T C to promote export of raw jute in limited quantities for the first time since 1949, the Corporation has made the necessary arrangements to export a limited quantity of those grades and markings which are well known to London and Continental markets. The size of exports will be determined, from time to time, it is stated, with due regard to the needs of jute mills, while the prices at which exports will be made by established dealers on behalf of the S T C will be reviewed periodically. The decision not to fix an official floor price for raw jute has, incidentally, been reiterated by Government.

This belated decision may not help the jute growers very much during this season at any rate, for most of them have already parted with their crop at low prices. The benefit of the S T C's entry into the market will, thus, accrue largely to traders and mills. In fact, there have already been reports that some jute mill agencies in baling centres have been steadily increasing their purchases from precisely those areas where the S T C proposes to buy as a price support measure. Foreign buyers of sack and hessian who have been reluctant to place large orders so far may re-enter the market once it has been stabilized, and thus help reduce the stocks of finished goods accumulated with mills. The grower can, then, derive what little satisfaction he can from the precedent this Government action on his behalf establishes for the future!

Improvement in Reserves

THE rate of decline of our sterling balances was much lower during the second half of 1958 than the rate during the first two and quarter years of the Second Plan period; and in fact since November 1958, our foreign exchange reserves have recorded a small



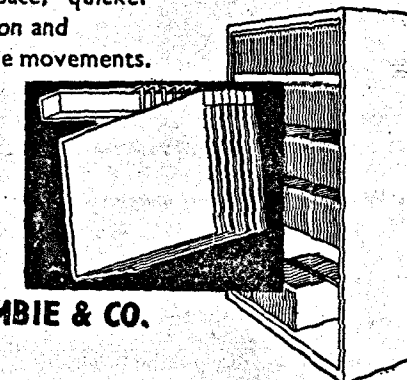
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after the orthodox conception of central banking; there have been many departures with a view to making them more effective agencies of economic development. Perhaps this power to deal in purchase and sale of shares of private-owned companies appears to be the more radical because of its significant implications for the normal open market operations of the central bank.

Though the objective of this innovation, as stated in the Government announcement, is to endow the central bank with powers to stabilise the stock exchange market, whenever necessary, and to expand developmental finance, the new weapon can also be used to supplement open market operations, which are normally confined to purchase and sale of Government securities only. Since the market for Government securities is very narrow in underdeveloped countries, the scope for use of open market operations as a flexible weapon of central banking control is naturally limited. Now, with the inclusion of new types of private securities, the State Bank of Pakistan may be in a position to wield that weapon to bring about desired changes in the availability and cost of money. But it will have to guard itself against the possible clash that might arise between the objectives of stock exchange stabilisation and those of monetary policy, as both of them may not always be consistent with each other.

Short Circuit?

THE increasing pace of industrialisation, substitution of imports by indigenous production, and tariff policy have enabled the electric motors industry to expand at a very rapid pace. Production in 1948 was only 60,000 hp. The tariff protection granted in that year, renewed subsequently at three year intervals, enabled production to rise to 99,000 hp on the eve of the First Plan and to 2,01,000 hp in 1954-55. In 1958, production from January to September totalled 4,65,000 hp. In its 'Programmes of Industrial Development' the Planning Commission had estimated the requirements of electric motors up to 200 h p at about 6 lakh h p by 1960-61, and believed that if a capacity of that order was ensured

by the end of the Second Plan, it would be sufficient to meet the requirements. It was anticipated at the time these 'Programmes' were drawn up that, when all the schemes then licensed were completed, it would not be necessary to sanction new projects for augmenting the installed capacity of the industry beyond 6 lakh h p. The fact that production may lag significantly behind capacity in this new industry was apparently not taken into account.

The present picture of the industry seems to be rather confusing. Difficulties in securing raw material and "unhealthy competition" within the industry seem to have created a feeling of uncertainty despite expansion in demand. Contrary to the policy laid down in the 'Programmes', Government seems to have sanctioned a fairly large number of new schemes, many of which were perhaps not fully scrutinised to assure technical competence and a minimum scale of production. In his address from the Chair of the Indian Electrical Manufacturers' Association, Shri K J Cleetus has drawn attention to the fact that "a highly technical industry with a high capital ratio is not the sector in which small, uneconomic and necessarily ill-equipped units should be encouraged. Manufacture of electric motors cannot be reduced to the position of a cottage industry". He has also deplored the special assistance given by the Government to these small units in the import of specialised machine tools and in the allocation of scarce raw materials. This has been done at a time when large-scale manufacturers have been compelled, owing to competition from their smaller brethren, to divert their capacity to the manufacture of large-sized motors, which requires the import of special machine tools, for which the necessary licences have not been issued as yet. It may be true that the products of the small units are of inferior quality. The fact that they are pushing the large units out of the small motors market, however, indicates that competition is, perhaps, not so unhealthy as it has been made out by Shri Cleetus, unless consumers are fooling themselves. Accustomed as the industry is to selling in a sheltered market, it is not surprising that

the advent of competition appears to be causing rather undue anxiety!

Figures of production for the unorganised sector of the industry are, unfortunately, not available. Those quoted above relate to 14 units only, as given by the Directorate of Industrial Statistics. It is Shri Cleetus's contention that the new capacity that is being rapidly established in the unorganised sector is leading to over-production—presumably of small motors, though he did not specify that. When it came to renewing his plea for tariff protection, however, Shri Cleetus went on record to say that "there does not appear to be much serious lack of balance between supply and demand". This statement followed his estimate that when all the licensed schemes are completed, the total capacity of the industry would rise to 1.3 million h p on single shift (against the target of less than half that figure mentioned in the 'Programmes'). How these two statements of Shri Cleetus can be reconciled is difficult to perceive, even if one fully appreciates his contention that small units operating on 'cottage' scale are ignoring quality standards. Unless one knows the figures of total output and total demand, however, it is difficult to take a stand one way or the other on the question of over-production in the electric motors industry. Shri Cleetus appears to be rather apprehensive that, with the establishment of the heavy electrical plant at Bhopal, there might be some duplication of capacity as between the public and private sectors. He expressed confidence that "well-organised and well-equipped" units in the private sector could expand the range of their production to cover motors of above 200 h p as well. The 'Programmes of Industrial Development' had laid down that the Bhopal Plant will manufacture besides other heavy electrical equipment, A C industrial motors of 200 h p and above; the Government would have no objection to existing firms making motors of 250 h p or a little higher, thus allowing some overlap between the private and public sectors. However, this overlap would affect the fortunes of the large units which are eager to expand but are gradually being pushed out of the small motors market, has yet to be seen

Liners in Distress

THE recent world-wide slump in shipping freights is now affecting the earnings of Indian Liner companies, too. Even before this decline attained rather large proportions, India's premier shipping company, Scindia Steam, found that its freight earnings were not improving in the same proportion as the cargo lifted. The reason lay not merely in the severe competition offered in the overseas trade, but also in the low rates fixed by Government for the carriage of rice from Burma. Further, the slack demand for wagons apparently induced the Government to divert some salt and coal cargo from coastal vessels to the railways. Since these two commodities form about 75 to 80 per cent of the cargo lifted by coastal ships, and since Scindias have a relatively larger stake in the coastal trade than other liner companies, the pinch felt by them has been considerable. On top of these unfavourable factors, the recently started regular service to West Africa now faces competition from two non-national lines.

Unlike the speeches from the Chairs of other shipping companies, like India Steam and Great Eastern, Shri Dharamsey Khatau's address at the 39th annual general meeting of his company was remarkable for the demands it made for special concessions rather than for Government-aided expansion of national shipping as a whole. Shri Khatau did not content himself with complaining against the lowering of rice freights on the Burma route, which had actually been brought about by a competitive offer, claimed to have been made by Great Eastern, when other Indian lines demanded much higher rates. The Chairman of Great Eastern had, actually, only a few months back, alluded in very strong terms, to the unfair procedure adopted by Government in first accepting his company's offer to carry the entire rice cargo from Burma at rates substantially lower than those quoted by other companies, and then forcing his tramp line to share this cargo with others whose tenders had been much higher! In addition to making several unexceptionable suggestions to Government to help shipping expansion, Shri Khatau put forward a rather novel demand that "The rates of freight which Government

should sanction for the carriage of (its) cargoes should be reasonable and economic to the Indian ship-owners and should not be compared with the prevailing tramp rates." He went on to criticise the State Trading Corporation for choosing the cheapest carrier available and, thus, encouraging tramps at the expense of liners. The argument he advanced in support of this demand was that there should be "sufficient scope to create resources for the purchase of newly constructed or near-new secondhand ships". It is difficult to appreciate this point of view. For, the decision to expand Indian shipping and maximise freight earnings by Indian ships does not oblige the Government to favour liners as against tramps, especially when the cargoes in question are sporadic. So long as the Government patronises national

shipping, no objection can legitimately be taken against the hard bargaining which the State Trading Corporation resorts to while arranging shipping facilities for its consignments. While all possible incentives should be offered to shipping companies for expansion of tonnage, and every possible preference should be extended to them for lifting cargo, it is clearly not desirable to create a protected market for liner shipping that would impose superfluous expenditure on the Government, and, simultaneously, place enterprising managements at a disadvantage in the highly competitive industry.

Ever since the twenties, it has been the complaint of Asian, especially Indian, shipowners that international shipping conferences, which control nearly all the important trade routes, prevent freight rates

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from coming down to reasonable levels, and do not allow new comers a fair chance. This complaint was renewed at a meeting of the ECAFE Trade Committee held only last month at Bangkok. The management of Scindia Steam, which justifiably claims the honour of having pioneered the national shipping industry in extremely adverse circumstances, should have been the last

to make a demand for restrictionism. But the Chairman of this very company has now put forward the suggestion that "Before the proposal for purchase of any new tonnage is sanctioned by Government, the route on which such a vessel would operate should be specified. Such sanction should only be given after the Government has satisfied itself that such addition is neces-

sary in the route concerned". This is tantamount to a demand that the Government should adopt more or less the same practices which are now associated with the working of shipping conferences. Its acceptance would be unfair to enterprise in the shipping industry, as well as the people who would be called upon to pay the inflated bills of protected freights.



STILL GROWING AT SIXTY

The Dunlop factory at Ambattur was declared open on February 12, 1959

Sixty years ago, when Dunlop brought the first pneumatic tyres to India, only the venturesome rode on bicycles and the automobile was an object of wonder and awe. Some years later, it could still be said that "it needed as much courage to travel in a bus as to run it!"

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The Cost of Britain's Defence Effort

IN an age of rapid technological change military planning is largely a hit and miss affair. The British military effort is now shown to be not only a victim of this paradox; but, alas, of the ever present contradiction between the desire to pursue a great power policy with all its military implications and the desire to rebuild a sorely burdened economy by an increase in productive investment. The net result of British military effort, as outlined in the 'Defence White Paper', is a sorry catalogue of armed inefficiency, of military unpreparedness, of wasted energies and generally of a crisis in military planning.

In essence, Britain's military posture has little or no relation to the political status for which she hankers with such desperate tenacity. In a certain sense there is a recognition of this sorry state in Britain's defences in Whitehall, for unlike last year when the White Paper on Defence contained a series of fanciful boasts—all formulated in crude and controversial terms—the present White Paper is evasive, silent and only lists in a cold accounting sense how the £ 1,514 m in the fiscal year 1959-60 asked for will be spent.

Dismal Failure

The essential background to the present military effort is this: after the Suez debacle, the new Macmillan Government pronounced a defence policy which would involve the development of the purely British deterrent on a somewhat streamlined basis, involving less conventional forces, a smaller more highly trained regular force of 165,000 men and that the existing V-bomber force would remain the basic instrument of "delivery" calling for no tactical air force. It was visualized that such a policy would contribute to a decline in military spending.

With regard to missile development, the British defence policy assumed that the Americans in recognition of the consequence of "inter-dependence" would, with the promise of withdrawing MacMahon Act, pass over blueprints and so save Britain the heavy costs of independent missile research and production. In framing this policy, the present Minister of Defence

made a series of provocative and boastful declarations about the essential worth of the British deterrent and of the British ability to make "delivery" on Soviet territory. In the present White Paper, it is patent that this policy has proved itself to be a dismal failure—so much so that the 'Economist' (with all the politeness it can muster) has been forced to call for a resignation of the present Defence Minister.

Means of Delivery

In 1957 it was visualized that the army would be made up of 165,000 regulars with a gradual abandonment of conscription. It is now evident that the type of war which entered into the Defence Minister's calculations is not the one in which Britain can effectively participate; what is Britain's lot is a persistent series of colonial wars and unopposed "landings" like that of the recent Jordan operation. And so the size of the army has been willy-nilly increased to 180,000 men.

Equally in crisis was the assumption that the means of nuclear delivery was fully satisfied by the 1957 generation of the V-bomber force. In the 1957 White Paper there was the unqualified statement that there would be no successor to this force. Now under the guise of a transport aircraft, a new bomber of the H-bomb class, the TSR2 as a prime strategic weapon to operate over Soviet territory in a future war is to be built.

What is not clear is whether the performance of the TSR2 is better than that of the V-bomber and, more important, whether it has a range sufficient to enable it to operate only in European Russia or beyond. When account is taken of the boasts in last year's White Paper, the reticence in the present White Paper on this question strongly suggests that the fundamental question of the "means of delivery" remains largely unsolved. Indeed, it is well known and widely acknowledged that the Soviet air defence and radar warning system is almost impenetrable and it was this which let loose the whole design for rockets by the U.S. military planners.

The British Alternative

It is here that a British alternative comes into the picture. In 1957

the Defence policy then enunciated as a "top priority" the development of the "Bluestreak" ground-to-air missile of an intermediate range class operated with a liquid fuel. Further, as part of that policy the British Government negotiated with the Americans for the supply of the unreliable "Thor" missile: it was then visualized that these American missiles would not only be used for the training of British personnel and the building of launching sites but that they would be part and parcel of the Western nuclear deterrent. The White Paper now acknowledges that the Thor missile is unpredictable in its performance and, hence, the continued pursuit for the development of the British Bluestreak.

The most remarkable thing about the British emphasis on missile development is that while on the one hand it has been construed as a possible alternative to the V-bomber deterrent, it is now no longer being given the top priority which it received in 1957. More than that, the British military planners concede that at present missile launching bases are not defensible against enemy air or rocket attacks, and it would appear that as a result new attention is being given to the possibility of constructing deep underground launching sites. But it can be argued that in these circumstances it may have been more preferable to construct the "Polaris" type missile capable of being launched from a submarine in which case any potential attacker would have little incentive to undertake rocket deliveries on the British Isles as such. But the White Paper declares that missiles capable of being fired from submarines are not being constructed by the U.K.

How much has this military policy cost Britain? In 1957 the new policy was undertaken to bring about a saving in cost. Instead, the cost has been rising with the 1959-60 military budget set at the peak figure of £ 1,514 m—some £ 40 m more than last year. There is, obviously, something devilishly wrong with this military policy and there can be no doubt that in the course of the coming elections more will be heard about it.

Calcutta's Lonely Crowd

S N Sen

COMPARED to many of the great cities of the world and, indeed, of India, Calcutta is a place of comparatively recent growth. Like Bombay and Madras, its sisters in India, it was founded by British merchants turned administrators, and the city of Job Charnok grew steadily in importance as the gateway of inter-regional and international trade. Its status as the capital city of the country till the year 1912 and its position as the centre of a large industrial area have always attracted a steady flow of migrants, most of whom stayed in the city and were slowly submerged in the stream of its cultural and economic life.

The result has been the heterogeneity and anonymity of life in the city. The city provides good material for the social scientist, but unfortunately data on the different socio-economic aspects of life of the people of the city have not been systematically collected at any time. The decennial census published some informations relating to the size and distribution of the population of the city and of its livelihood pattern. While these are no doubt important, they provide an inadequate basis for finding out the social and economic factors influencing the life of the people of the city. However, from 1954, the two Departments of the Calcutta University, Economics and Statistics, have been engaged in carrying out a systematic survey of certain aspects of the social and economic conditions of the people living in this city, aided by a very generous grant-in-aid from the Research Programmes Committee of the Planning Commission. The materials for this paper have been collected from that survey.

Men and Women

It is well known that most of the cities of India contain a predominantly male population. According to the 1951 census, the overall ratio for cities containing one lakh or more population was 785 women per 1000 men. (The all-India ratio was 948). The proportion of women in the five "millionaire" cities of Bombay, Calcutta, Delhi, Hyderabad and Madras was still lower, being only 693 per 1000 men. The

state-wise distribution showed that the male-female ratio is lowest in West Bengal cities, being only 600, while the proportion is invariably high in the cities of South India. In fact, there were in 1951 four cities in India which contained more women than men in their population, and they were all to be found in South India. Among the 75 cities of India, Calcutta contains the lowest proportion of women in its population. Thus it can legitimately claim to be the most male city in India, and most probably in the whole world.

This male-female disparity is usually ascribed to the special character of migration to this city. About 45 per cent of Calcutta's population are migrants, i.e., those who came to this city after 1935, and among these migrants barely 13 are women. But most of the refugees from East Bengal have come to the city with all their womenfolk and the sex ratio among them is as high as 856 per 1000 men. These people, however, form only 29 per cent of the migrants and about 13 per cent of the population of the city. The proportion is also high among the original residents, being 755 women per thousand men. This is, however, difficult to explain; for one would expect that the men-women ratio among the original residents of the city should be more even and would be equal to the all-India figure. This is, however, nearly equal to the average male-female ratio of the Indian cities.

There is, however, no doubt that among the other migrants (i.e., other than displaced persons), the ratio is as low as 295 women per thousand men. The existence of such a high male-female disparity among the other migrants has brought down the proportion of women in the city's population. Why is it that, as compared to all other cities including Bombay, only a smaller proportion of the migrants to Calcutta have brought their families to the city? Such factors as bad housing conditions or the forces of custom and conservatism etc are equally present in the case of all cities in India, and there is no apparent reason

for assuming that housing conditions are worse in Calcutta than (say) Bombay or Kanpur; or that the spirit of conservatism is more prevalent among the migrant families residing in the hinterland which supplies a steady flow of men to Calcutta than is to be found in and around Bombay or any other urban area in India. How, then, does one account for the fact that the ratio of women to men is the lowest in the case of migrants from Orissa (about 143 women per 1000 men,) while it is higher among the Hindi-speaking migrants (331 women per 1000 men)? The ratio is still higher among the Urdu-speaking migrants (452 women per 1000 men). How can one explain such community-wise male-female disparity in migration? Certainly the people from Orissa are not more conservative, nor do they suffer from housing difficulties more severely than the migrants from (say) Bihar.

To some extent the flow of migrant families may be dependent on the incomes earned by the migrants in the city. This is shown by the fact that the ratio of women to men is much higher (688) among Gujaratis, Marwaris, Sindhis and other communities generally belonging to the high income groups. But there is no evidence to show that the average income of the Oriya-speaking population is significantly lower than that of the Hindi-or-Urdu-speaking population. This is certainly a matter for further sociological study, and would probably throw more light on the causes of migration to the city.

Single-Member Households

The fact that women form a comparatively smaller proportion of the population is responsible for the most important characteristic of social life of the city: the disproportionately large number of single-member households. According to the Gokhale Institute Survey, people living singly formed about 10 per cent of the total number of households in Poona. In Baroda, the proportion of such households is only 11 per cent. In Calcutta, the ratio is more than five times that figure and such people

constitute about one fifth of the city's population. Differences in the interpretation of the word, "household" and possibly some investigator-bias may have had the effect of inflating this figure. But even after making allowance for these factors, there is no doubt that the proportion of such households is quite large in the sample population of Calcutta, much larger than is to be found in other Indian cities, major or minor.

The vast majority of these single member households, i.e., more than 95 per cent, consists of male members living without the comforts or the restraints of family life. Only about 5 per cent of these households consists of women, most of whom are engaged in domestic service or in prostitution. Obviously, almost all of them are adults, (if we exclude the students who form a very small part of this population), and about three-quarters of them are migrants to the city. It is, however, interesting to note that the displaced migrants, who are popularly called refugees, form less than 3 per cent of the total number of single households. About 73 per cent of these are non-refugee migrants. More than 61 per cent of these other migrants lives alone. Among the original residents about 15 per cent live in single-member households and more than 70 per cent of the single women belong to this category. The existence of such high proportion of single-member households among original residents of the city is a distressing fact, and one for which it is not easy to find an explanation. The data classify all persons who have come to the city after 1935 as migrants, so that those who migrated to the city in 1934 or earlier have been regarded for purposes of the survey as original residents. It may be that a proportion of those who migrated to the city before 1935 have not brought their families to live with them. But it is doubtful whether the percentage of such individuals would be large enough to provide a sufficient explanation for single-member households among the original residents of the city. A breakdown of the single individuals who were original residents showed that 61 per cent of them were non-Bengalis, and this proportion was definitely much higher than that existing both in the total population and among the original

residents of the city. Thus a large percentage of the Hindi-Urdu-and-Oriya-speaking people still prefer to live a single life in the city, though they have been in Calcutta for at least 20 years.

Low Earnings

These people form the poorest section of the city's population. About 17 per cent of them earn Rs 80 or less per month, while 71 per cent are receiving sums varying between Rs 31 and Rs 100 per month. Thus while 88 per cent of these earners earn on average about Rs 60 per month, the proportion is only 56 per cent among other earners. Most of these single earners have to send regular remittances to their dependents left behind in their native places. This will also be evident from a study of the employment pattern of these single earners and of the others. More than 46 per cent of these single earners were found employed as unskilled manual workers, earning the lowest rates of pay as against only 20 per cent of the other earners. About 6.5 per cent of the single earners are employed in various types of clerical jobs, technical or non-technical, whereas the proportion is about three times that figure among other earners. They form only 18 per cent of the men who are engaged in various professional and technical occupations, carrying comparatively higher salaries or incomes. Thus more than 88 per cent of these single earners are found either in unskilled manual jobs (domestic servants, factory workers), in low-paid semi-skilled occupations, or in petty trading (street hawkers, etc).

The housing conditions in which the large majority of these single households exist are shocking. 83 per cent of these individuals do not have a room of their own and therefore have no privacy. They live on pavements, on roofs or beneath stairs, or are huddled together in disgusting bustees, sharing the same latrine, bath and watertap (if these exist) with 50 or 100 or even more people. Those, who, among them, receive a little more money stay in the cheapest boarding houses, several members to a room about 12 ft by 14 ft in size.

Thus from all points of view,—levels of income, employment pattern and housing,—these people represent the submerged section of the

city's population. They constitute Calcutta's lonely crowd,—adults who have been deprived by the force of circumstances of the joys and comforts of a family life. Contact with urban ideas and living conditions has corroded the values which guided them, when they lived in villages or small towns. They suffer from insecurity and are profoundly unhappy.

The Town-dweller and His Village

There is no doubt that, to a large extent, most of these people exhibit in their culture and in their way of life the characteristics of a transitional group—something midway between a typical dweller of the rural areas and a pure urban resident. This is partly because many of them keep in contact with their village. Of every 100 residents of the city, at least 45 visit their native place at least once a year. This, of course, does not apply so much to people from East Pakistan. But at least one-third of the original residents go to their village once or more often in course of the year.

Contact with the villages has no doubt its beneficial aspects, as the Royal Commission on Labour pointed out long ago. The village home is a refuge and security in sickness and in maternity, in strikes and lockouts, in unemployment and old age. The rural areas also benefit considerably. Money earned in the city has been invested in the villages in buying cattle or agricultural implements. Agricultural income, it is well-known, is subject to large variations from year to year. Remittances from the city sent by the migrants have surely been a welcome addition to the family income. In this and many other ways, retention of contact with the villages by the migrants has, in a large measure, resulted in stabilising and even improving the standard of living and agricultural productivity in the villages. But, at the same time, this fact retards and often prevents the assimilation of the resident in the social and cultural life of the city. Moreover, the post-1947 abnormal conditions have disturbed this gradual process of the conversion of a rural migrant into a full-scale urban dweller. The flow of refugees from the East in these years has been too rapid and too large for the city to absorb and assimilate, both culturally and economically.

The fact that nearly one-fifth of the city's population lives a lonely life lies at the root of the social and political instability for which Calcutta has earned a good deal of notoriety. Most of these people do not feel that they have a stake in the city, though they have been living here for many years. At heart they are not city dwellers, but only temporary residents. Lacking the comforts and restraints of family life and often forced to live in miserable surroundings, these lonely city dwellers are subjected to serious psychological strains, are undisciplined, and become morally unstable. Consequently there is a higher rate of absenteeism, greater listlessness at work, and lowered productivity. This is also one of the principal

causes of the prevalence of prostitution and other forms of social disease and crime in the city.

Further Study Needed

This raises a problem to which no ready answer is possible. It is in the interest of the city that these people should be assimilated into its cultural and economic life. But, quite apart from other aspects, the conversion of single-member households into multi-member units with families and children brought to the city, would create insoluble problems of housing, water supply, transport, public health and education. The industrialist might think that this would stop the flow of urban savings to rural investment and so make larger funds available for industrial development in and

around the urban areas. Even if it happens, it would, however, retard agricultural improvement, and this in turn would ultimately affect the growth of industries. One may, moreover, doubt whether such savings, which are now made under the imperative necessity of supporting a family at home, would actually be available in the changed climate of the city when the whole family would acquire urban spending habits; to say nothing of the high cost of living in the city. There are many other sociological problems involved, and it would require the cooperation of the different social sciences before one would be in a position to suggest a solution to this problem, which threatens the stability of life in the city.



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First General Elections in Nepal—I

Recent Political Trends

Rama Devi Pant

THAT despite its prolonged periods of frustration (between 1951 and 1958) Nepal should embark upon the first general elections in the country's history (on February 18, 1959), based on the twin principles of adult franchise and secret ballot, is a heartening sign*. Rifts both within and outside the political parties and frequent cabinet reshuffles have led to chronic instability in Nepal politics. Nor is the economic climate any better. Inflation has raised its head. The Five Year Plan, almost half way through, has not got along smoothly, and most projects envisaged in it have remained mere declarations of intentions. The negligible success of the democratic experiments tried so far by King Mahendra could hardly provide the incentive for the improvement of the economic and social standards of the 80 lakhs of people who inhabit the intractable hilly parts and extensive tarai regions of the country. A general election was the obvious answer.

How far the general elections will go in laying the foundation of democracy in Nepal is a question which it is too early to discuss. But no impartial student of Nepal politics can ignore two obstacles, tradition and inexperience, which have to be overcome to make democracy work. Much depends on King Mahendra who is dedicated to usher in constitutional monarchy, but whose effective power, as past events have demonstrated, has been increasing beyond all measure, mainly because of the uncertain position of the party leaders, some of whom even now wish to postpone the elec-

* The first general elections being hardly two weeks away (at this writing) political parties are naturally becoming active. Recent political trends in the context of the approaching elections and related issues agitating the public mind are discussed here. This will be followed up in a second article by an account of the elections, how they were organised, how people reacted, what was the character of voting and what was the immediate over-all effect.

tions to enable them to continue in office and to exercise the little power they have.

Promised Eight Years Ago

The subject of elections has received a great deal of attention both in government communiques and political party propaganda during the last eight years, though, of course, the emphasis on it has shifted not infrequently. King Tribhuvan's first Royal proclamation installing the first interim cabinet (Rana-Congress) at one place declared: "And whereas it is now our desire and our resolve that our people should henceforth be governed according to the provisions of a democratic constitution framed by a Constituent Assembly elected by them" (February 18, 1951).

To date the following ministries have made some reference, as and when they found it necessary, to the question of elections. It will be recalled that after the termination of the Matrika Cabinet on April 14, 1956 and during the first direct rule of King Mahendra with the help of advisors, four prominent political parties (Nepali Congress, Nepali National Congress, Praja Parishad and Rashtriya Praja Party), had boycotted the Convention called by the King on May 13. In a joint declaration they had demanded the termination of the direct rule of the Crown because it was "antidemocratic", and had urged on the King to take immediate steps to set up a democratic form of Government "to enthuse the people for honest and impartial election." Though practice shows that such joint declarations, and even joint fronts, have never been based on sound grounds of unity and planned policy, they are indicative of the importance attached to holding

† See my article 'A Turn in Nepal Politics' in 'The Economic Weekly', October 10, 1953 (pp 1117-1118) in which I held that the formation of the Nepali Democratic League (on September 21, 1953) might have a good effect on the country's future politics. However, its premature death after only a month dashed this hope.

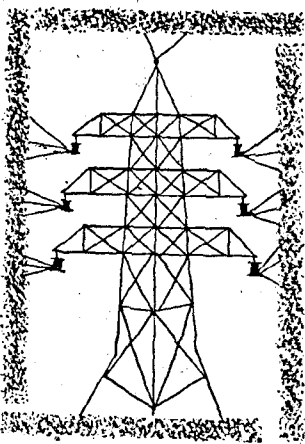
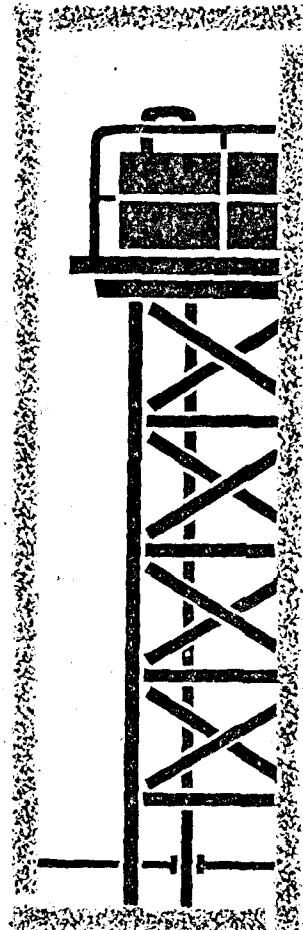
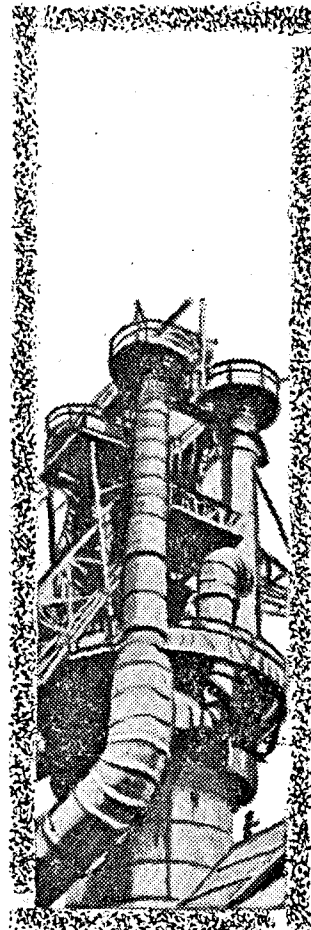
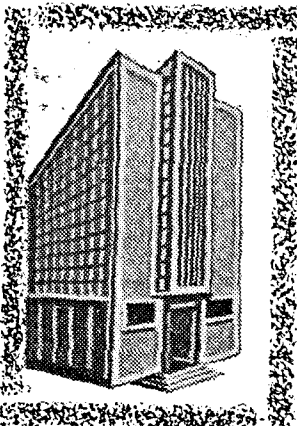
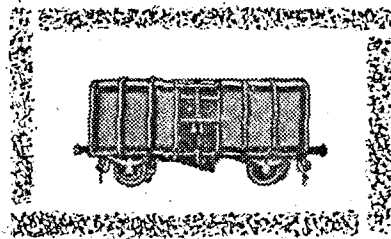
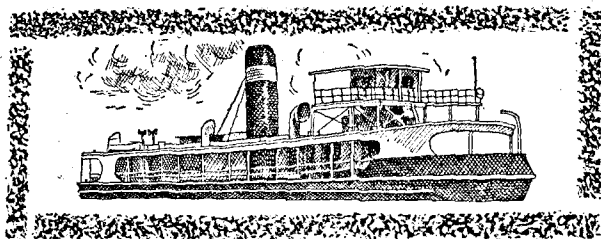
general elections in the country. Such announcements by a party in government also have not been uncommon. When the Acharya cabinet was expanded (February 5, 1956), the main reasons put forward for this expansion were: (a) to cope with increasing governmental activities owing to growing developmental activities, and (b) for making suitable preparations for the forthcoming general elections. Similarly, Dr K I Singh also, during his ministry of 110 days last year, constantly referred to the holding of general elections. Finally, the present Council of Ministers (set up on May 14, 1958, after the end of the six-month-old direct rule of the King) was scheduled to continue till the forthcoming general elections.

Constituent Assembly or Parliament?

What is the purpose of the elections? This controversial question has been agitating the public mind all along. In his first Royal proclamation, quoted above, King Tribhuvan had referred to the elections for setting up the Constituent Assembly, first, but after many vicissitudes (described below) it has now been finally decided that the elections will be held for a parliament composed of two houses.

Controversy on this question reached almost a boiling point towards the end of 1956, when the ruling Praja Parishad Government was called upon to decide the issue, thereby putting an end to earlier attempts at putting off discussion on this touchy problem till the last moment. This was done perhaps to elicit the most representative public opinion in the interim period. At that time the Nepali Congress decided that the elections should be for a sovereign Constituent Assembly. The then ruling party leaders, on the other hand, held that the elections should be for a Parliament, for, they argued, there could not be two sovereigns in the State—the King as well as the Constituent Assembly. The Nepali Congress and its supporters maintained that having a sovereign Constituent Assembly in addition to the King was not necessarily tantamount to dual sovereign-

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ty, for, in their view, the sovereign could delegate his legislative powers only to such an elected body. The Congress, therefore, contended that the King must formally grant to the nation a constitution framed by the elected representatives of the people, and that representative assembly would, at the same time, function as parliament for the day-to-day administration of the country.

No sooner had the Praja Parishad party promised an all-party convention to thrash out this issue than King Mahendra dissolved the Acharya Ministry on the charge that it was not capable of holding the elections. That was July 1957. Followed the agitation of the Democratic Front (of the Nepali Congress and Nepali National Congress). The King, after another period of direct rule, at last, successfully negotiated with the Front to have elections for a parliament. A new Election Commission was formed. On May 15, 1958, a new Council of Ministers, without a Prime Minister, was set up to continue till the general elections. On November 9, 1958, King Mahendra, in a Royal Proclamation broadcast by Radio Nepal, called upon the people of Nepal to elect 107 members (two more members representing the remote Jumla and Humla, in extreme west Nepal, were announced later) to a Parliament in Nepal's first general elections, based on adult franchise, polling for which was scheduled to begin on February 18, 1959.

Nationals and Aliens

Even after this Royal Proclamation, which had in effect given the 'go ahead' signal to the Election Commission to make the final preparations, and the subsequent call for the filling of nomination papers, certain forces have been actively working (albeit a very small minority) for postponing the date of elections.

Certain parties and individuals, even after submitting their nomination papers, have been trying to get the present date postponed on the plea that distinction should be made between nationals and aliens, particularly in the tarai regions which extend over 600 miles of Nepal-India border. What they demand is that the elections should be postponed until all persons on the electoral list have been scrutinized, and in case non-citizens have been enrolled their

names should be cancelled. Leaders like T P Acharya, the former Prime Minister, and Ranganath, the former Minister of State, have been supporting this view, though of late such views are waning gradually.

One House or Two?

Certain social and political parties (composed largely of splinter groups), most of whom are not contesting, had submitted a memorandum to King Mahendra, on December 20, urging for postponement of general elections until all necessary preparations were complete, and the electorate became quite conscious of their rights etc. However, their undemocratic move has neither been seriously attended to by His Majesty's Government, nor did even the public in the capital take serious notice of it. This is well proved by one incident. On December 21, when about 100 persons belonging to this group demonstrated on one of the main thoroughfares of the capital, they were assaulted and beaten by their opponents (majority of the people).

Last but not the least, there is the third Advisory Assembly (inaugurated on November 26) which, surprisingly enough, in spite of the King's desire, as expressed in his inaugural address from the throne, that "all members would work for creating necessary conditions for peaceful and fair elections" adopted two non-official resolutions in 30 days demanding postponement of the elections on a number of flimsy grounds. Even a leading member of the Nepali National Congress (whose representative is the Home Minister) supported this move sponsored by a leader of a splinter group of the Nepali Congress in the form of an address to the King. He had, however, also observed that the Royal Proclamation of 1957 had asserted that elections will be held for a parliament composed of two houses, and since the Constitution has not been made public and since the People's Representation Act of 1959—elections are scheduled to be held under this Act—did not say for which of the houses elections will be held, general elections should be postponed.

Independents Galore

Two broad reasons can be attributed to all such moves for postponing the present date. First, both in the Assembly and outside in the country, independent members out-

number those with clear-cut party labels. Secondly, of late enthusiasm of some of the political parties for elections seems to be waning because of the uncertainty or lack of knowledge about the constitution which the King intends to promulgate very shortly.

However, in spite of all such adverse forces, while proroguing the Assembly (which, probably, might not be called again at all) on December 21, the King repeated that elections would be held on the date fixed in the proclamation of November 9. In view of doubts and whispering campaigns described above, reiteration of the target date was necessary. It has to a great extent lessened the prevailing scepticism in Kathmandu, which, of course, governs in so many ways the mass psychology in the other parts of the country.

Parties and Personalities

It is said that there are more than 100 parties in Nepal. Although it is true that following the new set up after February 1951 with King Tribhuvan as the constitutional head—and in the absence of any democratic tradition—political parties have been cropping up like mushrooms, the total number is not quite that large. There are four or five prominent parties. To these should be added the splinter or parallel groups formed often enough, but their number is limited because both formation and liquidation have been quite common, indeed the two processes have almost gone together.

Eleven parties were recognised by the Election Commission as all-Nepal parties on condition that they would contest at least 20 per cent of the 109 seats of the national parliament. Of these eleven two have been unable to secure the necessary percentage. The final list of candidates (as on February 3) gives the position of the nine parties and independents as follows:

Nepali Congress	109
Gorkha Parishad	85
Samyukta Praja Party	84
Nepal Prajatantrik	
Mahasabha	70
Praja Parishad (Acharya)	49
Nepal Communist Party	48
Praja Parishad (Mishra)	37
Nepali National Congress	22
Tarai Congress	21
Independents	338
Total	863



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It will be seen that only the Nepali Congress is contesting all the seats. Even so it is doubtful whether all the parties will be able to come through effectively. It is believed that some of the parties might have strung along their dummy candidates in some of the constituencies just to conform to the requirements of the Election Commission and secure all-Nepal party status. Of course, nothing can be said at this stage about the success of any particular party or parties, since the basis of their effective strength can be measured only on the polls and cannot be gauged from the number of candidates contesting.

Contest in Kathmandu Valley

From right to left, the Gorkha Parishad, the Nepali Congress and the Communist Party are believed to wield some influence with the electorate and are thus of some importance. The strength that Communist Party is supposed to have cannot be gauged from the number of candidates put up. But it is the most united party with some enthusiastic workers. Both the Nepali Congress and the Gorkha Parishad seem to be confident of bagging the majority of seats. However, it is a fact that even today, except in Kathmandu capital and certain other district capitals, the peasantry, in general, have not heard of either of them! Chances of the Prajatantrik Mahasabha and the Samyukta Praja Party are understood to be slender, though, of course, a very few top-ranking leaders (like Dr K I Singh) might succeed. Dr Singh is reportedly quite popular in the far western hilly parts, but his opponents confidently assert that he will not win.

While the average number of candidates contesting the elections can be roughly estimated at about eight per constituency, there are cases of as many as 19 candidates for one constituency. The independents comprise a little more than half of the total number of candidates. In the light of experience gained from India's first elections, it would seem that independents, whose leadership in most cases though local is quite strong, thanks to the lack of constructive activities in the case of most party workers outside Kathmandu, would come out well. Most of the top-ranking political leaders are contesting from Kathmandu or certain important district capitals

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like Biratnagar and Birganj. Latest reports indicate that for the five seats in the Kathmandu Valley, more than 70 candidates are running, which include, among others, Dr Regmi (present Home Minister), S P Upadhyaya (former Home Minister) T P Acharya (former Prime Minister), Ranganath (former Minister for State) Ganeshman (former Minister for Industries and Commerce), Pushpalal (Communist) and Tulsilal (former general secretary of the Communist Party and now a leader of the Politbureau).

Manifestoes and Approaches

All parties in Nepal right from 1951 down to the present day have appeared to be striving, mostly on paper, for a solution of the socio-economic problems of the country. In practice, however, the parties in power and those which formed the ministries (so far Nepali Congress, Nepali National Congress, Praja Parishad, Prajatantrik Mahasabha, Samyukta Praja Party) could not or did not take concrete steps towards solving such problems. Nevertheless, an analysis of the election manifestoes issued by some prominent parties during the last one or two months, should prove useful, at least as an indication of their professed ideals.

Congress

The Nepali Congress (which was instrumental in overthrowing the Rana yoke in February 1951) like most other parties attaches great significance to agrarian reforms, advocates abolition of Birta and Zamindari, protection of forest wealth, fixation of ceilings on land holdings, improvements in methods of agriculture, provision of adequate facilities for irrigation, etc. Development of industries has also been emphasized, with some reference to the small-scale and cottage industries. High priority is given to development of communications and planning for economic advancement of the country.

The manifesto in its 3,000 word document asserts that the Nepali Congress party's foreign policy is one of friendship with all nations of the world and closer relations especially with neighbouring countries.

Gorkha Parishad

All the other parties have more or less touched upon the same sort of problems and the remedies suggested also are not fundamentally



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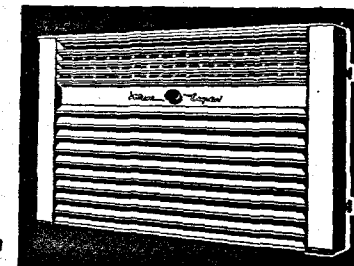
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different. Differences there are. The Gorkha Parishad, for example, is not shy to call itself 'a conservative party', though it has an election programme which in some sense may be considered more revolutionary than those of others.

In its basis, it should be noted, the Gorkha Parishad is revivalist, and proclaims itself as the saviour of nationalism, religion (among the illiterate masses), democracy and national culture.

Samyukta Praja Party

The Samyukta Praja Party, formed towards the end of 1955 by Dr K I Singh after his return from China, was in power for 110 days after the fall of the Acharya Ministry. The emphasis of this party all the time is on honesty, integrity and all such virtues for the improvement of the administrative machinery. In its manifesto it advocates the liquidation of landed aristocracy in a more radical way, nationalisation of the forest land and utilisation of natural resources for economic development.

The Praja Party's lack of realistic approach to basic problems has almost come to be proverbial. For instance, during its ministry two plans, the First Five Year Plan and the Two Year Plan, with different objectives and implications, were tried to be implemented simultaneously, resulting in confusion and stagnation.

Prajatantrik

The Nepal Prajatantrik Mahasabha is hardly one year old, but it now boasts of country-wide influence. As a result, it is largely composed of diverse elements from different groups. Its more important slogans are: (a) nationalism and (b) constructive work.

Praja Parishads

The Praja Parishad established in 1936 is the oldest party. But after the split in August 1958 following the rivalry between T P Acharya and B K Mishra (the then President), it appears to have been thoroughly incapacitated.

Between the two Parishads contesting the elections there is no difference in ideology. Of the parallel parties, known by the same name, the Praja Parishad (Acharya) in its election programme has committed itself more realistically to these four objectives: protection of nationalism, establishment of

democracy, raising the general standards with the middle class as the backbone and acceleration of developmental schemes.

Communist

The Communist Party wants national reconstruction through industrialisation, land reforms, removal of unemployment and protection of arts and culture. It is strictly against any investment of foreign private capital in national industries. Due regard has also been given to the problems of stabilizing the exchange rate along with country-wide circulation of Nepali currency.

National and Tarai

The rest of the parties, including Nepali National Congress and the Tarai Congress, in spite of the fact that they have also released election programmes, do not have definite ideologies as such. Most of them have little or no influence, even in selected regions.

No Sharp Difference

The election programmes of almost all the parties from right to left do not differ much on ideological matters. Of course, there is some difference in emphasis here and there. Except a few parties like Nepali Congress, Praja Parishad (Acharya) and the Communist Party, manifestoes of most others read like mere slogans. The same problems have been posed, more or less with similar approach. No wonder the public does not find much to discriminate between this or that party. The trend of voting would therefore depend much on the financial strength and method of canvassing adopted by the different parties.

Promises and approaches do not appear realistic. The reasons are not far to seek. During the past eight years, shifts in membership from one party to another, have been quite common in Nepal politics and no single party possesses solid and permanent blocks of devoted adherents. Secondly, the leadership of most of the parties is characterized by opportunism. This has occasionally given rise to parallel organisations and kept the leaders busy solving internal rifts. This preoccupation has resulted in indifference to the realities of the day.

Public Apathy

In the prevailing confused political atmosphere, what with the absence of party activity in different parts of the country for arousing mass interest, it will not be surprising if even on the eve of elections public opinion is in a disorganised state. By and large, in the greater parts of the country no broad assessment of the character and strength of the respective parties has been made.

This lack of agitation in the minds of the people is mainly due to the following reasons. First, as yet not many publicity and canvassing campaigns have been set into motion. Even in Kathmandu capital election fever is virtually absent among supporters of the respective candidates. Secondly, even today most parties do not have branches outside the main cities. Thirdly, no tangible reforms in the land system have been implemented in the past eight years. The peasantry (constituting 95 per cent of the population), frustrated and disillusioned is disinclined to listen to the high-flown promises of the politicians. Lastly, as explained above, most of the reform measures envisaged in the election programmes are utopian, in the sense that particular defects have been attacked for solution without an overall, rational and convincing attempt to cure the disease.

Prospects

However, it is expected (on the basis of tour-reports of certain regions by the Election Commissioners) that at least 50 per cent of the electorate will exercise the franchise—perhaps, to satisfy their curiosity if nothing else! There is another factor. A draft of the constitution framed by some experts has been before the Council of Ministers for some weeks. If the people are given time, say even one week, to understand what kind of powers will be vested in the Parliament for which they have been asked to cast votes, they may perhaps show more eagerness about going to polls. But, as explained above, the results are unpredictable. The local influence of the candidates as well as the spot canvassing carried out by the parties are the two factors which will by and large sway the votes.

(To be concluded)

Social Implications of Economic Growth-III

(Concluded)

Bert F Hoselitz

I BELIEVE I have shown in the preceding sections that economic development, especially if it involves industrialisation, implies a rapid, and in a sense, revolutionary process which, if it is to take root in a society, must penetrate widely and deeply and hence affects the social structural and cultural facets of a society. In other words, economic development consists not merely in a change of production techniques, but also, in the last resort, in a reorientation of social norms and values. Any analysis of economic development if it is to be fruitful and complete must include a set of propositions relating changes in production techniques to changes in values.

Oversimplification

Most past attempts at bringing about economic development can be viewed as proceeding from either one of these extremes. Current proposals, especially those made by some publicists who are well-intentioned but often ill-informed, and even those made by some spokesmen for government agencies or international organizations, appear to be based on notions very close to a theory of economic determinism. If the underdeveloped countries were only supplied with capital in appropriate form valued at several billion dollars annually—so the argument runs—their economy and presumably their society would be changed drastically. Even a conservative interpretation of this view comes to the result that economic changes, notably the introduction of new techniques and new capital instruments, are a necessary prerequisite, and indeed the most likely path by which social behaviour patterns and cultural norms can be changed. However, it is doubtful whether the transformation of a society can be explained in such simple fashion and there is no doubt that the obstinacy with which people hold to traditional values, even in the face of a rapidly changing technology and economic organization, may impose obstacles of formidable proportions.

It may be asked whether a more fruitful procedure may not be the attempt to alter values first and to

expect that this will create a climate favourable for new economic forms and processes. But it appears, from theoretical reflection and historical experience, that this method has little chance of success. We have the testimony of our most distinguished anthropologists who argue that a diffusion of values or value systems is impossible. The historical experiences, notwithstanding the success of some individual missionaries, confirm this. In those instances in which religious conversions of whole societies were attempted, as in the case of the Spanish and Portuguese colonies, the long-run effects on social structure and the economy have been small; we also note failure of attempts to remodel only secular values, while leaving the religion undisturbed, as was the case in upper Burma, where the British tried to replace traditional quasi-tribal social relations by a social system based on the free market and the rule of law. The result was negative; Burma experienced social disorganization on a large scale, culminating in gang warfare and a formidable increase of violent crimes; the expected positive results were not forthcoming. Although there was great improvement in output, there was little improvement in the level of living of the average Burman and the allocation of developmentally most significant functions continued to be influenced strongly by status considerations rather than considerations of equity and efficiency.

Non-Economic "Factors"

If we try to interpret the aspirations of the presently economically less advanced countries, we find there also a strange ambiguity which appears to be the result of partial unawareness of the close interconnectedness of economic advancement and cultural change. For the spokesmen of the poorer countries most emphatically favour economic progress, resulting in an elevation of general levels of living, and blame their poverty on previous colonial status or quasi-colonial imperialistic exploitation. At the same time their rejection of colonialism, and imperialism manifests itself in a heightened sense of

nationalism, the symbolic expression of which consists in the repudiation of foreign philosophies and external behaviour patterns and the reaffirmation of traditionally honoured ways of acting and thinking.

For example, the nationalism in Gandhi's independence movement was associated with the return to highly inefficient methods of traditional Indian activity, and in present-day Burma, independence is not only accompanied by a resumption of traditional names and dress, but by a strengthening of Buddhism, a religion which reflects an ideology totally opposed to efficient, progressive economic activity. The realization of economic advancement thus meets with numerous obstacles and impediments. Many of these obstacles are in the realm of economic relations; there is scarcity of capital, there is a demand for new skills and new techniques, there is a need for better roads and improved systems of communication, for public utilities and new sources of power. But some of the impediments to economic progress are beyond the area of economic relations. If the observation is made that among the prerequisites of economic development is the growth of a middle class, or the evolution of a spirit of venturesomeness, or the elimination of corruption among officialdom, we are confronted with changes in the social organization and culture of a people rather than its economy. I propose to discuss in the remainder of this paper some of these non-economic "factors," which are yet too little explored, but which appear to exercise a strong negative and positive influence on the attainment of economic betterment.

Introducing Innovation

If we ask how technological or economic innovations are introduced in a society we immediately encounter two problems. One is the question of which innovations will be adopted with different degrees of ease and which will be rejected, and the other is the question of what person or group of persons performs the tasks of adopting and further spreading

the new techniques in a society. Within the context of this paper the first question is of subordinated importance, since we are not dealing with specific innovations but the general problem of development and all underdeveloped countries are eager to accept more modern forms of economic activity, although for diverse reasons some of them may reject one or the other type. For example, though India may reject or hesitate to adopt modern methods of meat packing, it is eager to introduce other industries.

But the second question, who carries the main burden in the process of innovation, is of great interest to us; evidence for this is the fact that in discussing economic development emphasis has so often been placed on the presence or absence of certain social groups exhibiting particular attitudes (e.g., venturesomeness) or performing special roles (e.g., bureaucracy, "middle class"). In somewhat different terms, we may say that economic development requires the formation of a social group which constitutes the spearhead of different kinds of innovations.

Social Mobility

It is plain from these considerations that one of the pre-requisites of economic and technical advancement is a high degree of social mobility. If, for whatever reasons, social advancement of people in less privileged ranks in society is made difficult, or if the cleavages in status, power, and wealth between different social groups are great, an impediment to economic development of considerable magnitude is thereby in existence. Very primitive societies apart, the main status-determining factors are wealth, political power, and education. The ideal form of the liberal state is based on the assumption that each of these factors will be in the hands of a different social group or class and that in addition to the separation of powers in the political field, there will be a "balance" of social power and status. It will be remembered that an important aspect of the Marxian criticism of "bourgeois capitalism" was based on the assertion that this separation did not exist, or existed only in appearance and that, in Engels' words, "the modern state no matter what its form is essentially a capitalist

machine, the state of the capitalists."

Now whether or not this statement was true of the nations of nineteenth century Europe, the social situation on which it is based is true of many underdeveloped countries today. In many of the countries of Asia, the Near East and Latin America, wealth, political power, and education are concentrated in a small group of people, and not infrequently the very individuals who control political power are also the richest and best educated men in the society. But this very monopoly of status-conferring factors is an impediment to economic development. The gap between the privileged and the masses, between the rulers and the ruled, is immense and there is nothing to fill it. But even to the extent to which this gap is being filled by an incipient middle class consisting chiefly of educators, government officials, and members of the intelligentsia, this group must, in order to assure its maintenance, either align itself with the ruling group or suffer being pushed into positions of harsh antagonism to that group. Hence intellectuals often attain positions of leadership among the discontented, the unprivileged, the poor; hence the appeal the communist ideology exerts on intellectuals in underdeveloped countries; hence also the enhanced social cleavage which becomes little, if at all, mitigated by the rise of the middle class. The cleavage of the world into two antagonistic camps becomes reflected in the political and ideological issues in a developing country and the possibility of evolutionary development towards higher levels of living disappears more and more as a practical third alternative between either the maintenance of social status quo or the revolution which threatens to throw the country into the arms of communism.

Inadequate Knowledge

Another obstacle to economic development which is located in conditions in underdeveloped countries is the nature of their aspirations and the form in which the realization of these aspirations is pictured. In more concrete terms this may be stated by saying that economic development plans are often unrealistic and divorced from the more immediate needs

and productive capacities of these countries. I have drawn attention earlier to the ambiguity of simultaneously aiming at economic progress and the preservation of national and cultural traditions. But there is also an ambiguity in the thinking of many leaders of underdeveloped countries between the objectives of developmental efforts and practicable attainments. The point is sometimes stated in a rather drastic form by emphasizing the fact that many development plans fostered by underdeveloped governments give a high priority to the establishment of steel mills and other forms of heavy industry even though such plants may have little justification on the basis of considerations of efficiency and rational allocation of resources. We may look at this matter from two points of view. We may either regard the wish for a steel mill as a childish, irrational desire which only merits ridicule. But we may also regard it as a symbolic expression of the wish for industrialization, and the implicit acknowledgement of the fact that little is known about the priorities and time sequence of such a process. I would regard it as evidence of the latter alternative, and here the obstacle to fruitful development is founded on defective knowledge and consequent inability to make rational workable plans.

In spite of numerous surveys of natural resources, soil types, and other environmental factors, knowledge of the natural endowment as well as the human resources of most underdeveloped countries is very imperfect. The United Nations and its specialized agencies have often been confronted by this fact. A mission of experts sent to Haiti produced a voluminous report on developmental possibilities in that country. Yet the chief impression one gains from reading the report of that mission is the frequent repetition of the statement that fruitful recommendations cannot be made because of the absence of reliable information. Similarly, the International Bank for Reconstruction and Development and the Food and Agriculture Organization have been hamstrung in actually carrying through developmental projects for which funds would have been available, simply because workable projects which could withstand the

careful scrutiny of experts were not forthcoming.

Lag in Concomitant Adjustments

Ignorance is always an obstacle to rational action. But in the case of economic development it is doubly fatal, because in this case action cannot be postponed for political or moral reasons. The consequence is that on the one hand programmes are undertaken in fields where obvious needs for improvement exist (such as public health, for example) which, however, cannot maintain themselves because the necessary concomitant adjustments in the economy lag behind, and on the other hand that short-run programmes are initiated which tend to lead to such allocation of resources (and hence to certain new rigidities and vested interests) as to make the attainment of the long-run objective more difficult. Evidence for both contingencies is frequent.

As concerns public health programmes, the attempts at control of tropical diseases are very instructive. For example, yaws and malaria are dreaded diseases in Haiti. A campaign to control yaws in the Marbial valley failed to have lasting results, although inoculation with antibiotics led to temporary relief, because the economic status of the mass of the population was not elevated enough to permit them to meet the most elementary standards of cleanliness. A swamp drainage project designed to eliminate carriers of malaria fell into disrepair after a few years, the drainage canals got choked up and large expenditures turned out to have been in vain. Owing to indifference, corruption, and mismanagement the project was not kept going properly after its foreign initiators had left.

Short-Run and Long-Run Aims

Examples of the conflict between short-run and long-run aims are also numerous. For many "one-crop" countries it presents a real dilemma. The long-run objective of economic development programmes for these countries is greater diversification of production, to make them less dependent on one or two or three staple exports, the prices of which are determined on the world market, subjecting, in this way, the international accounts of the one-crop country to great uncertainties

and often violent fluctuations. At the same time the major export industry deserves full support in the short-run because it is the chief asset producing foreign exchange which, in the absence of generous loans or foreign aid, provides the wherewithal for economic development. The experience with coffee planters in some Latin American countries and rubber planters in some countries of South East Asia shows the restraining influence on long-run plans of economic diversification exercised by vested interests in an important export industry.

Mexican Dilemma

Another instance of conflict between short-run and long-run objectives of economic development plans is reported by Wilbert E. Moore. Moore believes that the Ejido, although it

"alleviated the immediate economic ills of the Mexican rural population...it did...make possible a re-establishment of the partially isolated village, agricultural underemployment, and all the conservative traditions of a land-hungry peasantry....All indirect evidence indicates that in terms of long-run developments the Ejido was a strongly conservative move in the strict sense; that is, the possible increase in market orientation, improved education, and productive technique seems to have been offset by re-establishing the traditional village."

Professor Moore here again points to the fact that the implementation of short-run objectives creates vested interests which impede the full realization of the long-run developmental goals. But the nature of the vested interests in this case is very different from that of the vested interests fostered by the extension of an export crop in a "one-crop" country. In the latter case these vested interests are based chiefly on the expectation of economic gain, in the former case they consist in the rejuvenation of a traditional way of life which, in many of its aspects, is opposed to economic progress.

I believe that the dilemma found by Professor Moore in Mexico poses a general problem, notably for areas in which an

extension of agricultural settlement is still possible. The fact that some underdeveloped countries, in spite of great rural population density in certain localities, have still considerable areas of uncultivated arable land, is often regarded as fortunate. In a country like India or Egypt, where further horizontal expansion of agriculture is virtually impossible, economic development is pushed necessarily into the channels of industrialization accompanied by intensification of agriculture, i.e., the application of policies resulting in higher yields per acre. This process is accompanied in all likelihood by a rapid increase of the population, and, since industrialization is associated with urbanization, by an increase in the required quantity of real output per family or productively employed individual. It is probable that under these conditions increase in agricultural productivity will not be commensurate with increase in demand for products grown on the land (foods, fibres, hides, and skins, chemical raw materials, such as oils and lumber), and the scarcity of economically usable land becomes a serious bottleneck to development. On the other hand, countries in which substantial areas of unused land are still available can syphon off part of the developing population surplus by settling it on new lands, and can simultaneously expand the output of agricultural raw materials with the increasing demand for such materials by developing industry.

Looked at purely from the viewpoint of the strategy of resource allocation planning in the short run, this group of countries (among which belong most countries of South East Asia, the Middle East, and Latin America) is therefore in a position in which rational planning may mitigate the economic sacrifices involved in industrialization. But the existence of an agricultural frontier and the knowledge that such a frontier exists exerts an influence on policies actually made. As Professor Moore has shown in his book, referred to earlier, recruitment of large masses of peasants and primitives for industry is a hard task. Resettlement may not be much easier, but it may be more acceptable to some native peoples than induction into the industrial

labour force. To the extent, therefore, to which local population pressure is mitigated by resettlement—as for example by moving people in the Philippines from Luzon to Davao, or in Indonesia from Java to the outer islands—the traditional agricultural way of life with its preindustrial and non-rational aspects (in Max Weber's sense) is given a new lease of life and industrial progress made more difficult.

Conflict of Values

In essence the conflict between the two ways of life is a conflict of values. Just as Hinayana Buddhism in Burma, with its otherworldly orientation, calls forth a philosophy of life which is not conducive to economic advancement, so the strengthening of traditional methods of small scale agriculture reinforces the system of values which have flowered into great cultural achievements in the past, but which it has been impossible to adapt to rational, efficient economic activity. This conflict in values has sometimes been expressed as the antagonism between city and countryside, the mutual estrangement between the urban and the rural inhabitant. To a contemporary American, and perhaps also to a contemporary European, this distinction may appear spurious. But it is a difference which is obvious to a student of the social structure of oriental societies since it implies a wide difference in ways of life. In Western Europe the transition from one way of life to the other—and the values implied in each of them—took place during three or four hundred years, and was aided by enclosure acts, "Bauern legen," pauperization, the adaptation of the Calvinist ideology to the objectives of the commercial and industrial middle class, and other measures which turned the rolling green hills of Warwickshire and the Tyneside into the "Black Country" and the fields and wastes of Lancashire into the cotton centre of the world. I am not expressing nostalgic regrets over the passing of the European middle ages, but I am trying to indicate that parallel with the external change in the landscape the minds and aspirations of men, the things they valued and were taught to value, changed; and with this in mind it is perhaps not quite wrong to say that the England or France

of the thirteenth century resembled more the present Middle East or South East Asia, than the England or France of our day.

As has been pointed out earlier, value systems offer special resistances to change, but without wishing to be dogmatic, I believe, it may be stated that their change is facilitated if the material economic environment in which they can flourish is destroyed or weakened. This seems to be the experience from the history of Western European economic development, and it seems to be confirmed by the findings of students of colonial policy and administration, and research results on the impact of industrialization in underdeveloped countries. Economic development plans which combine industrialization with an extension of traditional or near-traditional forms of agriculture are thus creating a dilemma which in the long run may present serious repercussions on the speed and facility with which ultimate objectives can be reached. This does not mean that, wherever this is possible, extension of agricultural production should not be undertaken in combination with industrialization. But rural resettlement should be regarded as a form of industrialization rather than an extension of traditional methods of farming. In view of existing pressures and the absence in almost all underdeveloped countries of an efficient administrative apparatus the difficulties which such a programme confronts are obvious.

Acquisition of New Skills

Reference to the experience of the transition from mediaeval to modern economic organization in Western Europe brings to mind another important factor which may prove to be a serious obstacle to technological advancement. This obstacle is found in the changes required in methods of work and levels of skill which necessarily accompany technical change and alterations in the scope and form of economic activity. Little needs to be said here about these two points since much of the relevant evidence has been collected by Professor Moore in his book. From these remarks it appears that these obstacles, although real, are less significant than those opposing economic development because of vested interests of an elite, or the vigour of a non-industrial system of values. To

a certain extent resistances against new modes of technical and economic processes and changing kinds and levels of skill are specific aspects of the two last-named factors. But since from the socio-psychological point of view economic development may be interpreted above all as a change in the division of social labour, some special attention to skills and modes of work appears to be in order.

Confining ourselves, at first, to a discussion of skills, the first question which might be raised is whether economic development requires a transition from less complex to more complex skills or vice versa. This question is impossible to answer because there exists no generally agreed upon classification of skills in terms of their complexity, and even if it existed the answer would be ambiguous. Certainly the manual skill of a handloom weaver is superior to that of a man who runs a powerloom, but the skill of the mechanic who tends the powerloom and keeps it in repair is probably superior to that of the handloom weaver. In general, it may be said, that mechanization, by "putting the skill into the machine" has two opposite effects. It simplifies many manual operations and makes possible the rapid training of large numbers of unskilled or semi-skilled workers. It thus creates a large demand for people whose skill level is indifferent and who can acquire the necessary manipulatory accomplishments by a process of on-the-job training. At the same time it requires the development of a group of men, foremen, engineers, technical maintenance men, petty administrators and others capable of rendering services which often require not only a high level of dexterity but a considerable variety of aptitudes. The dexterity and ingenuity of the African native mechanic who, in some relatively isolated place in the Sudan, repairs and keeps going with some wire and pieces of sheet metal a model T Ford, which in the United States would be considered fit only for the junk heap, cannot be denied. But men like him belong to the same class as the Chinese ivory worker who produced the most delicately carved decorations on a cigarette-case, and the anonymous mediaeval stone-cutter who chiselled the capitals of the Gothic cathedrals of France.

A Social Problem

It is granted that human capacity for the exercise of highly skilled tasks, that human ingenuity, human intelligence is fairly evenly distributed over the globe. The problem of developing a group of skilled technicians is not a psychological question of the capacity of persons in underdeveloped countries to learn, but a social problem; the creation of attitudes and material and psychological compensations which will make the choice of such careers attractive. In other words, the question we must ask is not: "How can the people of technically less advanced countries learn the modern techniques?" but: "Will they learn them, and how can they be induced to want to learn them?"

It will readily be acknowledged that if the question is put in this form the answer which is suggested involves a whole series of complex social-psychological processes, which may be regarded as special cases of the general problem of the development and institutionalization of culturally deviant behaviour. It would go beyond the proper boundaries of this paper to enter into a detailed discussion of the processes which determine the genesis and direction of deviant motivations, but I believe that the identification of the problem area in which the acquisition of new skills and work methods falls indicates the magnitude of the problem and suggests the variety of obstacles which must be overcome to provide for the institutionalization of a new pattern of division of social labour.

Aid from Advanced Countries

Let us now turn to a short consideration of one or two factors having their source in advanced countries which may strongly affect the speed and direction of economic development in the less developed countries. Needless to say that these observations are relevant only if the advanced countries are participating in some fashion, by means of loans, grants, or technical aid in the development of underdeveloped countries. In view of the Point Four programme of the United States and the concern of the United Nations and its specialized agencies with technical aid programmes, a discussion of these points appears pertinent.

The motives for extending the aid may be mixed, they are in part humanitarian, in part based on the

conception that poverty is infectious, or that underdeveloped countries form power vacua and hence invite aggression, and in part on the expectation that the development of less advanced countries by affecting the international specialization of production will have beneficial effects on the foreign trade of advanced countries. Now it is easy to see that in those cases in which foreign aid is tendered by an advanced country with the chief object of building up greater economic or political strength for itself or its side, it will be more concerned with serving these ends than with policies designed to optimally affect real income levels in an aid-receiving country. It may even grant aid only on condition that the receiving country commits itself to a particular political ideology or joins a defensive alliance.

Tied Aid

This procedure results in "tied" aid. The aid giving country insists that the developing country meet several objectives at once, of which economic advancement is only one and certain internal and international political goals are others. This situation puts the developing country in a dilemma, since the meeting of the several objectives simultaneously may call for conflicting policies. Even for the countries of Western Europe the need of increased expenditures for defense purposes imposed a serious problem. For they were either forced to seriously modify their internal development programmes which had been designed to make their economies more viable in the world economic picture, or to depend more heavily on continued American aid, or to drastically lower domestic living standards. Not much argument is needed to show that the last two alternatives are likely to be unpopular both with the peoples and the governments of the countries of Western Europe. Hence the development plans, designed to improve living standards, had to be modified in order to make possible increased efforts of building up armed strength. But the nations of Western Europe belong to the group of economically more advanced countries, and thus, a series of alternative steps were open to them which provided them with the possibility of achieving a more or less neat balance between the various policies. In an underdeveloped country this may not be pos-

sible, and it may be put before the alternative of either having to abandon virtually all its development plans for the raising of domestic living standards, or to fail in the fulfilment of its international obligations. The former alternative might have disastrous consequences for the government in power in the underdeveloped country and the latter might expose it to criticism and possible discrimination from abroad which also would not be conducive to efficient economic and technical advancement.

This whole set of problems is fully recognized by American policy makers primarily concerned with implementing the Point Four programme. The countries with the most uncertain political future are situated along the southern and south-eastern rim of Asia. These countries offer the most promising developmental possibilities because they have valuable resources, a relatively dense and intelligent population, and because in most of them the basic forms of capital for development have been provided. These countries have a rudimentary net of communications and transportation, port facilities and some sources of power. They have some experience with modern forms of government, a small native middle and upper class, and a relatively large number of intellectuals who were educated in European or American universities. At the same time, most of these countries have recently emerged from colonial status, are thoroughly suspicious of, and often even antagonistic to Europeans, and have developed strong sentiments of nationalism with which is intermixed a bias against foreigners, and especially white foreigners.

Political Fears

The result of this situation, however, is that it affects the magnitude and form of American governmental aid and American private investment in these countries. Since there exists the danger that any of these countries may go Communist or at least follow the Indian lead of developing a policy of strict neutrality between East and West, any advancement financed by this country may accrue wholly or partially to the Soviet Union and its allies. Similarly, for private investors there exists a risk of expropriation or serious curtailment of freedom of action against which guarantees by present governments are of no avail,

for it is feared that a possible future government with different political preferences would not hesitate in renouncing any obligations undertaken by its predecessor.

Thus the present world political situation operates as a brake on economic development in two ways. Internally, as we have seen before, it imposes a predilection for the status quo and a reluctance to permit deeply penetrating economic and technical changes which would have a tendency to significantly affect the social structure, and externally it leads to timidity and sometimes to the propensity of implementing technical aid programmes only slowly and hesitatingly.

A final word of caution remains to be added. Here I have discussed obstacles and impediments to economic advancement, and have not tried to indicate means by which they could be overcome. This does not imply that such means do not exist or could not be devised. Their careful examination would require, however, another paper at least as long as this. But these impediments had to be discussed because they are important factors intervening in development plans.

As has been stated earlier, there exists a strong desire for development in all poorer countries. From the top government officials to the most menial peasants and labourers, aspirations are inculcated and find expression which point to this: Economic development, although endowed with different meanings to members of different societies and different classes of the same society has become a slogan with formidable powers of attraction. The execution of actual development projects, the attainment of sensibly higher living standards for large masses of people, is a very great task and certain to lead to many disappointments and disillusionments. In the enthusiasm of regarding economic development as a cure-all, one is wont to overlook or belittle difficulties which might stand in the way of the easy attainment of too frequently all too ambitious targets. An honest and critical evaluation of economic and non-economic barriers to such development may therefore have the wholesome effect of inducing the drawing of plans which are capable of actual realization and will avoid the emergence of unforeseen by-products which may jeopardize the attainment of the objectives of developmental efforts.

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Speech of the Chairman

THE following speech was delivered by Shrimati Sumati Morarjee, who was elected to the chair and presided over the 39th Annual General Meeting of the Scindia Steam Navigation Company Limited, on Wednesday the 18th February, 1959, at Scindia House, Ballard Estate, Bombay, in the absence of Shri Dharamsey M. Khatau, Chairman of the Company, who could not be present owing to a sudden bereavement in his family:—

After welcoming the Shareholders to the 39th Annual General Meeting, the Chairman explained how the net profit for the year ending 30th June, 1958, was lower by Rs. 14 lacs, even though the gross earnings were higher. The 'Reserves and Surplus' Account was increased by Rs. 1.92 crores during the year making a total in this account of Rs. 10.95 crores. Rs. 21.51 lacs were credited to Fleet Reserves, Rs. 13.05 lacs to Sinking Fund and Rs. 20 lakhs to the Dividend Equalisation Reserve.

Low Freight Rates

The Coastal and Adjacent trades showed lower freight earning due to the rate of freight being lower by Rs. 17/- than the previous year on the carriage of Rice from Burma. Even though the Rail-Sea-Coordination Committee had recommended that bulk cargoes like coal, salt, food grains and fertilisers should move by the sea-route, so that sufficient employment was available to keep the coastal tonnage fully utilised, the Railway Authorities are however placing more and more wagons for such cargoes with the result that ships on the coast are feeling the dearth of cargo availabilities.

The Chairman explained that the Company's overseas services had done well during the year but even here the effects of reduced and uneconomic freight rates had begun to be felt and the prospects for the year ending 30th June, 1959, appeared to be discouraging and poor.

Fleet Expansion

The Company's total fleet stood at 48 ships aggregating to 2,55,572 G.R.T. and further two ships on order in Germany would be delivered

in 1959 and 1960. The Government has allotted to the Company a portion of the 3 million Yen Credit loan and a provisional contract has been signed with a Japanese Yard for building a fast vessel to be delivered in 1960.

After referring to the Merchant Shipping Act and the constitution of the National Shipping Board and the Shipping Development Fund thereunder which is likely to benefit Indian Shipowners, Shri Dharamsey Khatau referred to the heavy drain on the available financial resources of shipowners by the application of the Capital Gains Tax and Section 10(2)(vii) of the Indian Income-tax Act and suggested that shipping should be exempted from the imposition of these two taxes.

Laid-up Tonnage

Speaking of world wide depression and the laid-up tonnage abroad, Shri Dharamsey said:

"Since the last twelve months or more, there has been a gradual but serious depression in shipping all over the world. More and more tonnage has been laid-up abroad and is a matter of great concern to shipowners. Freight rates have had to be cut down drastically in many cases to uneconomic levels in order to meet the competition from tramp shipowners. Several foreign shipping lines are seeking pastures anew with a view to find a footing in Indian trades in order to cut their losses. This is likely to result in further keen competition in the existing trade routes of Indian shipping companies who have not yet found the opportunity to stabilise and strengthen their own resources to withstand depressions or severe competitions.

Wanted: Closer Co-operation

"Our ships are sailing today with empty space in the overseas trades and even on the coast our vessels are feeling the pinch due to increased carryings by road transport and the railways. Under the present circumstances, it has become a vital necessity both for the Government and for the shipping companies to work in closer co-operation to mutual advantage. With this in

mind, I feel that the following suggestions will have to be carefully considered by the Government to support and expand Indian shipping in various directions.

- (1) The Government should allot as much as possible of the cargo imported and exported on its own account and on account of various projects to Indian ships.
- (2) The rates of freight which Government should sanction for the carriage of such cargoes should be reasonable and economic and should not be compared with the prevailing tramp rates.
- (3) There should be cautious planned expansion based on the availabilities of cargo after a careful study of the prospective employment of such newly acquired ships in the routes in which they would operate.
- (4) Improvement in the port conditions and port equipments so that ships based on India get quicker turn-round at least in their home ports.

Freight Through S T C

"In regard to the first two points mentioned above, which I shall deal together, I may say that the State Trading Corporation of the Government could assist Indian shipping considerably by contracting for exports on a C. I. F. basis and imports on a F.O.B. basis and thus utilise Indian tonnage to the fullest extent possible. The present policy of the State Trading Corporation, however, appears to be to choose the cheapest carrier available and thus encourage foreign tramp ships at the expense of Indian Liner tonnage which is ready to offer regular service at steady rates of freight throughout the year. If Indian shipping is to expand and stabilise itself, Government should ask the State Trading Corporation to follow a broad-based and a long-term policy and assign its cargoes to Indian ships at economic rates so that out of such earnings there is sufficient scope to create resources for the purchase of newly constructed or near-new secondhand ships.

"The Shipping Co-ordination Committee established by the Government to co-ordinate and co-relate Governments' shipping space requirements also does not seem to have achieved much to support the cause of Indian shipping as such. The United States of America, the foremost maritime nation in the World today, has decreed that at least 50 per cent of its aided cargoes would be reserved for American ships. This is an example for the Government of India to emulate with a view to support Indian shipping. Unfortunately the powers that be, are in no mood to support Indian shipping, unless freight space is available at rates suitable to them and which may be even a little lower than the world market rates under one pretext or another.

Planned Expansion

"As regards the third point mentioned by me above, I would say that with a view to finance several long term schemes under our Five-Year Plans, Government is very keen on promoting the export drive of indigenous products either in the raw state or in the semi-manufactured or manufactured state and thereby earn foreign exchange. The Government is also very keen that the shipowners should take a prominent part in supporting such export promotion schemes by placing ships in the various routes so that our exports could find adequate shipping space as and when required. In this we need not assure the Government of our whole-hearted co-operation, but we certainly expect that the Government, whilst sanctioning entry of new-comers into the overseas trade, would see that there is a sufficient and suitable spread of ships in all the overseas trades of the country.

This should be done without encouraging concentration of ships in one particular trade and thereby creating unnecessary and wasteful competition amongst the Indian shipowners. It will, therefore, be necessary for the Government to study the expansion programme of each shipping company so that there is no idle tonnage or no tonnage not fully utilised remaining with the shipping companies, which they would be tempted to place in trades which presently appear to be fully catered for by the Indian ships. Before the proposal for purchase of any new tonnage is sanctioned by

Government, the route on which such a vessel would operate should be specified. Such sanction should only be given after the Government has satisfied itself that such addition is necessary in the route concerned, thereby avoiding wastage and utilising to the best advantage our limited available resources.

Acquisition of additional tonnage may be warranted by India's maritime trade which is large enough to support expansion to enable Indian ships to carry their legitimate share. From experience, however, we have found that under the present state of affairs, our trade is still largely carried by other lines. The availability of cargo for Indian Lines is limited. The real issue, therefore, is not so much the question of acquisition of additional tonnage but that of availability of our own cargo for our own ships.

Port Development

"Lastly, the Government should also pay serious attention to the development not only of the major ports but also quite a few of the minor ports so that ships would get a quicker turn-round. The port of Calcutta, which handles a heavy volume of traffic both inwards and outwards has deteriorated due to falling drafts and the resultant inefficiency of that port is a source of constant worry to the shipowners. Apart from affecting navigation depths, the reduction in head water supplied has led to accumulation of silt and a gradual deterioration of the river conditions, not to mention the increase in the intensity of the tidal bores so frequently experienced, of late. This situation will have to be remedied and it may be necessary to locate an ancillary port down the river to be used as an anchorage port for discharge of bulk cargoes like foodgrains and fertilisers thereby reducing the heavy strain on the Calcutta Port.

"Even in Bombay there is considerable siltation in the harbour particularly in the approach channel. Two out of three docks, in Bombay namely, the Prince's and Victoria Docks, appear to be outmoded and not suitable even to accommodate some of the ships operating in the coastal trades. There has been considerable delay in taking a decision regarding the implementation of the "minimum" scheme which appears to be essential in itself for rehabilitation of the two

most important assets of the Bombay dock system.

The cargo handling and stacking equipment at many Indian ports are both outmoded and insufficient and are not commensurate with the requirements of the ships calling at such ports. Unless such modern handling equipment is purchased and pressed into service early, I am afraid, in a moment of crisis our ports are again likely to be the insurmountable bottlenecks, resulting in delay not only to ships and shipping but also to the development programmes under our economic plans."

B. S. N. Co.

Referring to the results of the subsidiaries, Scindia Workshop Private Ltd., Jalanath Insurance Ltd., and the Kamal Shipping Co. Private Ltd., which were satisfactory, Shri Dharamsey Khatau explained the unsatisfactory state of affairs in the B.S.N. Co. (1953) Private Ltd., and said:

"As will have been observed from a study of the Statement of Accounts with you, this Company has again made a loss of Rs. 7.43 lacs in spite of the best efforts to exercise as much effective control on expenditure as possible. These continuous losses which have accumulated to Rs. 16.52 lacs are constantly before us and we are exploring all possible avenues to reduce the losses. This, however, is not likely to bring about satisfactory results in view of the heavy repair and survey expenses that the Company has to incur on four of its very old vessels, apart from the fact that about 85 per cent of the Company's annual expenditure is of such a nature as to provide little or no effective scope for economy.

This unsatisfactory state of affairs has been brought to the notice of the Government on several occasions and even if the Company is not allowed to make profits, it should certainly be allowed to make both ends meet and be left with sufficient margin to wipe off its previous losses. For this purpose it is very necessary that a High Power Committee should immediately be instituted by the Government to go into the question without much delay so that some satisfactory solution is found in the interest of about 8/10 lakhs of passengers working in industrial undertakings in the State and utilising these transport services."

Around Bombay Markets

Commodity Prices Decline Further

Thursday, Morning

COMMODITY markets had a further good shake-out last week and everywhere it was mainly a case of heavy bull liquidation. The Forward Markets Commission's stern warning to speculators reminding them of its wide powers to deal with any situation, quickly followed by the Reserve Bank's restriction on advances against groundnuts had led market men to think that the authorities were determined to check the rising trend in prices. This had made bulls feel uneasy but it was New Delhi's action in gur which really shook them. The squaring up of all outstanding positions at the average of rates prevailing during the preceding three months was more than bulls had imagined. Many had their fortunes accumulated over many weeks wiped out just in a day.

The manner in which forward trading in gur has been brought to a close and also the basis adopted for squaring up of outstanding positions have provoked considerable comment in market circles. Opinion will naturally differ on the price at which outstanding positions should be closed but few people will question the need for giving sufficient time to the trade for a smooth change-over. Traders can be asked to adjust their positions within a specified period after which the Government can close all the contracts at a rate which it deems proper. This can avoid so many complications.

The question of price raises both the issue of equity and sanctity of the contract. But the squaring up of outstanding positions at the average of the rates prevailing over a period of time sets a healthy precedent in that manipulators are prevented from getting away with big fortunes as happened in June 1958 when forward deals in grains were squared up at the closing price of a particular day. Of course the authorities need to exercise the utmost care before taking such drastic measures.

Who knows what might happen next? All speculative markets have recently been caught by this fear.

This is good in that it will help check excessive speculation. That is precisely what the authorities have in view. Prices now can be expected to come down to settle at levels which bear a reasonably close relationship with the forces of physical demand and supply. Of course the rising trend in prices cannot be held in check for long when supply is insufficient.

Mention must be made here of New Delhi's order enabling the Bombay Government to regulate the prices of wheat, jowar, bajra and maize by fixing the maximum at the average of the prices prevailing during the preceding three months. The decision is welcome mainly as an indication of the Government's determination to hold the price line in check. For, the recent fall has brought grain prices to levels which are already below the three-monthly average.

Wheat which had been bid up to a record high of about Rs 310 per cent, only about a fortnight ago is now down to around Rs 215. Tur has slumped from Rs 225 to Rs 165 and bajra from Rs 160 to Rs 135. The decline is equally marked in other grains and pulses. The bubble of the speculative boom has been pricked. With the turn in sentiment the bull has now turned a bear. With money tight and seasonal influences favourable, particularly because of the better harvest, prospects of a marked and sustained rise in prices seem meagre in the near future. The Government order regulating the prices of grains should further help discourage speculative marking up of prices.

Oilseeds

Rise After Fall

THE reactionary trend in oilseeds made further progress last week, with groundnut May and castor May done down to Rs 175.12 and Rs 151.87 respectively. This compares with the highest levels of Rs 185.50 touched by groundnuts on January 29 and of Rs 161.62 recorded by castor on February 6. On Wednesday, the last day of the week under review, prices staged an impressive recovery and losses

suffered earlier in the week were more than made up. Groundnut May were up again at Rs 178.75 and castor May at Rs 157.

The setback from the recent high levels had been essentially technical. It might be pointed out that when too much pressure has been generated on the upside in a rising market, a technical reaction occurs in much the same manner as the safety valve of a steam boiler pops and relieves the pressure before the factor of safety of the boiler has been exceeded. Official measures against excessive speculation had only accelerated the pace of the decline. Last week's trading pattern seemed to suggest that after necessary technical adjustments the upward trend had probably been resumed.

The statistical position of groundnuts has seldom been suspect. The high premium enjoyed by the spot material is a pointer in the same direction. That the arrivals should not have picked up even with the turn in the trading sentiment indicates that all is not well with the crop. Reports about the crop from Andhra and Madras regions continue to disappoint. And then the Government's export policy has continued to be very helpful. That speculators should exploit such a situation is scarcely surprising, but this adds to the difficulties of the export trade which the Government is so keen to develop. The Government might be well advised to consider the closing down of futures trading lest speculators continue to dispose what New Delhi proposes.

Only groundnut oilcakes have been having a ready market abroad and shippers have been able to sell all they could afford and at a good margin. Of course since recently overseas inquiries have dwindled appreciably and prices too have come down considerably. Groundnut extractions 50 per cent O and A are down over the week from £ 34 to £ 32.5, February shipment. The export quota for expellers has been exhausted but on the basis of current prices here and abroad the exporter's margin comes to around £ 7 against £ 12 some weeks ago.

Unlike oilcakes, groundnut oil has not been faring well despite the various incentives allowed from time to time. Out of the 20,000-ton quota released several months ago, export business put through so far is estimated only between 3,000 tons and 4,000 tons. With the rise in the prices of Nigerian oil, the U K, our chief customer, is now willing to pay up to £ 104.10 per ton for groundnut oil which is still about £ 10.10 below the Indian parity. With the decline in the margin on expellers, the export of oil remains unremunerative.

Among various other issues which were discussed at the Madras meeting of the Advisory Council on Oils, Oilseeds and Oilcakes, the question of increasing the expeller quota from one to two tons for every ton of oil shipped was also taken up and Shri K B Lal was said to have assured the meeting to do the needful and very soon. No independent quota for groundnut expellers is likely to be allowed. It has been pointed out in these columns before that an independent quota for expellers reduces the incentive scheme for groundnut oil virtually to nonsense. Shri Lal was also reported to have promised consideration of the linking of the import of copra and coconut oil with the export of groundnut oil.

While the earlier setback in castor was merely a continuation of the previous reactionary trend, the week-end recovery was based on the revival of overseas interest in castor oil and a fairly large volume of business was said to have materialised. The U K was reported to have taken about 1,000 tons and another 300 tons were sold to Czechoslovakia. The trade also reported inquiries from the Communist bloc. The U K paid between £ 104 and £ 105.10 for Commercial, in bulk. Export performance of castor oil is still not satisfactory and the U S continues to keep off the Indian market. Why does Indian oil remain out of world parity? Is there something wrong about the structure of trade? These questions deserve careful study.

Linseeds last week merely followed the up and down movements in castor and groundnuts. After easing from Rs 32.69 to Rs 32.06 the May contract was up again at Rs 32.69. Export business in linseed oil continues to be at a standstill because

world prices are substantially lower. But linseed cake is in fair demand and business is limited only by the availability of supplies for prompt shipments. The movement of the new crop is still very slow and the carry-over from the previous season has been almost nil. Cottonseeds

were down by about Rs 3 per candy over the week at Rs 129.50 because of bull selling and lack of fresh support. The current prices are generally thought to be on the high side. Cottonseed cake is not saleable abroad because of lower prices in world markets.

Reserve Bank of India

APPLICATIONS are invited for the posts of Research Officers in the Bank's Department of Research and Statistics at Bombay. **SCALE OF PAY:** Rs. 375-55-815 E.B. 55-925-60-1045. 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.

Candidates possessing exceptionally good qualifications and experience of value to the Bank may be given a higher starting pay in the prescribed scale.

Appointments to the above posts will be made on a temporary basis in the first instance but are likely to be made permanent.

Candidates should not ordinarily be over 30 years of age as on 1st March 1959. The age limit may be extended upto 35 years in the case of candidates with exceptionally good qualifications and/or research experience of value to the Bank.

QUALIFICATIONS: (i) First or high second class M.A./M.Sc. in Statistics/Mathematics of an Indian or foreign university or an equivalent qualification. (ii) Experience in the application of statistical methods to economic problems. (iii) Research experience in one or more branches of applied statistics like sampling, econometrics, etc. A doctorate in statistics, experience in handling of official statistics, etc. will be considered as additional qualifications.

Applications should be in a special form obtainable from any office of the Reserve Bank of India. All the applications should be accompanied by copies of certificates regarding age and educational qualifications and two testimonials (originals should not be sent, the Bank does NOT accept responsibility for returning the originals if sent through oversight) and should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box 406, Bombay, so as to reach him on or before Saturday the 14th March 1959. Candidates already in service must submit their applications through their employers. Candidates belonging to the Scheduled Castes/Scheduled Tribes should mention this fact prominently on their applications and also enclose a copy of certificate to that effect from a competent authority.

Applicants must remit along with their applications an application fee of Rs. 7.50 (Rs. 1.75 in the case of Scheduled Castes/Scheduled Tribes candidates) by Postal Order, Cheque or Bank Draft on a Scheduled Bank payable at Bombay. The application fee is in no case refundable. Bonafide unemployed Refugee candidates applying through any of the Government Employment Exchanges are exempted from payment of the application fee.

Appointments will be subject to candidates being found medically fit for service in the Bank by the Bank's Medical Officer.

Apart from those who may be specially called, interviews will not be granted to candidates nor will the Bank enter into correspondence with them.

Canvassing in any form will be regarded as a disqualification.

Cotton

Cotton Irregular

COTTON prices too suffered a further sizable setback last week. Jarilla March which was quoted at Rs 678.50 on February 11 was done down to Rs 661.50 on February 18 but rallied to Rs 669.50 the same day. The May contract declined from Rs 677 to Rs 663.50 to recover to Rs 669.50. The spread between the two contracts showed interesting fluctuations from day to day because of the large volume of straddle business. The fall in prices was not confined to futures alone. Spot cottons too suffered a marked setback which was due less to a rise in the flow of arrivals than to reluctance on the part of buyers to make fresh commitments because of the turn in trading sentiment.

The decline in cotton futures from the recent high levels is essentially technical. It is quite likely that technical considerations alone might not have produced a sharp break if bulls had not been unnerved by the growing evidence of the authorities' determination to check the speculative boom in commodities. Of course the rise in cotton futures differs materially from the rise in other commodities which have attracted the attention of the authorities. Even at the season's high of Rs 688 Moglai Jarilla March is Rs 132 per candy below the official ceiling. And in the spot market Moglai fine can be had only at a premium of about Rs 40 on the hedge contract.

It bears repetition that the strength in the spot market is due to the revision of the crop estimate to around 49 lakh bales and the continued poor flow of arrivals even up to this time of the season presumably because stocks are well held. Restricted imports have lent additional strength to superior varieties of cotton. Bulls are not wrong in arguing that with spot cottons available only at around the ceiling, futures prices cannot be expected to record any big fall. Besides, there will be hardly any incentive to tender cotton against the hedge contract. Of course the bears could retort that nobody would like to insist on delivery in the hedge contract of cotton which is so highly priced and when there is the additional risk of uncertain quality.

The trade is really intrigued by the continued poor flow of arrivals

so late in the season. That is why, not many observers expect the recent weakness in up-country markets caused by official action to check the rising trend in commodity prices to last long. Exports are not encouraging because of the slump in world cotton prices but domestic consumption is very good. The figure of 4.16 lakh bales was a record for a long time and the figure for January is estimated only a little lower at 4.10 lakh bales. Recently Japan is said to have taken about 10,000 bales of Bengals and nearly 600 bales of Moglai. Bengal best quality is reported to be in keen demand abroad but business is limited by the scarcity of supplies. The trade thinks that in view of the changed conditions in world markets, determined action will be necessary to push sales in a big way.

New Delhi has decided to link the entire quantity of the normal need of the country for imported cotton with the target for cloth exports which is placed at 800 million yards. This follows the Indian Cotton Mills' Federation's plea that the entitlement for foreign cotton should be on the whole quantum of cloth exports without prescribing any limit. This will naturally increase the incentive for cloth exports. Exporters will be allowed to retain 10 per cent of the cotton earned by them and the balance will have to be sold at a fixed premium of ten per cent.

Stock Exchange

Equities Subdued

THE stock market had a rather uneasy time last week. Despite the absence of any unfavourable news, Dalal Street appeared virtually panic-stricken on Friday, February 13. Equities declined sharply, with most counters down again to around the lowest levels for a few weeks. Perhaps the break in commodity prices had something to do with the bulls in shares. Or it may be the bulls did not think it wise to carry their positions into the new account in face of the Budget. Anyhow, when they chose to liquidate their positions there was none to absorb their sales. Not only that. The decline in prices uncovered several option accounts which in turn accelerated the downward move.

All this happened just on one day. Trading during the rest of the week was quite a dull affair. The decline in prices pushed down some of the

blue chips to levels which had attracted support from the Life Insurance Corporation some weeks ago. Reports were that the L I C had not missed the opportunity of picking up shares in Friday's panicky sell off. The names of Tata Locomotive, Tata Steel and A C C were freely mentioned. This naturally imparted a steadier feeling in the market and equities staged a moderate recovery from Friday's lowest levels by about the week-end.

With the Union Budget hanging Damocles fashion, stock exchange operators have been unable to derive any cheer from the absence of any tax rise in the State budgets. The Railway Budget also carries no fresh burden. The news about the end of the dispute over the revised wage structure of the Tata Steel Company was virtually lost amidst reports of the disappointing speech of the chairman of the Scindia Steam Navigation Company.

The feeling is somehow gaining ground that Shri Morarji Desai will find a way to help the business community despite the pressing need to mobilise all the possible resources in the country to implement the Plan. Will these expectations materialise? Who can tell? But if they do, equities can be confidently expected to record sizable improvement. The absence of any notable tax rise alone will be considered a "bull" point for the market.

Hindustan Lever

The net profit of Hindustan Lever for the year ended December 31, 1958 has gone up to Rs 129 lakhs from Rs 100 lakhs in the previous year, after providing Rs 178 lakhs against Rs 123 lakhs for taxation.

A dividend of Rs 1.50 per share, free of tax, has been recommended by the Directors, against Rs 1.40 declared for the previous year. The annual general meeting will be held on April 6, 1959. The Report and Accounts will be issued on March 9, 1959.

Hindustan Lever is the only company which, over the last two years, has been announcing its dividend within less than two months of closing its accounts, and which also arranges to pay dividends to its shareholders within a few days of its declaration at the annual general meeting.

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1668.14	1658.09	1629.70	1557.65
2. Rupee Coin	131.76	132.17	134.00	129.39
3. Deposits				
Central				
Government's	65.82	50.44	52.23	57.52
Other				
Governments'	21.99	21.79	47.14	13.12
Banks'	72.43	67.95	72.20	71.92
Others'	114.93	115.70	115.87	113.57
4. Foreign Securities	178.01	184.68	184.68	245.54
5. Balances held abroad	28.12	26.01	32.60	35.42
6. Rupee Securities	1251.45	1254.78	1219.80	1076.82
7. Investments	259.78	253.56	268.78	233.12
8. Loans and advances to Governments	27.79	27.90	24.40	40.62
9. Other loans and advances	96.82	90.31	94.94	71.76
Scheduled Banks				
1. Demand Liabilities (net)	692.03	698.56	692.11	696.81
2. Time Liabilities (net)	895.47	886.39	878.27	703.52
3. Cash	107.23	111.93	108.06	109.19
4. Borrowings from Reserve Bank of which against Usance Bills	35.22	39.56	35.29	34.00
5. Advances & Bills (inland & foreign) discounted of which State Bank's	938.11	920.34	901.52	919.36
6. Invst. in Govt. Sec. of which State Bank's	623.29	625.27	633.65	432.69
Cheque Clearance	162.84	179.57	166.87	159.74

For Reserve Bank and Cheque Clearance week ended 13 2 59. Scheduled Banks week ended 6 2 59.

Bombay Money Rates
(per cent per annum)

	6-2-59	30-1-59	9-1-59	7-2-58
Call Money	3 $\frac{11}{16}$	3 $\frac{11}{16}$	3 $\frac{1}{2}$ -9 $\frac{7}{16}$	3-4 $\frac{1}{2}$
From banks	4	4	3-4 $\frac{1}{2}$	3-4 $\frac{1}{2}$
From public	1 $\frac{1}{2}$ -4 $\frac{1}{2}$	1 $\frac{1}{2}$ -4 $\frac{1}{2}$	1 $\frac{1}{2}$ -4 $\frac{1}{2}$	3-4 $\frac{1}{2}$
Three Months	2-4	2-4 $\frac{1}{2}$	2-4 $\frac{1}{2}$	2-4 $\frac{1}{2}$
Six Months				

Bombay Bullion	(In Rupees and nP)			
	19-2-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	117.94	117.37	115.12	112.22
Forward	117.56	117.37	115.50	111.84
Silver (per 100 tolas)				
Spot	196.06	194.47	193.62	192.25
Forward	196.00	194.97	194.31	192.00

COTTON STATISTICS

(1958-59)

MILL CONSUMPTION

(in '000 bales of 392 lbs each)

Description:	Nov	Oct	Sept	Sept to Nov
Indian	363.6	394.6	382.5	1140.7
Foreign	35.6	41.3	42.6	119.5
of which American*	7.3	11.0	13.8	32.1
Egyptian	6.8	7.7	6.6	21.1
E. African	14.3	13.9	13.5	41.7
Sudan†	7.1	8.3	8.5	23.9
Total	35.5	40.9	42.4	118.8

Consumption in corresponding periods a year ago:

Indian	—	372.8	399.1	—
Foreign	—	49.3	45.6	—
Total	—	421.2	448.2	—

* Includes United States and Mexican Cotton.

† Includes both Sudan Egyptian and Sudan American.

MILL STOCKS

(in '000 bales of 400 lbs each)

	Nov	Oct	Sept	Aug
Indian:				
1958-59	752.8	861.3	1004.4	1136.1
1957-58	750.7	779.0	948.7	1120.5
Foreign:				
1958-59	98.0	101.5	117.0	138.9
1957-58	190.2	205.0	213.1	223.6

IMPORTS

(in bales of 392 lbs each)

From Sept 1 to February 12

Description	1958-59	1957-58	1956-57
Americans	4,195	59,415	115,939
Sudans	21,510	24,701	26,917
Egyptians	21,363	23,191	19,268
East Africans	43,852	40,659	65,397
Pakistani	6	—	—
Other varieties	1,014	—	765
	92,233	147,966	228,276

EXPORTS †

(in bales of 392 lbs each)

From Sept 1 to January 28

Destination	1958-59	1957-58	1956-57
U K	5,450	1,530	12,521
Continent	12,183	1,701	11,876
Hong Kong	29,101	2,185	9,083
China	6,886	—	3,277
Japan	93,428	23,665	61,347
U S A	1,522	1,923	700
Other Countries	1,652	691	842
	150,222	31,700	99,101

† Excluding Zoda and other yellow pickings.
— = nil.

Source: East India Cotton Association

CLOTH AND YARN PRODUCTION

(Monthly Average or Calendar Months)

	Yarn (000 lbs)	Coarse	Medium	Fine	Superfine	Total
1951	108,655	30,293	173,405	112,329	23,655	339,682
1952	120,759	41,966	225,548	99,477	16,229	383,220
1953	125,433	49,902	261,373	69,910	25,363	406,548
1954	130,086	42,467	307,624	38,476	27,909	416,476
1955	135,867	47,706	313,219	38,525	25,090	424,540
1956	139,267	59,887	316,384	37,003	28,941	442,215
1957	148,341	96,976	291,909	31,923	22,310	443,118
Jan	156,416	102,296	320,170	36,009	25,227	483,702
Feb	143,246	94,530	286,012	32,049	22,490	435,081
Mar	150,451	95,132	301,720	33,027	23,444	453,323
April	153,672	96,289	311,718	32,809	23,560	464,374
May	149,983	93,116	306,778	32,188	20,992	453,074
June	136,978	88,832	281,108	30,285	19,399	419,624
July	150,171	103,575	299,800	33,090	22,417	458,882
Aug	144,056	97,918	272,521	28,829	21,217	420,539
Sept	150,884	101,438	288,634	30,864	22,785	443,721
Oct	142,416	94,074	270,286	29,674	21,319	415,353
Nov	149,125	97,582	280,280	32,031	21,655	431,548
Dec	152,698	98,933	283,879	32,218	23,168	438,198
1958: Jan	148,702	86,361	299,881	28,760	21,524	436,526
Feb	132,861	74,198	271,739	25,943	19,568	391,448
Mar	138,475	73,767	284,594	26,282	20,919	405,562
April	134,074	73,381	286,688	26,544	21,153	407,766
May	138,704	79,323	291,806	27,582	22,540	421,251
June	126,047	77,814	263,940	26,621	19,947	388,322
July	144,997	88,299	281,731	28,171	21,242	419,443
Aug	140,358	85,135	276,503	25,115	21,190	407,943
Sept	143,504	86,703	279,139	23,311	22,151	411,304
Oct	147,386	85,768	289,037	22,295	23,737	421,517
Nov	134,245	73,194	263,322	20,180	20,680	377,377

Source: Textile Commissioner, Bombay.

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

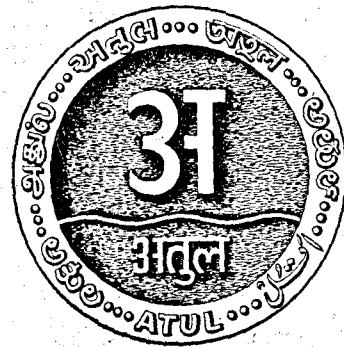
Group & Sub-Group	Week Ended				Month Ended			
	31-1-59	24-1-59	3-1-59	1-2-58	Jan'59	Dec'58	Nov'58	Jan'58
Food Articles	116.2	115.1	112.5	100.6	114.3	113.3	118.0	102.5
Cereals	106.8	105.7	103.9	94.6	105.2	105.0	110.5	96.9
Pulses	122.7	121.3	111.1	76.4	117.2	111.1	112.3	80.1
Fruits and Vegetables	115.9	113.1	114.4	92.7	113.6	115.6	117.0	93.7
Milk and Ghee	103.3	102.1	103.9	101.6	103.5	103.6	106.2	98.8
Edible Oils	120.1	121.0	115.3	110.7	118.6	118.1	123.8	118.9
Fish, Eggs and Meat	108.7	109.0	109.6	99.9	109.2	108.1	108.7	99.3
Sugar and Gur	129.6	128.8	122.0	107.0	126.6	120.6	127.8	109.4
Others	154.2	151.7	149.6	130.5	151.0	152.7	159.8	132.6
Liquor and Tobacco	105.5	105.5	98.5	96.7	103.5	96.4	96.0	96.4
Tobacco	104.5	104.5	97.1	95.2	102.4	94.9	94.4	94.9
Fuel, Power, Light & Lubricants	114.9	114.8	114.7	114.4	114.8	115.1	115.1	113.6
Industrial Raw Materials	116.1	115.7	111.2	111.2	114.1	112.5	113.2	113.6
Fibres	108.5	107.2	105.0	114.5	106.8	105.2	102.6	115.1
Oil seeds	127.5	127.5	118.2	108.5	123.8	122.1	126.8	114.1
Minerals	103.6	107.3	107.3	107.1	106.8	107.3	106.5	107.1
Others	110.2	110.4	110.2	110.0	110.3	109.0	108.0	110.2
Manufactures	108.7	108.5	107.9	107.5	108.4	108.3	108.8	107.7
Intermediate Products	110.4	110.6	110.1	105.9	110.5	110.3	110.0	106.7
Finished Products	108.4	108.1	107.6	107.8	108.0	108.0	108.6	107.9
Textiles	102.2	101.8	101.7	106.0	101.9	101.9	103.2	106.0
Cotton	110.6	110.6	110.0	115.4	110.4	110.6	111.2	115.8
Jute	85.9	84.3	85.3	90.0	85.4	85.3	88.0	90.1
Woollen	105.9	105.9	105.9	103.0	105.9	105.9	105.9	103.0
Silk and Rayon	90.1	91.1	91.1	90.1	91.1	90.2	92.2	86.7
Metal Products	143.1	143.1	143.1	143.4	143.1	143.1	143.1	143.4
Chemicals	111.3	111.4	110.8	99.5	111.3	110.5	110.3	99.1
Oileakes	150.0	147.8	137.2	113.3	144.1	143.0	143.2	118.0
Machinery and Transport Equipment	104.5	104.5	104.3	102.4	104.4	104.3	104.1	102.4
Others	114.1	114.1	114.0	111.8	114.1	114.3	113.8	116.6
All Commodities	113.7	113.1	110.7	104.6	112.3	111.4	114.0	106.0

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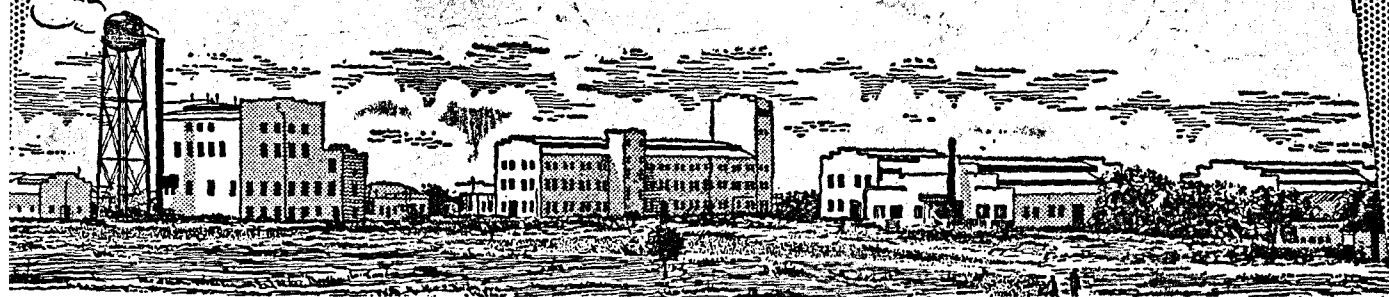
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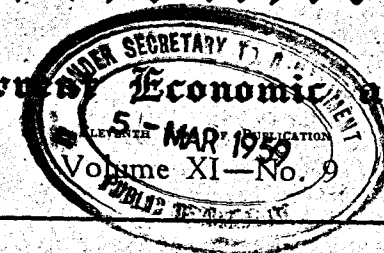


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On the Eve of the Budget

THOSE who have only the past record of the Finance Minister to go by, his predilections and idiosyncracies, merely cross their fingers and hope. They expect no imaginative approach, nor even a follow-up to the changes in the tax system introduced piecemeal, but not carried through, by a dynamic predecessor. A status quo in the matter of taxation would mean merely minor adjustments in the existing taxes. It is to be hoped, however, that the budget proposals will at least be informed by a correct appraisal of the current economic situation and that the political sense of the Finance Minister will not allow him to be brow-beaten into following a routine course and thereby slacken the tempo of development that has been generated in the economy.

The budget should reflect the Finance Minister's, and through him the Cabinet's, appraisal of the economic situation in the country, particularly the budget of the Central Government in a country with a plural set up. It is on the basis of his appraisal of the current economic situation that the Finance Minister should formulate his proposals, whether these are intended to correct or modify existing trends or to chart out new trends.

When the current financial year set in, the darkest shadow in the land was cast by the country's external accounts. But the generous help of America, Britain and others have removed the strain not only for this year but also for the rest of the two years of the Second Plan. In spite of this reassuring position on the external economic front, however, the going cannot be said to have been particularly good. Between the time the last budget was presented and now, wholesale prices have risen by nearly 8 per cent and prices of foodgrains by 14.54 per cent. Wheat eaters might complain justifiably that the price-rise experienced by them has been very much higher because wheat prices have risen during this period by 40 per cent.

Luckily for the country, however, wheat is the staple diet of only a minority. Let those who want us to switch from rice to wheat pause for a while and ponder the consequences of this change over in a situation like what we face today. This is perhaps the steepest rise in prices, especially of foodgrains, registered in the country since the Korean War. The rise in prices, it is more or less agreed in all quarters, has been due to the failure of production of foodgrains. Industrial prices, on the other hand, have remained more or less steady and the output in that sector is very likely to show an increase of about the same order in 1958 as in 1957, in spite of the decline in production in some of the most important industries like textiles, cement and sugar during the year.

The increase in industrial output achieved in 1958, however, is much below the increase achieved earlier as from 1954 to 1956. This slackening of the pace is not something which can be overlooked. Then the outlook for exports has never been bright at any time during the year though perhaps the decline in export earnings has not been as heavy as could be apprehended in view of the recession in our principal export markets. That the recession has also enabled us to get some of our imports cheaper has undoubtedly helped our balance of payments to some extent, but this does not in any way lessen the need for stepping up exports as much as possible.

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As for the finances, it must be conceded that the budgetary position in 1958-59 has been somewhat better than was anticipated at the beginning of the year. In regard to public borrowing, the Government overstepped its own target by a substantial amount, part of which will possibly be needed to offset the shortfall in receipts from new direct taxes and the rest will cover the likely shortfall in small savings.

With the above background in mind, what is the course that the Finance Minister should chart out for the year 1959-60? True, he has got to see that prices do not rise any further, that they come down. But since last year's price rise was due almost entirely to shortfall in the output of foodgrains, he would dread doing anything that can be said to deter increase in the output of food. Also, he would like industrial output to increase at a rate higher than what has been attained this year. Exports would now have to be encouraged through tax concessions and other measures.

More than anything else, however, the Finance Minister has to see that the tempo of development does not slow down and the momentum which the economy has gained is not lost. The sectoral balance aimed at in the Plan would itself have called for some slackening in private investment, even if it had not been forced by the tightening up of import restrictions. If public investment does not offset this decline, the economy will lose its momentum. The target fixed for public investment for the coming year is roughly at the same level at which it stood for the current year and if this target is adhered to, it will hardly be sufficient to offset the decline in private investment. Foreign exchange shortage may put a limit to import-intensive investments but such public investments as do not require much imports can be stepped up. The total of public investments should exceed by a sizeable margin the target of Rs 1,000 crores.

The domestic food situation is favourable for such an increase. Food production this year is expected to reach a record level, and as the decline in food output was, by and large, responsible for the inflationary pressure during the current year, the situation would be reversed during 1958-59. And advantage must be taken of this improvement to stimulate economic expansion.

This may mean more deficit financing, as tax and loan receipts would not be enough for meeting the requirements of increased public investment. But the increase in food output would offset the increased demand for food resulting from deficit financing and no inflationary pressure would emerge. If the Government refuses to increase public investment on the ground that any increase in money supply as a result of deficit financing would have inflationary consequences, a good opportunity of maintaining the tempo of development would be irretrievably lost.

There is, of course, the danger that though inflationary pressures may be mitigated to a considerable extent by increased food supply, it would nevertheless result in some increase in cash balances and that since these balances cannot be used for productive investment in view of import restrictions, they would tend to be employed for speculative purposes. Apart from restraint on bank credit, the situation calls for judicious use of taxation to mop up as large a part of these surplus funds as possible, especially in the rural sector.

In fact the tax system has still to be evolved on the lines initiated a little while ago. The inadequacy of the capital gains tax, wealth tax, gift tax and expenditure tax that are on the Statute Book has been exposed fully by the originator of these measures and as Kaldor rightly pointed out in his contribution to the last Annual Number of this paper, it is no use maintaining a complex tax system if we cannot make it effective. But is the present Finance Minister the man to take up this task? Whether he will take it up or not, depends so much on his personality and the importance which he attaches to it. Simplification of company taxation, reduction of deductible expenses, a reporting system on capital transactions to reduce tax evasion and submission of comprehensive returns for direct taxation—these are all essential, if we are to operate successfully the tax system which we have adopted only half-heartedly. The arms are all there, but is Morarjee the man to wield them?

Another long overdue step in increasing tax revenues and in the process, rationalising the tax system will be to make a beginning with the integration of agricultural income with

non-agricultural income for purposes of income taxation—a step which has been advocated many times before through these columns. As a first step in this direction, the new budget could require the declaration of agricultural income by all persons with non-agricultural income above Rs 6,000 and its inclusion in total income for purposes of the fixation of rate leviable on non-agricultural income. This will also offer an opportunity to the Government to make some political capital out of the move for ceiling on urban incomes which has gained sizable support from the ranks of Congress M Ps. The integration of agricultural with non-agricultural incomes for purposes of fixing the rates of income taxation will bring out how far ceiling on land holdings is also a ceiling on rural incomes.

Also, among measures that are now overdue, is the revision upwards of the duty on imports for which the Government is unable to ensure supplies to consumers at a fair price. In continuation of past practice, a revision of the excise duty on some of the semi-luxury items the imports of which have completely stopped, such as electric fans, tooth-pastes, etc, should also be due.

It is difficult to say how the Finance Minister has thought fit to frame his proposals. There is little doubt that he would be as anxious as anyone else not to give the least hint that the Government was prepared to slow down the tempo of development. Still, he would be a bold man if he really girds up his loins and proves through deeds that he really means to act courageously. Let us hope he rises to the occasion. And Morarjee may be wanting in anything else but not in courage.

Vigil

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The Cypriot Road to Nowhere

GOODWILL is, of course, a necessary pre-requisite for the settlement of any dispute; but the mistake that everyone is making about Cyprus is to imagine that it is the only pre-requisite. What is founded precariously on mere goodwill is likely to be destroyed easily by mere ill-will. Monday's publication of some of the main details of the Cyprus Agreement will sober many of those who had till that moment been rejoicing that peace was at last returning to the island fortress. The Agreement is riddled with dangerous checks and perilous balances that are likely to be completely upset by the first onslaught of a serious stress. An excessive display of emotional goodwill has set up a house of cards which can collapse from the merest breath of ill-will from any of the several quarters involved.

The three Houses of Parliament are a relic of the ill-considered and defunct Macmillan Plan and, like it, carry the seeds of future disruption in the island. One House is to be entirely Greek, another entirely Turkish, while the third will be composed of both and sit whenever questions of common interest to the two communities need to be discussed. This provision recognises the vicious principle of two nations within a single land; and, as we in this coun-

try have good reason to know, can be disastrously disruptive of unity. The idea that both communities will work together once their right to work separately is conceded is absurd: the chances are that they will tear the country apart by pulling in opposite directions.

Or take another of the provisions of the Agreement. The joint House will have seventy per cent Greek Cypriot representation, which is in itself quite fair, as the Turks comprise less than a third of the island's population. But against this seemingly just arrangement stands the further provision that the Turkish Vice-President will have the right of veto on any decision of the House which the Turks don't like. That single clause in the Agreement makes nonsense of the care taken to make the Parliament fairly representative of the population.

Worst of all is the provision which entitles Greece, Turkey and Britain to intervene in the affairs of the island, as and when any of them feels such intervention to be necessary "in the interests of the new Constitution". This, combined with the 99-year guarantee of British bases in Cyprus, makes the so-called "independence" of the island something of a bad joke. Sooner or later

Colonel Grevas, if not Archbishop Makarios himself, is bound to wonder what sort of bargain the Greek-Cypriots have after all struck with Whitehall. The surprise is that this question is not already being asked in the island.

In the light of any objective reasoning or analysis, it seems difficult to see how this highly cumbersome Constitution proposed for Cyprus can possibly work. It is even more difficult to see how any Cypriot, whether of Greek or Turkish extraction, can conceivably regard this arrangement as being fit to be described by the word "independence". If anything, it seems several steps backwards from ultimate freedom for the Cypriot people. Until now, it was Britain alone that ruled the island, and British susceptibilities were the only ones that had to be taken into account in the governing of Cyprus. But now the island must be governed in such a way as to satisfy not only London, but also Ankara and Athens—or else perfectly constitutional interference would be possible from all three quarters. In addition, far from being got rid of, the British bases have had to be guaranteed near-permanence. If that is independence, the Cypriots are bound to feel some day that they were better off as a subject people.

Weekly Notes

A New Zamindari

— Established Importers Licences

IT needed some courage on the part of the Governor of the Reserve Bank to strike a critical note on what looks like being an established policy of the Government in the matter of export incentives. Bad though the situation is in export incentives, the hawking of import licences and profiteering in them is a great deal worse, in magnitude and range as also in spreading corruption. True, every control breeds corruption. The black market, by definition, is a creation of economic restrictions of any kind. But we have been operating import control for more than a decade and, in view of the present foreign exchange situation and future prospects, import control is going to be with us for years to come. Why not, then, face the situation and tackle the

problem, instead of dismissing it as one of the minor irritations that should be patiently borne? The villain of the piece is, of course, the licence issued to the established importer on the basis of past performance which may bear no relation to his present business transactions or turnover. Sale and profiteering in import licences issued to actual users come second. But quantum and extent of selling of licences has never been estimated. Even after years of operation of import control and the crisis brought about, at least partially, by inadequacy of statistical information on the subject, we are yet far from retracing our steps and getting into grip with the problem. While the Government has been liquidating Zamindari in land, the new Zamindari created by the issue of import licences to established importers has already become a flourishing institution, respectable,

perfectly above-board and recognised as valid. The auctioning of import licences has often been suggested, but it has never been seriously pursued because of administrative difficulties. The better is always the enemy of good. While auctioning is rejected as impractical, extension of State trading or distribution through other means which can cut out profiteering runs up against the same sort of difficulties. The high premium commanded by such licences may attract the attention of the Finance Minister, though the scope of mopping up this undeserved gain has hitherto been neglected because it is too narrow. But why not at least improve the situation to some extent by changing the basis of licensing from past to present performance?

If the consumer is to be mulcted in any case, why not let the profits

go to the trade actually engaged to-day in handling these lines by issuing the import not on the basis of past performance, but present turnover? The advantage would be less of fictitious transactions in which the profits are, by and large, taken in black, and better distribution as

also realisation of income-tax and sales tax.

Moscow Deep Freeze

HOW the ways of diplomacy have changed! There were days when envoys disagreed but politely behind secured doors. Even Hitler, one presumes, was courteous to Mr. Cham-

berlain before releasing the first bombs on London. But now, alas!, to the dangers of war is added the unpleasantness of discourtesy. International disagreements are really becoming a bore. The historians of the future, recording this verdict, will also be impelled to go a little further and say explicitly that Mr. Khrushchev, when returning the hospitality of the British, could not honestly be described as the perfect host. Indeed, he actually walked upto Mr. Selwyn Lloyd at a British Embassy function in Moscow on Wednesday, jabbed an angry finger at him, and asked: "Where and when did you ever solve any question? How did you justify your post?" Not, of course, entirely irrelevant questions where Mr. Selwyn Lloyd is concerned; but still, a little lacking in civility.

Yet so civilised and tolerant are the days in which we live that discourtesy passes almost without notice. Mr. Khrushchev's jabbing finger made no impression; but his previous day's hostile warnings to the West certainly did. Never has a non-aggression pact been suggested more aggressively; and, frankly, it will be surprising, if Mr. Macmillan takes up the suggestion. However, in spite of the Soviet Prime Minister's strong words, there was a chance last week of at least something being accomplished by the British visit. The Russians have not encouraged a Foreign Ministers' meeting; but their heart is still set on a "summit". And it is quite on the cards that, as far as the Kremlin is concerned, a "summit" of two is better than no "summit" at all. But if Mr. Khrushchev spoiled some of the chances of fruitful discussions with the British leaders, President Eisenhower completed the job from Washington. Mr. Dulles's absence from the State Department is not, it seems, an insurmountable handicap in the dropping of bricks in America. Now, a visit which had started off with so much hope and optimism on all sides, will painfully draw to a frustrating end. It is a pity.

Mahatab Not Put Out

ORISSA may be new to parliamentary government but for a time following the defeat of the Government on what has been called a 'snap vote', it looked as if Orissa was going to set up a new standard of parliamentary behaviour. This was when the Chief Minister Shri

Hare Krishna Mahatab, the Utkal Kesari, whose teeth have been blunted a little, made an offer courteous to the Opposition to take over and run the Government. This he did with the conviction freely expressed that if the Opposition accepted the offer, the Congress would return with doubled strength at the next elections. The Leader of the Opposition, not to be outdone either in valour or courtesy, protested that he was willing enough and able to take over the Government and run it but he would, nevertheless, leave the decision to Shri Hare Krishna whether the latter should resign or not! The Governor, as the constitutional head, said nothing and left it to the Ministry to decide what it would do. In the end, however, Mahatab's Ministry continued as if nothing had happened.

The defeat of the Ministry on a snap vote, Mahatab held, was not an expression of no-confidence in the Government, nor was he willing to concede that the issue on which the Government had been defeated was of any considerable importance. The issue was one of validating the municipal elections which had been declared ultra vires by the High Court. While declining to accept the Government defeat as a vote of no-confidence, Mahatab nevertheless yielded to the House. The municipal elections, declared invalid, would be held once again but Mahatab will, on the advice of Pandit Pant, which he sought, ask for a vote of confidence from the House in due course and doubtless get it. The Utkal Kesari's teeth may have been blunted but neither his skill in manoeuvring nor his good relations with the Centre have suffered yet. Orissa is the one other State besides Kerala, where the Congress does not have a clear and stable majority. It differs from Kerala however, in that no other party has been strong enough to challenge the Congress successfully so far. Perhaps party alignments and groupings have been more shifting and elastic in this State than in any other. This accounts for the scope which Mahatab has enjoyed for manoeuvring and which he has utilised with such success.

There are some who hold that the Congress should never have accepted office in Orissa with such an uncertain majority. This has forced the Congress to make compromises and 'buy' support, and has led Orissa to have a coalition Government right

from the beginning. The differences between the Ganatantra Parishad, which is nearly as strong, with the Congress, however, are not such as to make a coalition even remotely possible. Because of the very difficult situation in which it has had to function, the Congress Government in Orissa has also compromised the position of its High Command as

well as that of its very mild Governor. This gently guided democracy, albeit under remote control, has perhaps given Orissa Government a stability which the State would have otherwise lacked. And what would happen to the Plan if the Government had to be changed too frequently? That is of course the trump card which Mahatab finally put up.



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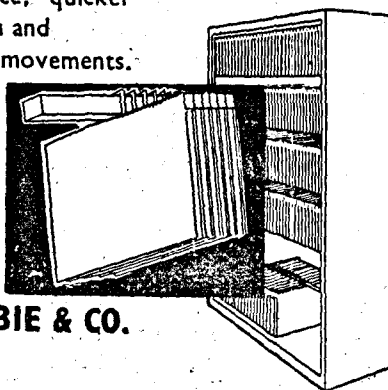
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Multifarious Functions

THE State Bank of India was set up on July 1, 1955 on the recommendation of the Rural Credit Survey Committee that the Imperial Bank be nationalised. The purpose was to take advantage of the special patronage of Government and semi-Government authorities that this private-owned Bank enjoyed, and to make it in due course the principal channel for the flow of funds to the rural sector. An allied purpose was to extend banking to areas where a shareholders' bank may not find it remunerative to open branches. The wide network of State Bank branches was to help in providing cheap remittance facilities. But despite its multifarious new duties, it was not expected to curtail its traditional business of financing urban trade and industry.

Since its establishment, the State Bank has, in fact, not merely taken a hand in the financing of the co-operative movement and small scale industries; it has also taken an increasing interest in foreign trade, involving transactions in foreign currencies as well as rupees. In addition, it is now the repository of nearly Rs 150 crores of P L 480 funds on account of the U S Embassy. Judged even by conventional standards, the Bank holds an extremely important position in banking. In the middle of this month, it held 30 per cent of the total deposits of scheduled banks, 43 per cent of their investments in Government securities, and 20 per cent of the credit extended by them. With the proposed taking over of 10 State-associated banks as subsidiaries, it would become an even greater colossus than it is now.

Since its establishment in July 1955 through February 13, 1959, its deposits have gone up by Rs 279 crores against an over-all increase for all scheduled banks of Rs 593 crores. Even after making allowance for receipt of P L 480 funds, this is quite a creditable performance. During the same period, its investments have expanded by Rs 176 crores against Rs 267 crores for all scheduled banks, but the credit portfolio has been enlarged by a bare Rs 76 crores out of a total scheduled bank expansion of Rs 329 crores. It is difficult to see how this relatively small credit expansion can be explained away entirely by the temporary nature of P L 480 depo-

sits. Lingered conservatism has, perhaps, contributed its mite, even though the Bank authorities may not acknowledge it.

Why this Window Dressing?

IN commenting on the Bank's performance during 1957, we had occasion to point out its weakness for window-dressing in these columns. This year, in fact, the Bank advanced its preparations for the purpose by a week. As against a temporary rise in its cash reserves of Rs 13 crores last year, made possible with a loan from the Reserve Bank and some temporary disinvestment in gilt-edgeds, the figure this year has been significantly larger at Rs 22 crores, perhaps, owing to the increase in deposits. The Bank's cash reserves were only Rs 31 crores during the week ended December 19 and Rs 35 crores a week later. The balance sheet, as on December 31, 1958, sports a figure of Rs 53 crores which came down to Rs 30 crores the next week! This dramatic performance was staged with the help of a sudden increase of Rs 19 crores in borrowing from the Reserve Bank, and temporary disinvestment of Rs 3 crores in gilt-edgeds.

To be fair, the Directors' Report this year does not use the balance sheet cash ratio to demonstrate the Bank's high liquidity, but relies on the cash ratio as on the last Friday of the year. The cash ratio this year has, nevertheless, spurted from 6.5 per cent to 11.1 per cent, against 7.8 per cent to 10 per cent last year. If the State Bank with all its resources and prestige considers it necessary or desirable to resort to this dubious practice, the other scheduled banks, it may be presumed, must be a step ahead.

Unlike last year, however, the State Bank's borrowing at the end of the year from the Reserve Bank has not been entirely temporary, for after a steep decline from Rs 20 crores at the end of the year to Rs 3 crores as on Friday, January 2, it has been at a substantially higher level than last year. This may be due to greater seasonal demand for credit as well as to some withdrawal of P L 480 funds. Deposits did fall by Rs 12 crores during the week ended January 9, but they are now higher than they were at the end of the year. The larger borrowing this year from the Reserve Bank is ap-

parently explained, therefore, by the depletion of deposits that occurred last month.

Branch Expansion

THE Bank was required to open 400 new branches within five years of its inception. By the end of 1958, it had already opened 262. The yearly rate of expansion now exceeds 100 branches. The total number of its offices now is 720, of which 8 are in foreign countries. During the year ended June 30, 1958, it extended remittance facilities for an aggregate of Rs 84 crores, of which Rs 54 crores were on account of co-operative banks and societies. Credit limits to co-operative banks were raised to Rs 14 crores from Rs 10 crores, while investment in co-operative land mortgage bank debentures increased by Rs 41 lakhs to Rs 62 lakhs. Credit limits have also been raised for co-operative marketing and processing societies. Deferred payments guarantees for Rs 4 crores have been given on behalf of thirteen co-operative sugar factories. An appropriate procedure has also been evolved for granting loans against warehouse receipts.

The Bank has since 1956 opened 53 centres for providing co-ordinated finance to small scale industries in conjunction with the National Small Industries Corporation and the State Finance Corporations. Total credit limits extended under this head during the year went up from Rs 82 lakhs to Rs 2.37 crores, and the number of accounts from 189 to 696. The Bank is now taking interest in medium term finance through its shareholding in the Refinance Corporation for Industry, and in hire-purchase finance through advances to companies engaged in this business. Some advances in the latter respect have been made to cover sales of commercial vehicles.

There has been a significant change in the pattern of advances made by the State Bank during the year. Advances to industry at the end of October, formed 72 per cent of the total of advances as compared to 64 per cent a year ago while advances to commerce declined from 19 per cent to 12 per cent. There was no noticeable change under other heads. The decline in commercial advances was only partly the result of Reserve Bank directive for reducing bank credit. It must have been largely due to import restrictions.

Letters to the Editor

IN his article in the Annual Number of the Economic Weekly, Dr K N Raj is correct of course in regarding the marginal propensity to consume foodgrains and the realisable rate of increase of output of foodgrains as the two "most vital variables" determining the increase in investment that can be sustained in the Third Plan. However, his faith in the effectiveness of tax policies in curbing the marginal propensity to consume foodgrains is surprisingly naive. For instance, he recommends measures of taxation which will "effectively impinge" on consumption (of foodgrains mainly) at the margin and will at the same time introduce "an element of progressive taxation" in the rural sector. Now, these two objectives are not, however, so easily reconcilable. Generally speaking, you can succeed in achieving the one or the other, but not both. If you make your tax structure sufficiently progressive it will cease to have any appreciable impact on the marginal propensity to consume the bare necessities of life like foodstuffs. On the other hand, if you mean to use your tax policies to curb the demand for foodgrains then you will have to make them fairly regressive.

To my mind, in conditions such as exist in our country today, the only effective way to check the growing demand for foodgrains is to make it independent of increases in income—through controlled distribution and rationing. As long as we let the free market to continue in foodgrains, even a moderate stepping up of investment activity, however financed, is bound to lead to increased demand and rising prices, in the absence of adequate increase in supply.

To advocate controls in this country, I know, is to offend the religion of many people. Now, to dislike controls is one thing; to make opposition to them a matter of faith is another. No one, surely, would want controls for their own sake. Similarly, no one would deny that the implementation of an effective scheme of controls raises many problems, none of them very easy of solution. But when the alternative to controls is to let

No Royal Road Here

soaring prices disrupt developmental activity, one should think that the choice is fairly obvious. Besides, our experience with food control in the past has not been entirely negative. Had not problems similar to most of those that the country is faced with today arisen during 1941-45, the formative period of food control in the country, and had

not adequate working solutions to many of them been found then?

The fact is that in the present scheme of things in the country, the choice between controls and inflation—between "fair shares for all" and "devil take the hindmost"—is, alas, not economic or social or humanitarian, but political! Delhi, February 18. K R

Nepal's First General Elections—1

Postscript

BETWEEN the time I despatched my article (issue of February 21) and now, a significant change has occurred. On February 12, King Mahendra announced Nepal's first Constitution in a royal proclamation. It was drafted by a body of experts—in its early stages advised by the British expert, Sir Ivor Jennings—appointed by the King. The Constitution gives Nepal parliamentary government and provides for an independent judiciary.

The Constitution establishes a Parliament consisting of two Houses—the Pratinidhi Sabha (Lower House) and Mahasabha (Senate). The Lower House will consist of 109 elected members; the Senate will have 18 members elected by the Lower House and 18 members nominated by the King. The legislative powers of Parliament are comprehensive.

The superintendence and general control of the executive functions are vested in a Cabinet, not exceeding 14 members, and for all purposes responsible to the Lower House. At the head of the Cabinet will be the Prime Minister. The King will have control over certain matters. Ministers will be recommended by the Prime Minister and appointed by the King. At least two Ministers will be nominated by the King from members of the Senate.

The Constitution provides for an independent judiciary. The Supreme Court will be competent to issue writs and protect citizens against invasion of fundamental rights. Nepal will also have a public service commission.

In case of emergency, the King may assume any of the powers vested in or exercisable by any other

government authority. He may even dismiss Parliament and the Cabinet, and rule the country directly.

The Constitution will come into force, clause by clause, on a day or days to be fixed by royal proclamation.

The announcement of the Constitution may create more enthusiasm in the general elections than has been displayed hitherto. The elections which begin on February 18, will be spread over 45 days.

Rama Devi Pant

Kathmandu,
February 13.

(Private) Limited

YOUR comments in the "Weekly Notes" on page 39 of the 10th January issue unfortunately do not take into consideration the basic difference in corporate taxation between the public and private limited companies. Section 23A of the Indian Income Tax Act compels private companies to distribute by way of dividends a minimum of 60% of the profits, as arrived at by them, on pain of severest penalties, so that to keep on the safe side of the law, the private limited companies have to distribute at least 65%. Under these circumstances, your statement that "heavier taxation of company profits has encouraged private companies to distribute larger dividends and to cut down profits retained in the business" is unjustified. In fact the relevant section of the Income Tax Act has been recently amended to permit private companies to distribute less than 60% of their profits under certain circumstances.

This method of taxing private companies explains to a large extent their greater dependence on external finance and lower rate of capital formation as compared with public limited companies. Another factor which restricts the resources of the private limited companies is that its membership, i.e., the number of shareholders are restricted by law to 50 only. Therefore,

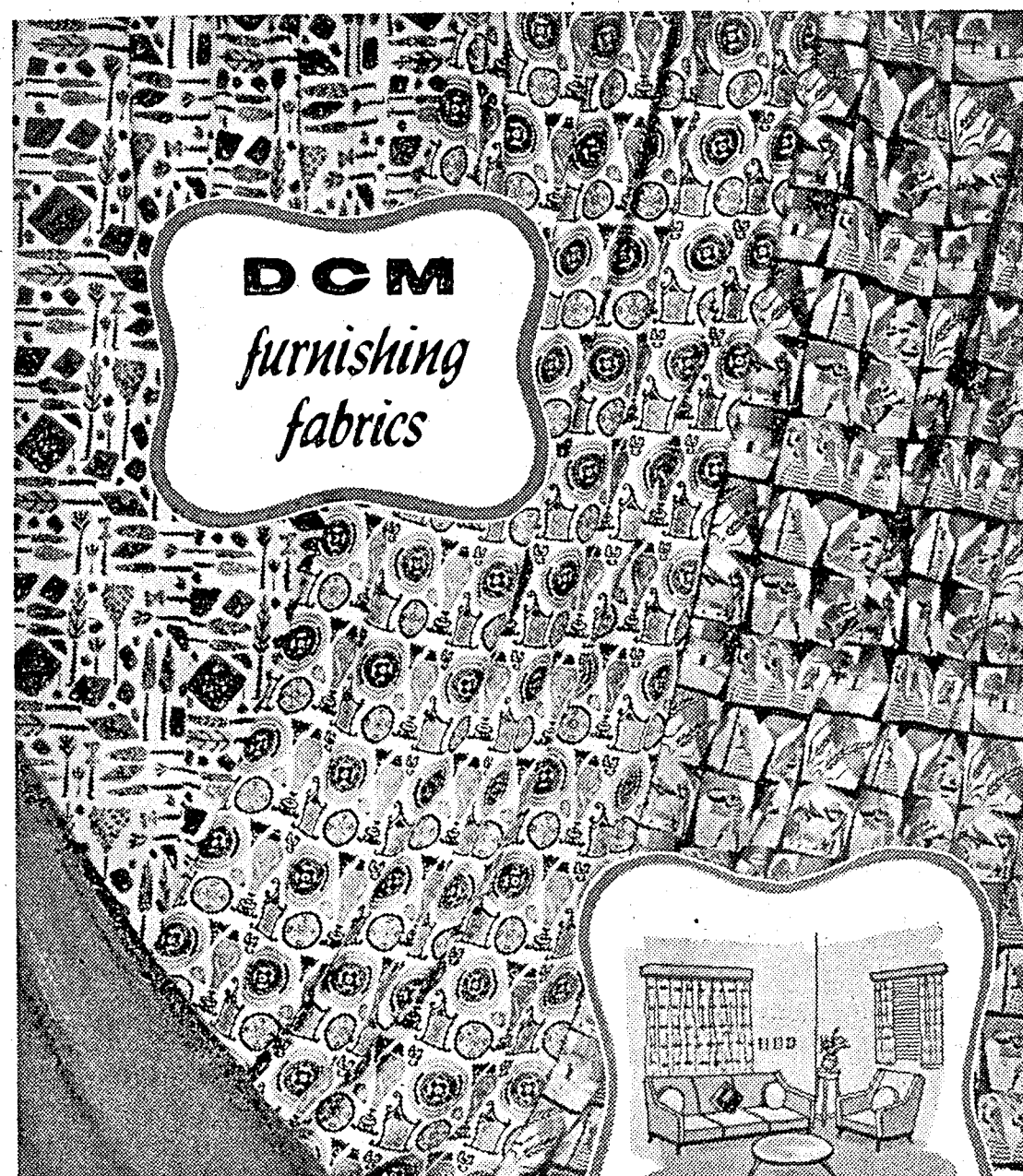
by the very nature of the private limited companies, they become incapable of raising big capital and their resources come to be restricted as compared to the public limited companies.

I agree a study by some non-official agency of the balance sheets of private limited companies would certainly be useful provided it is without any preconceived bias. In

the present atmosphere any stick is good enough to use against the private sector but that could not be the aim of a disinterested study to guide the intelligentsia as urged by you.

K R Marfatia

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The Great Economic Divide End of Intra-European Co-operation

IT can now be confidently said that the scheme for a free trade area is dead, and that something like ten years of effective intra-European co-operation on matters of trade and exchange is now coming to an end. This is the inescapable conclusion one reaches after following last week's debate in the House of Commons, and after reading the full story, now published*, of the three-year negotiations in Paris between the 17 countries of the Organisation for European Economic Co-operation for some all-embracing system of tariff reductions to take effect simultaneously with the coming into operation of the Common Market, restricted as it was to only six of these 17 countries. Indeed these negotiations are shown to have proved that it was not even possible to achieve a modus vivendi on the question of trade discrimination, let alone the larger question of the future place of Britain in the European economy. As 'Le Monde' put it, the negotiations were more in the nature of "the deaf talking to the deaf"—neither side being prepared to compromise. Throughout these negotiations, Britain's aim has been to restore the pre-Common Market status quo in European economic relations, while to the six countries making up the Common Market the aim was to secure a recognition that their customs and economic union was a fact, and that the negotiations should not in any way jeopardise the full flowering of their newly created European Economic Community.

Bilateral, Not Multilateral

As matters now stand the initiative rests with the Common Market countries, particularly France. On March 1, the European Commission—the executive organ of the Common Market—is expected to present to the countries outside the Common Market new proposals on the form in which their association with the Common Market may take "Negotiations for a Free Trade Area—Documents Relating to the Negotiations from July 1956 to December 1958." (Cmnd 641), January 1959.

place. It is expected that the European Commission will rather propose that the Common Market as a single unit should negotiate bilateral trade agreements with each of the other West European countries. These agreements, it is expected, will be bilateral in character and may provide for no more than assurances of most favoured nation treatment on external tariffs with such countries. What is not visualised by the European Commission, from present indications, is another attempt at finding a multilateral solution through joint discussions with the 17 countries.

The question whether future negotiations are to be conducted multilaterally among the 17 countries (through the O.E.E.C.) or bilaterally between the Common Market as a unit and the other countries has turned out to be a matter of supreme importance. This is certainly brought out sharply in the published documents. The French, West German and Italian Governments are shown time and again to direct the negotiations in such a manner as to juxtapose the Common Market and the British scheme for a free trade area, and in particular to seek the O.E.E.C.'s recognition of the Common Market as a negotiating body in its own right. In practice this demand, principally Franco-German, meant that the negotiations should not prejudice the Rome Treaty which governs the operation of the Common Market. It also meant that:

(a) While the Rome Treaty was inherently discriminatory in favour of the six, it was in principle not against the expansion of free trade. For this reason the name of the British scheme—"Free Trade Area"—possessed unacceptable implications for the Rome Treaty, and accordingly it should be renamed by some such term as "European Economic Association."

(b) There should be a recognition that in negotiating the British scheme, the Six in the Common Market will adopt a uniform policy and that nothing should be done to split the Common Market countries.

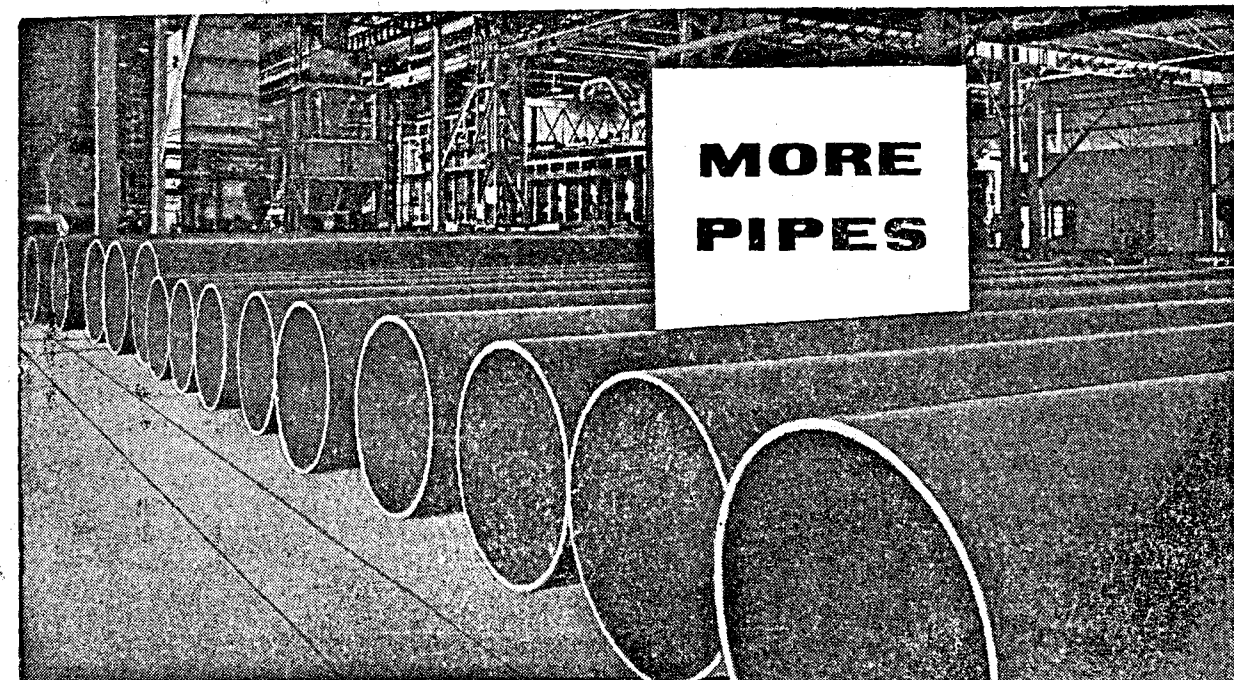
And so the Six emphasising their unity in a remarkably demonstrative manner, declared in October last that in any agreement that may be reached for a "European Economic Association" there should be an explicit recognition that

"... the present Convention (for a possible European Economic Association, i.e. free trade area) shall not apply to the relations between the member states of the Common Market which are governed by the Rome Treaty, the implementation of which cannot be impeded by the Convention of the Association." (Cmnd 641-p 97)

Europe or Commonwealth?

This emphatic demonstration arises, so it appears, from a strong motivation of political unity among the Six in their dealings with Britain. By contrast the British approach towards European economic co-operation is seen to have been one for a loose arrangement, "a kind of trade agreement multilaterally arrived at" and only allowing a "gradual development of the O.E.E.C.'s consultation procedures" to bring about closer co-ordination of the economic and financial policies of the 17 countries. The British plans thus did not visualise so sharp a unifying economic, and hence political, design as was the purpose of the Rome Treaty. It is equally clear that the British maintained the hope that their scheme would, if agreed, cause a gradual weakening of the cohesive features of the Common Market.

The refusal on the part of Britain to entertain the full implications of the Common Market was thus an important element in the final breakdown in the negotiations. As M Jean Monnet, the architect of the Rome Treaty, recently stated, "once the British acknowledge that the Common Market is a fact, they will reach an agreement with it". But for Britain to recognise this "fact" would in itself constitute a political decision of the greatest import: it would be tantamount to accepting the death of a British policy towards Europe of



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some 150 years standing. But, very briefly, the foundations of Britain's status as both a European and an extra-European power rested on a careful balance of her political and military commitments: In Europe the commitment was politically designed to see that no indigenous European power emerged strong enough to dominate the whole of Europe so that British economic and military resources could be devoted towards maintaining in tact the Commonwealth and Empire. In British eyes the entry of Russia in Europe has not affected the validity of this policy, since the Americans exist as the effective counter to the Russians.

Rival Economic Grouping

However, a determined Franco-German combination is now emerging in the economic field which is beginning to question, as the free trade area negotiations clearly show, the British policy of balance between her imperial and European position. It is this questioning which brought such a sharp reaction as this from a Government spokesman in the Commons' debate:

"We cannot contemplate any system of working with Europe which was at the expense of our ties with the Commonwealth. The choice between Europe and the Commonwealth must not be forced upon us".

How is this British crisis now to be resolved? The indications are that the Macmillan Government are feeling out several new lines of approach all designed to bring pressure on France, in particular, to realise the implication of the current deadlock. In the Parliamentary debate of February 12, the British Government announced their interest in establishing special economic relations with the European countries outside the Common Market:

"It has been suggested that Britain might discuss or get closer together with some of the other countries in Europe outside the Common Market. This has its attractions. If we feared loss of trade in some areas we are entitled to work for expanding trade in other areas. It also could be argued that developments in some countries outside the Six might well pave the way to a final European settlement. There might

be disadvantages but it was a matter on which the Government would keep an open mind and they would be very glad to examine all suggestions of this kind".

This remarkable statement is pregnant not only with alternative lines of action but with threats. There is implied the establishment of a possible rival economic grouping in West Europe; the statement further invites countries outside the Common Market to take initiatives in these directions. Finally there is the hope that such initiatives for a rival grouping outside the Six may force upon the Six an agreement along the lines of the British plan.

Macmillan's Visit to Russia

Next of significance appears to be the British policy of making its presence more sharply felt in European politics. There is now little doubt that Mr Macmillan's visit to the Soviet Union and the more active and positive approach of the British Government towards a solution of the German question (in spite of evident opposition from Bonn and Paris) has its origins in the new British preoccupation with not allowing itself to be excluded from continental West Europe and not to allow the growing identity of Franco-German policies to dictate solutions to West Europe's economic and political problems.

The basis of the British approach and that of the Common Market to further negotiations remains as far apart as possible. 'The Times' in a leader declared that "the way (for negotiations) already tried in the past, though now blocked, is the only way worth ultimately taking". This was re-echoed in the Parliamentary debate where the Government spokesman exclaimed that he "fully supported the sentiments of the 'Times'" and that "the more the Government examined these problems the more it seemed that the principle on which they had worked was the best principle". This principle has been outlined repeatedly by the Government. This was a "multilateral solution" and not a "series of bilateral" solutions to the question of free trade in Europe.

Status of West Europe

By contrast the Common Market countries in the long negotiations were increasingly tending to act in concert and as a single unit. Basic-

ally this policy is a reflection of the desire of the industrialists in the Common Market region to co-operate in exploiting the internal market more effectively, with the possible help of U S capital, but certainly with less interference from outside. At the same time there exists within the Common Market strong overtones of a potential unification of policies with a view to reasserting West Europe's claim for a larger status in the world balance. Thus the First General Report of the Common Market recently published contains this remarkable statement:

"The Community (i.e., the Common Market)—created by the will of the Six states and armed with the powers conferred upon it—intends to occupy in international relations a place corresponding to its vocations, to its stature and role and responsibilities which Europe must assume in the international sphere".

More than that, "the position of the Community in the world rests not only on the fact that it is a new legal entity, its unity will also express itself in a progressive application of uniform principles in the commercial policy of the Six and so lead to a common commercial policy". This emotional aim for political and economic unity and a reassertion of Europe's place in the world is certainly strong, insular and important. It cannot be ignored, least of all by the United Kingdom.

What then of the immediate outlook? The British intend to maintain their approach for a multilateral solution and to refuse to countenance the inherently discriminatory character of the Rome Treaty. There is definitely no intention of surrender, either in entering the Common Market or ignoring it. What appears on the cards is a British invitation to the Scandinavian countries to join the imperial preference tariff system and this was alluded to in the Commons debate. There is the difficulty of Denmark in this proposal, for Denmark is a major agricultural exporter and, not unnaturally, New Zealand and Australia may object to giving Denmark preferential treatment in the U K market. The coming months will however see some resolution of this most agonising of problems for Britain.

Men and Oil . . . 5

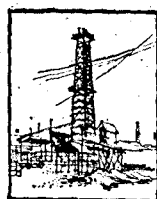
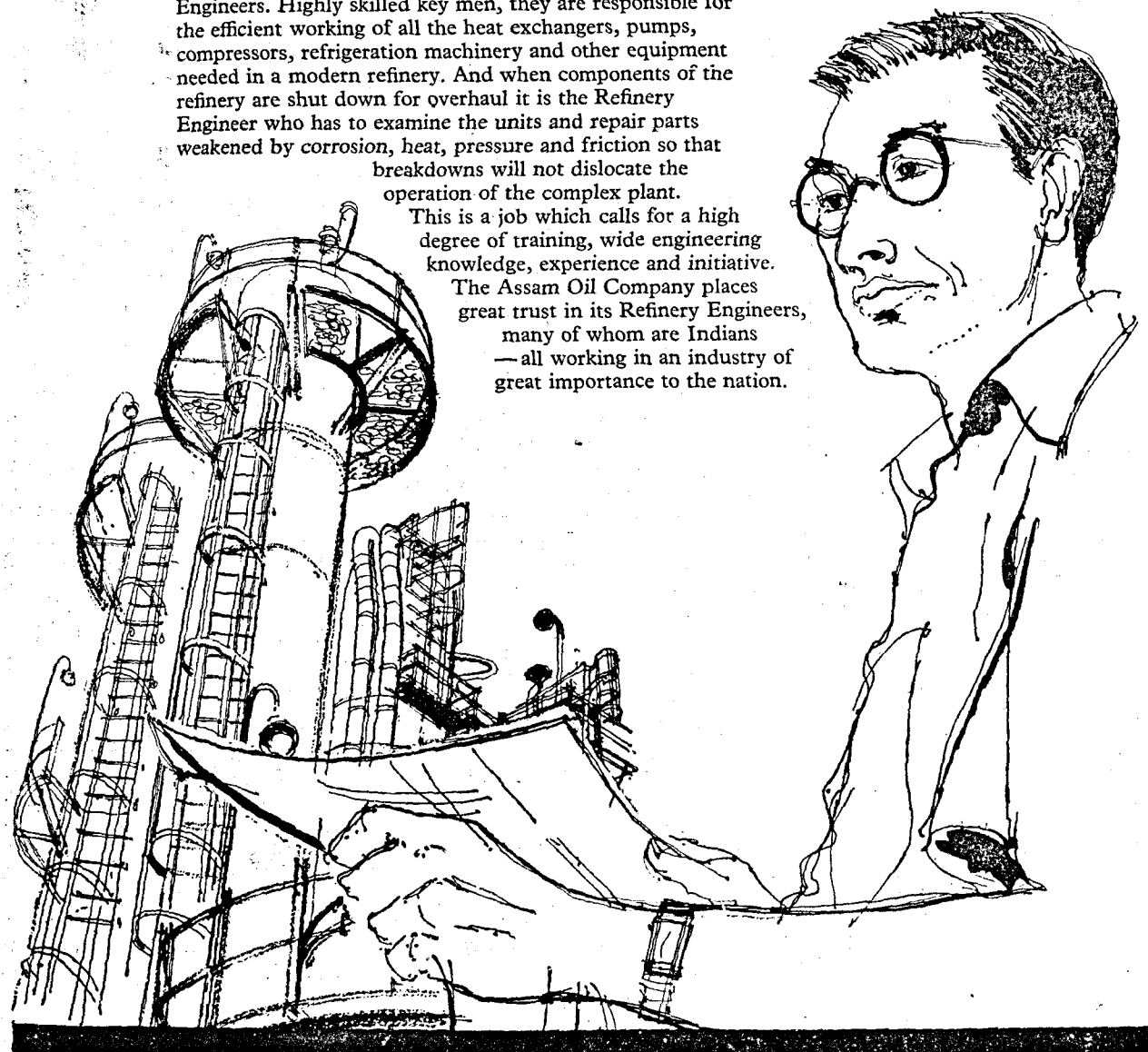
The Refinery Engineer

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The Middle Class Today

S D Punekar

THE most severe condemnation of the middle class came from a member of the class itself. It was more than a century back that the **Communist Manifesto** declared: "The 'dangerous class', the social scum, that passively rotting mass thrown off by the lowest layers of old society, may, here and there, be swept into the movement by a proletarian revolution; its conditions of life, however, prepare it far more for the part of a bribed tool of reactionary intrigue." Karl Marx was not merely content in cursing this unfortunate section of the society (the petite bourgeoisie), but he predicted its gradual extinction. "The lower strata of the middle class—the small tradespeople, shopkeepers, and retired tradesmen generally, the handicraftsmen and peasants—all these sink gradually into the proletariat." However, before they are wiped out of existence, they fight against the bourgeoisie, to save from extinction their existence as fractions of the middle class. "They are therefore not revolutionary, but conservative. Nay more, they are reactionary, for they try to roll back the wheel of history. If by chance they are revolutionary, they are so only in view of their impending transfer into the proletariat, they thus defend not their present, but their future interests, they desert their own standpoint to place themselves at that of the proletariat."

The development of the middle class during the last hundred years shows that this prophecy failed to come true. The extinction of the middle class was to follow the polarisation of society into two distinct classes—the oppressors and the oppressed, the bourgeoisie and the proletariat. Though international communism has succeeded in spreading itself, ironically under a middle class leadership, it could not successfully exterminate the middle class. On the other hand, it appears that this class has expanded both in communist and capitalist societies, because

The author was the Chairman of the Preparatory Committee of the Middle Class People's Convention which was recently held in Bombay to discuss the various problems confronting the middle class.

with the development of these societies, many new sections of the populace have come into the middle class category.

Growing Numbers

Before the need or the role or the future of the middle class is discussed, it is necessary to define a middle class. Marx seems to have defined the class on income and property basis and included in it the petty merchant and manufacturer, the artisan and the peasant. According to him these sections of the middle class would be swamped in the competition with the large capitalists, partly because of their limited financial resources and partly because of the non-utilisation of the skills they possess.

In India, though modern large scale industry has been in the field for a century, it has not completely driven out of the market the indigenous industries, which have been working with different techniques of production and have been catering for their own markets in the rural areas. Though battered in the unequal fight with large-scale industrialists, the artisans and craftsmen not only survived but have increased their numbers. At present, the large-scale sector of our industrial economy engages about seven lakhs of employees, whereas the small scale industries give employment to about two million workers. Similarly, the petty shopkeepers and the tenant cultivators have survived, in spite of economic hardships.

Economic Pyramid

In common parlance, however, the artisan and the peasant are not included in middle class in India, because we define the middle class not merely by reference to economic conditions, but, following Max Weber, also by reference to social status and life chances. The middle class man is in the middle both in the economic and social aspects. In the economic pyramid, we have at the top a 5 per cent stratum of rich, i.e., persons whose living standards could be regarded as more than satisfactory. It consists of big landlords, successful captains of trade and industry, highly paid officials in the public and private sectors and a few successful professional

workers. Unfortunately, in this class we have the "sudden rich", the blackmarketeers, hoarders, bootleggers, unscrupulous politicians, and many others who have been allowed to amass wealth at the cost of the society and of ethical values.

Immediately below this five per cent rich stratum of the society, there is a sizable upper middle class: officials in administration, many professional workers, lawyers, doctors, engineers, successful merchants, middlemen and the like. Beneath the upper middle class, we have a mass of middle and lower middle class consisting of clerks in Government and private offices, in banks and insurance companies, in factories and mines, the school teachers, the working journalists, the petty shopkeepers, the struggling professional workers, the poor merchants and a host of such classes, who find it difficult to earn enough for the maintenance of their families.

Educated but Conservative

Dr Nasir Ahmad Khan gives the following characteristics of middle class persons in India: "The middle class person does not usually possess large property although he may have his own house in which he lives He may have also some savings invested in securities or banks. Persons in middle class usually live by performing skilled labour or by employing themselves in liberal occupations and trade and commerce, or in government or non-government offices. They are as a rule educated and trained. They have a style of living which differentiates them both from the lower and the upper classes. They have their prejudices, likes and dislikes, etiquette, customs and manners which may not be distinct but at least distinguishable" ('Middle Classes in India', p 15). Such factors as caste, lineage, family upbringing, and social circumstances are to be taken into consideration, while defining a middle class. To quote again from Dr Khan: "The people in this class stick to old social habits and show false sense of prestige, aversion to manual labour, a desire to rise up in the scale by emulating the social values of the upper income groups and disregard, if not hatred, of the values of the lower strata of population".

Generally, it can be said that the middle class is distinguished as a separate class because of attributes such as high rate of literacy and education, attainment of a certain standard of living, inclination towards non-manual occupations or services, a fair degree of urban bias and dependency on fixed or small earnings. Owing to its educational background and social temperament, the middle class prefers occupation or services in commerce, industry, Government departments, arts and liberal professions and actively participates in the cultural, social and political affairs of the community.

Crushing Burdens

The characteristics of the middle class, indicated above, reveal the problems confronting it. This class has been caught today in the grip of evergrowing economic difficulties and social discontent. The malaise from which this class suffers has assumed in recent years chronic and menacing proportions. The economic malaise stems mainly from the rising costs of living in the face of fixed or small earnings, inadequate to meet even the minimum requirements of life. The level of family expenditure shows an excess over the level of family income, resulting in savings being exhausted. The disparity in income-expenditure levels is largely caused by additional expenditure necessitated by soaring prices of foodgrains and essential consumer goods and the increase in house rents.

A few social surveys about the socio-economic conditions of these people reveal that they suffer from chronic indebtedness, unemployment, ill-health and malnutrition. The condition of their women is more distressing than that of lower or upper class women, because of the additional social disabilities. Faced by rising costs of living on the one hand and fixed or small earnings on the other, the middle class is striving to eke out its existence under the grim shadow of financial strain, dissipation of its savings, physical hardships, mental worries and infructuous indebtedness. The lack of additional employment opportunities is resulting in a growing burden of non-earning dependents.

Need of Organisation

The economic hardships are naturally reflected in social and psychological handicaps, which are seen in such factors as social and moral

degeneration, frustration, corruption, bribery, lack of social security, and emergence of anti-social elements from among the middle class. The disintegration of family structure and the loosening of community bonds have unleashed some of the undesirable forces. The majority of middle class people are at present frustrated, not knowing what to do.

Serious thinking about the difficulties and problems faced by the middle class has now become indispensable, at least to consider specific solution for the betterment of living standards and working conditions of this important section of the society. The upper class has secured advantages because of the concentration of economic power in its hands. The lower class has organised itself into trade unions and wrested from the upper class numerous monetary and other concessions. Of the seven million workers in organised sectors of our economy, as many as three million are trade unionists. On the other hand, the trade union membership

of middle class people hardly exceeds two lakhs.

It is the middle class which has provided leadership to the other classes and has fought battles on behalf of the upper and lower classes. At the same time, its leaders have sadistically condemned their own class, predicting a gloomy future for it. In spite of these onslaughts from within and without, the class has survived—a fact which indicates the existence of certain elements vital to the growth of the class.

Food Procurement

THE Central Government proposes to purchase 11 lakh tons of rice from the Kharif crop. The States will purchase another 10 lakh tons. Both the Central and State Governments have set up purchasing organisations. Purchases of rice, in fact have already started.

This information was given by Shri A M Thomas, Deputy Minister for Food, in the Rajya Sabha this week.

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Co-operative Farming

Will It Augment Marketable Surplus?

M L Dantwala

THE Nagpur Resolution on co-operative farming is being debated in a manner which is likely to inhibit a dispassionate consideration of several issues, both conceptual and operational, involved in it. An emotionally surcharged atmosphere will probably be required for the implementation of a programme of agrarian reconstruction as radical as the one adumbrated in the Nagpur Resolution. But that does not mean that persons on whom lies the responsibility for the implementation of the programme can afford to remain blissfully unconcerned about the knotty issues with which the problem bristles.

People's Participation

Incidentally, this raises the very first issue as to who exactly will be entrusted with the implementation of the programme. To say that such a programme cannot be implemented without "the active participation of the people" is not very enlightening and may even be a symptom of intellectual emptiness. It is obvious that a programme like this cannot be implemented exclusively by the departmental agencies of the Government. The experience of non-communist countries with a record of successful implementation of land reforms—e.g. Japan—also indicates the crucial importance of regional and local organisations such as village committees.

If, as is postulated in the Resolution, the Panchayats in India are to play this crucial role, the colossal task of equipping them with the requisite technical and organizational know-how would need to be tackled. Such radical measures have also been 'successfully' implemented in the communist countries. (All that is implied in calling them 'successful' is that the organizational change was effected.) In these countries, the main reliance was on Communist Party cadres. It is for our consideration whether we, in India, would like to use the instrument of party cadres for this purpose, taking into consideration all its

political implications. As it is, even the party in power cannot claim to have in readiness such a well-trained cadre of political workers with the necessary ideological conviction and organizational discipline.

'Firm and Plant Approach'

The second point to which I would like to refer is that of definition and concept of co-operative farming. The Nagpur Resolution definitely postulates "pooling of land for joint cultivation". Presumably, what is implied by 'pooling and joint cultivation' is the merging of all land to constitute one single farm. At a Seminar on Co-operative Farming, organised by the Indian Society of Agricultural Economics, this question was very thoughtfully discussed. Professor D R Gadgil, with his usual incisive logic, contended that pooling of land and joint cultivation is a matter of secondary decision. He recommended, what may be called, a 'Firm and Plant Approach'. This would imply that all important decisions would be taken by the firm, i.e. the general body of the co-operative. This body would have the freedom and the authority to determine, among other things, the farm-size pattern. It may decide to pool all the land or may prefer to arrange it in separate blocks as indicated by agronomic conditions.

Whether the cultivation is joint or not, the important point is that co-operative farming would imply transfer of decision making authority (right) in regard to all important matters from the individual to the collective body of all cultivators. The degree of autonomy which is permitted by the co-operative (firm) to its constituent units (farms/plants) is a question of pragmatic decision and need not be determined in advance on a priori ideological grounds. Pooling of land and joint cultivation need not, so to say, be written in the constitution of the co-operative. One significant advantage of such a modification would be to make the conflicting views about the economies of scale

irrelevant in deciding on the merits of co-operative farming. The co-operative would be free to adopt intensive farming, if such a pattern appeared to be advantageous.

Small or Large Farms?

The merit of an agrarian pattern can be judged only in terms of the objective it seeks to serve. Broadly, these objectives are stated to be economic efficiency and social justice. Which of these two, or how much of each, the co-operative joint farming will serve, needs to be examined. The economic efficiency of agriculture can be judged by productivity and marketable surplus. Since the Resolution suggests that land will be pooled for joint cultivation, it would appear that the expectation is that co-operative farming will help in securing the economies of scale. During the debate on the Resolution, several speakers had mentioned that Indian agriculture suffered from the existence of too many tiny and scattered holdings and that one could not expect improvement in production under such circumstances. A point which needs emphasis here is the distinction between the per-acre production and productivity in the input-output sense. In so far as production per acre is concerned, it is not at all proved that small farms are inferior. The data available from the farm management surveys, which were recently conducted under the R P C, indicate that for food crops, at any rate, the per acre yield on the small farm is larger than that on the bigger farms.

This is the position under the present set up. It is well-known that small farmers suffer from many handicaps in the matter of supply of credit as well as supply of seeds, manure, etc. Some of these could be overcome through service co-operatives, without necessarily any change in the size of the unit. In comparing the relative merits of the small and the large-sized farms, or individual and co-operative farming, it is but fair to assume the existence of the same favourable (or unfavourable) situa-

tion in regard to ancillary services. On the whole, it would therefore appear that in the matter of yield per acre, at any rate, the larger farms do not have any definite advantage. Here is one more reason why, as suggested earlier, it is not necessary to decide in advance that co-operative farming would necessarily imply pooling of land for purposes of joint cultivation. A decision in this matter may be left to the panchayat or the co-operative which will decide in the light of the conditions in their own village.

Man-Land Ratio

As for productivity which would determine the return (income) to labour, this would depend mainly on the man-land ratio as it would emerge after pooling of all the resources. If, along with the pooling of land, all the existing cultivators and a few more of landless labourers are accommodated on the co-operative farm, there will be no improvement—and there may be even some deterioration—in the new man-land ratio, and this will have a depressing effect on the return which workers on the co-operative farm will receive. In this connection, it is argued that doing away with individual ownership and pooling of all resources would open up possibilities of undertaking developmental activity—such as soil conservation, levelling, bunding, layout of field channels etc—which has to contend against numerous obstacles under the existing situation, and thereby enlarge the scope for productive employment within the agricultural sector itself.

Further, co-operative farming will facilitate the release of surplus labour of individual farmers who, under the existing conditions, are tied down to their small units; and though unemployed over considerable periods, are often not available for alternate employment. Thus, co-operative farming opens up, on the one hand, opportunities for developmental work in agriculture, and, on the other, also makes the disguised surplus labour available for alternate employment. It should however be clearly recognised that, even with the addition of developmental activities, if a large number of landless labourers are accommodated on the co-operative farm, the average income of the members

may be less, though more equal, than that of the individual farmers at present. If, on the other hand, the co-operative farm would insist, as it may, on taking up only an optimum quantum of labour force, it will be merely converting the disguised unemployment into open unemployment and transferring the responsibility of its gainful absorption on some one else.

Mobilising the Surplus

Another important objective which the planners would like to achieve through co-operative farming is mobilization of surplus both for the purposes of reinvestment (capital formation) and for maintaining an adequate supply for urban consumption. The importance of reasonably stable prices of foodgrains to the developmental efforts of the country is universally recognised, and success in this field will depend as much on the availability of marketable surplus as on production. It would therefore be pertinent to enquire whether co-operative farming as a form of production would be a more suitable instrument for mobilization of the surplus. Other things being equal, it is obvious that purely from the point of view of administrative arrangement, it will be easier to collect the surplus from the fewer, organised units of production such as a co-operative farm than it would be if it were to be collected from a large number of small and scattered farms. In fact, one of the main attractions of the co-operative (collective) farming structure in the communist countries was this facility for mobilization of the surplus which this type of organisation offers.

The Machine Tractor Stations which were, so to say, the communist version of service co-operatives, performed this function. But it should be emphasised that this advantage could accrue mainly because (a) payments for services rendered by the MTS were prior charge on the produce, and (b) of the system of compulsory deliveries of produce of relatively low prices. In the absence of these two coercive devices, it is doubtful whether the co-operative farms in India would facilitate mobilization of surplus.

Higher Retention Probable

It is even probable that the outcome may be curtailment of the

surplus. The concern with social justice and the objective of improving the living standard of the cultivators, associated with the proposal, would imply higher rural consumption than at present and correspondingly smaller marketable surplus. This would be particularly so, if, by accommodating the landless labourers and other under-employed persons in the village on the co-operative farm, the state implicitly underwrites adequate subsistence to the entire farming population, irrespective of whether or not enough productive employment is available on the farm.

At present, even a subsistence farm, to the extent of its requirement for cash, has to release a portion of its produce for the market. The participants on the co-operative farm, however, would be fully justified in their claim to retain as much of the produce of the farm as would be needed for maintaining an improved standard of living. And unlike the communist state, the Government here will not, and must not, dare to collect any thing from the co-operative farms, for such an attempt would be made to appear as exploitative and responsible for maintaining a low level of living of the agriculturist, or preventing its continuing improvement.

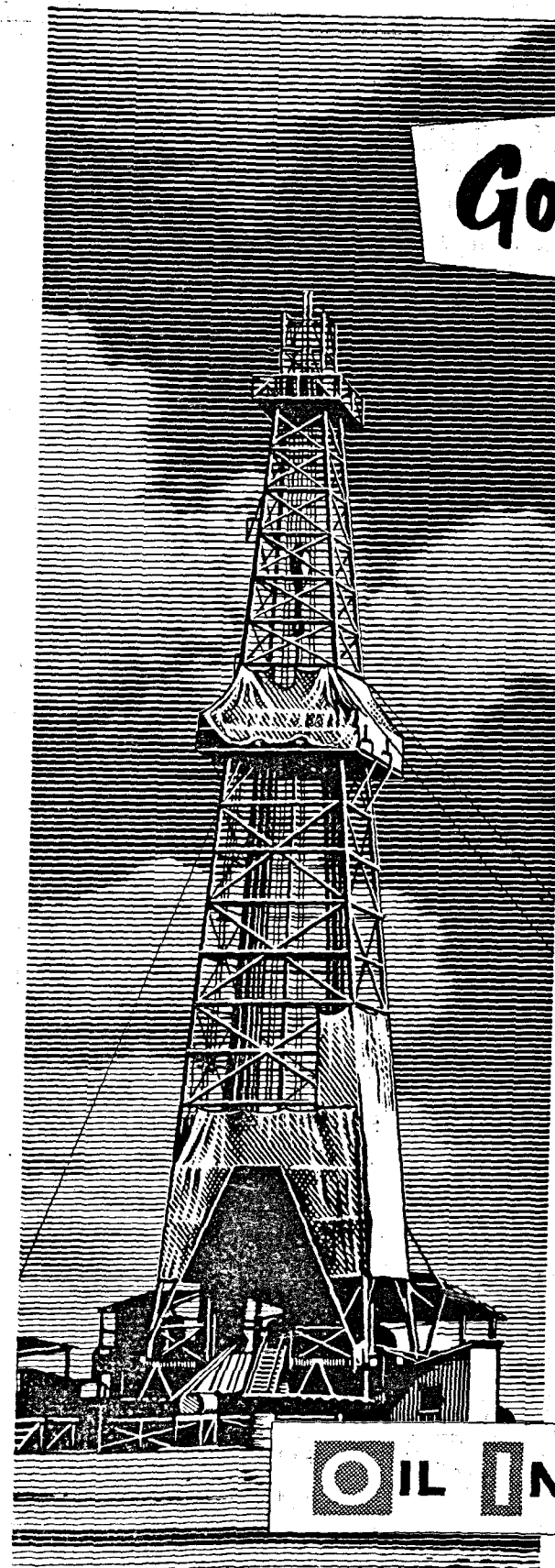
Under the present system, taxes—apart from rent and interest—are the first charge on the farmer's produce. Under state-sponsored co-operative farming, a decent level of living for the farmer would be the first charge. While such a change would be desirable, it would not augment the marketable surplus.

Programmes for Special Areas

FOR areas deserving special treatment and emphasis individual programmes of development are needed. No uniform pattern can be equally effective in the whole country.

There are problems peculiar to different areas, e.g. desert and dry areas, coastal areas, hilly areas, tribal areas, and areas around cities and big towns.

To help formulation of such individual programmes the Ministry of Community Development and Co-operation has sent detailed suggestions to the State Governments. Different contents of the programme under various developmental heads suited to the various areas have been suggested.



Good News!

Here's a
strong new
Oil Company
with bright
prospects for
India's future



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Full of confidence in its great task, this new company is already producing oil in Assam and will go on exploring for more oil to meet the nation's growing needs.

OIL INDIA LIMITED

(Inserted by Oil India Private Ltd.)

OF INDIA AS AT 31ST. DECEMBER 1958

As at 31st December 1957				PROPERTY AND ASSETS		As at 31st December 1958			
Rs.	nP.	Rs.	nP.			Rs.	nP.	Rs.	nP.
36,52,51,726	02			1. Cash :					
				In hand and with Reserve Bank (including foreign currency notes)				52,73,57,495	
				2. Balances with Other Banks :					
				On current account	On deposit				
2,99,41,288	90	2,99,41,288	90	(i) In India	Rs.	Rs.		2,73,52,994	59
2,00,00,000	00			(ii) Outside India	Rs. 2,73,52,994.59	Rs.		2,73,52,994	59
				3. Money at call and Short Notice				2,10,66,666	
				4. Investments					
				(Securities valued in accordance with Regulation 73; shares, debentures or bonds at or below cost)					
		171,39,21,576	97	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments			269,58,13,613	53	
				(ii) Shares authorised under the State Bank of India Act, 1955					
		69,24,993	43	Fully paid-up	Rs. 69,24,993.43				
		1,35,69,525	00	Partly paid-up	Rs. 66,00,000.00		1,35,24,993	43	
				(iii) Debentures or Bonds			2,40,98,987	00	
183,43,33,955	88	9,99,17,860	48	(iv) Other Investments—Pakistan and other Government Securities, etc.			11,21,01,693	34	284,55,39,287
				Of which investments of the face value of India Rs. 25,00,00,000 and Pakistan Rs. 2,67,80,600 are pledged against borrowings from other Banks, Agents, etc., per contra					
				5. Advances :					
				(I) Loans, Cash Credits, Overdrafts, etc.					
		154,60,78,510	65	(i) In India	Rs. 156,59,82,872.70		158,56,07,453	76	
				(ii) Outside India	Rs. 1,96,24,581.06				
				¶(II) Bills Discounted and Purchased					
				(i) Payable in India	Rs. 8,83,59,526.44				
173,47,74,459	34	18,86,95,948	69	(ii) Payable outside India	Rs. 4,66,52,539.20		13,50,12,065	64	172,06,19,519
				¶Of which bills of the value of India Rs. 1,00,00,000 are held by the Reserve Bank of India and Pakistan Rs. 1,25,00,000 are held by the State Bank of Pakistan as security against borrowings as per contra					
				Particulars of ADVANCES: See separate Statement appended					
				6. Bills Receivable being Bills for Collection as per contra:					
		71,19,489	34	(i) Payable in India			2,32,65,295	72	
1,00,16,654	23	28,97,164	89	(ii) Payable outside India			17,77,895	07	2,50,43,190
				7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per contra					1,18,58,959
20,41,114	95			8. *Premises less Depreciation:					
		1,24,27,824	18	Total Cost up to the 31st December 1957			1,26,94,284	20	
		2,59,536	65	Additions (Rs. 5,74,670.52) less Deductions (Rs. 6,001.00) during the year			5,68,669	52	
		1,26,87,360	83				1,32,62,953	72	
		6,923	37	Amount transferred from the Imperial Bank of India during the year					
		1,26,94,284	20	Depreciation written off up to the 31st December 1958 less depreciation previously provided on property which has passed out of the Bank's possession			1,32,62,953	72	
1,19,57,224	20	7,37,060	00				10,32,350	00	1,22,30,603
				9. *Furniture and Fixtures less Depreciation:					
		68,98,645	49	Total Cost up to the 31st December 1957			90,82,383	21	
		21,45,872	21	Additions* (Rs. 31,71,155.32) less Deductions (Rs. 12,452.80) during the year			31,58,702	52	
		90,44,517	70				1,22,41,085	73	
		37,865	51	Amount transferred from the Imperial Bank of India during the year					
		90,82,383	21				1,22,41,085	73	
				Depreciation written off up to the 31st December 1958 less depreciation previously provided on property which has passed out of the Bank's possession.			26,75,256	09	95,65,829
73,54,163	25	17,28,219	96	10. Other Assets, including Gold and Silver :					
				Bullion					
		1,96,84,953	23	Adjusting Account of interest, commission, etc.			2,57,53,863	43	
3,55,30,198	97	1,58,45,245	74	Stationery, Stamps, Suspense, etc.			1,18,50,969	12	3,76,04,832
				11. Non-banking Assets. Acquired in Satisfaction of Claims					
				12. Profit and Loss					
405,12,00,785	74		Total				Total		523,82,39,380

* Note:—Includes Rs. 1,30,705.53 against which a sum of Rs. 46,231.00 is still to be received being written down value of certain Pakistan assets sold, pending completion of formalities.

*Of which Rs. 24,75,000 is to be credited to the Integration and Development Fund (item 2A above) bringing the amount in the said Fund to Rs. 1,73,25,000.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1958

Year ended 31-12-1957	EXPENDITURE	Year ended 31-12-1958		Year ended 31-12-1957		INCOME (less provision made dur- ing the year for bad and doubtful debts and other usual or necessary provi- sions)	Year ended 31-12-1958	
		Rs.	nP.	Rs.	nP.		Rs.	nP.
3,39,68,958 69	1. Interest paid on De- posits, Borrowings, etc.	6,24,59,623 23		8,24,88,049 53		1. Interest and Discount	12,21,11,007 32	
	2. Salaries and Allow- ances and Provident Fund (including Sala- ries and Allowances of Chairman Rs. 46,030.08 & Managing Directors Rs. 96,911.03 for the year)	6,06,25,866 48		3,54,21,066 94		2. Commission, Exchange and Brokerage ..	3,53,49,780 09	
5,15,04,813 46	3. Directors' and Local Board Members' Fees and Allowances ..	1,02,210 00		3,31,433 81		3. Rents	3,36,645 07	
99,540 00	4. Rent, Taxes, Insurance, Lighting, etc. ..	32,23,209 53		....		4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets ..	....	
27,86,528 57	5. Law Charges ..	1,32,041 07				5. Net Profit on Revalua- tion of Investments, Gold and Silver, Land, Pre- mises and other Assets	....	
98,529 14	6. Postage, Telegrams and Stamps ..	25,94,513 96		....		6. Income from Non-bank- ing Assets, and Profit from Sale of or Dealing with such Assets ..	....	
23,15,299 39	7. Auditors' Fees ..	75,000 00				7. Other Receipts ..	....	
50,000 00	8. Depreciation on and Repairs to the Bank's Property ..	17,14,457 76		....		8. Loss .. ..	....	
16,40,541 67	9. Stationery, Printing, Advertisement, etc.	35,20,805 46		....				
33,72,626 79	10. Loss from Sale of or Dealing with Non- banking Assets ..	....		....				
....	11. Other Expenditure ..	43,35,521 97						
36,58,403 68	12. Balance of Profit ..	1,90,14,183 02						
1,87,45,308 89								
11,82,40,550 28	TOTAL ..	15,77,97,432 48		11,82,40,550 28		TOTAL ..	15,77,97,432 48	

PARTICULARS OF ADVANCES

As at 31st Dec. 1957		As at 31st Dec. 1958	
		Rs.	nP.
156,76,21,076 13	(i) Debts considered good in respect of which the Bank is fully secured ..	154,31,57,987 76	
1,72,76,592 66	(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security ..	1,92,66,974 55	
14,98,76,790 55	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors ..	15,81,94,557 09	
....	(iv) Debts considered doubtful or bad, not provided for ..	....	
173,47,74,459 34		172,06,19,519 40	
6,89,374 64	(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 ..	9,37,494 63	
39,44,23,809 91	(vi) Debts due by companies or firms in which the Directors or Local Board Mem- bers of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members ..	51,02,52,674 25	
6,96,281 01	(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 ..	9,72,698 45	
39,72,65,110 49	(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 ..	53,23,43,378 61	
9,16,37,225 14	(ix) Due from banking companies ..	7,22,11,035 72	

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, 1958.

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 and Ray. The audit of the Books and Accounts of the Local Head Offices has been carried out at Bombay by Messrs. S. B. Billimoria & Co. and at Calcutta by Messrs. Ray and Ray.

11th February, 1959.

S. B. BILLIMORIA & CO. } Auditors
RAY & RAY

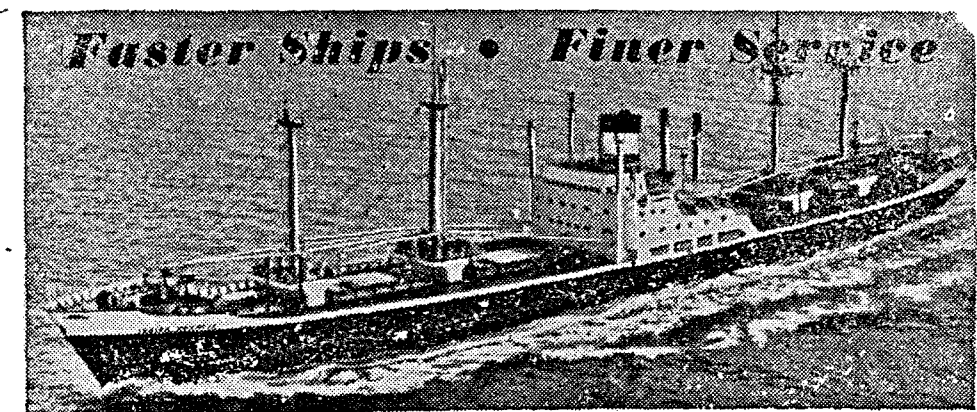
P. C. BHATTACHARYYA, Chairman

B. P. PATEL } Managing Directors
S. P. PURI

J. D. CHOKSI
M. H. HASHAM PREMJI
B. VENKATAPPIAH

SATYA PAUL VIRMANI
RAMNATH A. PODAR
G. L. BANSAL

SACHINDRA CHAUDHURI
D. P. GOENKA
TRIGUNA SEN } Directors



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Fisheries in India

M V Kamath

AS Sherlock Holmes might have said, so long as man has to eat to live, he will look around for food suitable to eat; this, my dear Watson, is elementary. But how many really 'elementary' ideas are acted upon? Fish provides a rich and palatable food. How far can fish be used to solve India's food problem?

The average annual per capita consumption of fish in India as a whole is 3.9 lbs as against 3.4 lbs in 1940. This includes the quantity consumed as fresh fish and as fish products. But actual consumption in different tracts varies widely from this all-India figure mainly because transport bottlenecks and the problem of refrigeration have not been satisfactorily solved. How much fish can an individual consume a year? The per capita consumption of fish in the fishing villages of Konkan and Kanara districts was estimated in 1931 to be as high as 81.61 pounds. This could conceivably be higher today. One estimation is that India's population needs at best 40.5 lakh tons against 11 lakh tons produced now. Should fish be popularised as an article of daily food all over India, more or less uniformly, then a proper fishing industry might well be organized.

Problem of Availability

Custom, religion and prejudice play a big part in determining the demand for fish. According to the 'Report on Marketing of Fish in India', published by Government in 1948, in Delhi and the upper parts of Uttar Pradesh, Hindus and even Muslims refuse to eat fish, unless they happen to be living on the banks of a large fishing river. In Bihar, lower Bengal and in Assam, on the other hand, fish is very largely consumed, whilst in Orissa, Madras, Andhra Pradesh, Madhya Pradesh and Bombay, a very great many people would eat fish if they could get it. Taking India as a whole, Brahmins (except the Kashmiri pandits and those resident in Bengal, certain parts of Bihar, and of the Konkan), certain sections of caste Hindus (for example, Bhabras, Vaishnavas, followers of Siva, Deva

Samajists and Jains) reject fish as food.

The net available supply of fish and consumption in important areas are given in Table 1 below. The estimated number of persons who have no objections to eat fish is calculated by deducting from the total population of each tract the number of (1) Jains, (2) Buddhists, (3) 15 to 35 per cent of the total Hindu population, depending on the tracts, (4) children under the age of 5 (13 per cent) and people aged 65 and over (2 per cent) and (5) Hindu widows in Bengal.

Consumption Higher in Cities

Obviously, then, a large proportion of people would like to have fish included in their diet, if only it were available. It is interesting to note that in urban areas, where people are comparatively well-to-do, the demand for fish is higher. Organised trade in fish exists mostly in urban areas. The per capita annual consumption of fish in Bombay city was 16.02 lbs but the corresponding provincial consumption (1941) was only 6.85 lbs. For Calcutta, it was 21.38 lbs and for the province 6.73 lbs. For Madras the figure was 38.57 lbs, and for the province 8.16 lbs. Enquiries have shown that in every State there is hardly a town which does not receive some supply of fish, however small, for consumption, while there are vast tracts of

rural areas where no fish is ever seen.

Some peculiarities in the tastes of people may perhaps be mentioned here. It is known, for instance, that in the southern parts of Bombay State, and generally everywhere in Madras, sharks and other cartilaginous fishes are popular. Catfish and eels, which possess no scales, are rejected by Jews and Shia Muslims, and so forth. Another peculiarity about the consumers is that those accustomed to eating fresh water fish have no liking for sea fish and vice versa.

India ranks fifth among the fishing nations of the world, despite the fact that we have a coast line of over 3,500 miles and a fishable area of 1,10,000 square miles. According to the FAO Yearbook of Fishery Statistics (1957), the following seven countries caught more than 1,000,000 tons of fish in 1957; Japan, 5,399,000 tons; the United States of America, 2,741,100 tons; the Chinese mainland, 2,640,000 tons (1956), USSR, 2,535,000 tons, Norway, 1,738,900 tons, India, 1,233,000 tons and the United Kingdom, 1,014,000 tons. India topped the million mark for the first time in 1956 and moved two places up in 1957—revealing what can be achieved if sustained efforts to increase fishing are made.

Caste Restrictions

One reason, of course, why we are still behind is that we still employ

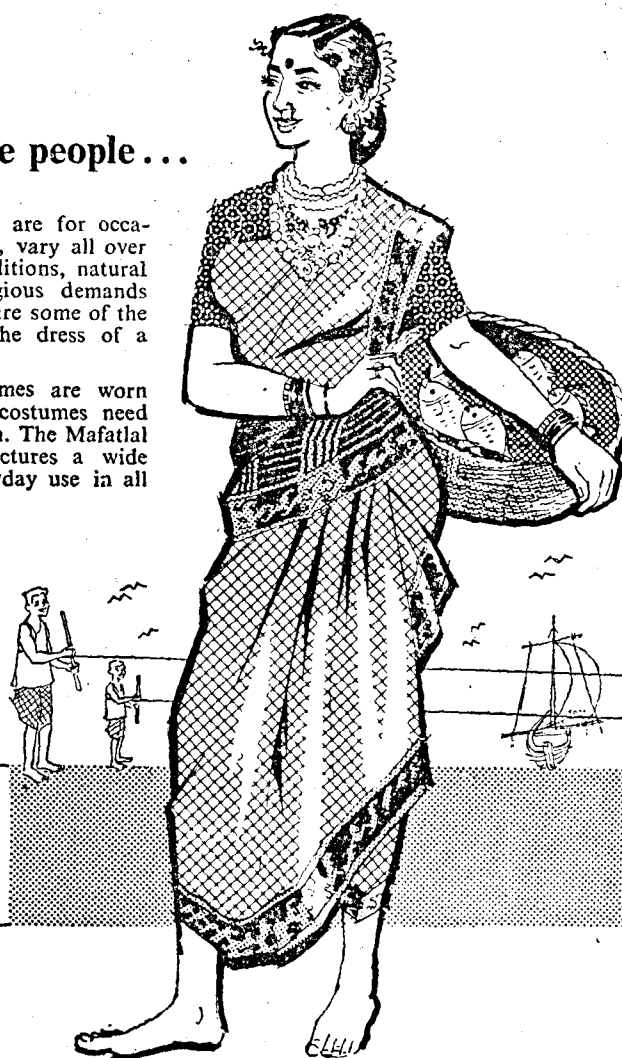
Table 1—Availability and per capita Consumption of Fish in India in 1941		Per capita Annual Consumption	
State	Available for Consumption (000 maunds)	On the basis of total population	On the basis of estimated number of fish eaters
		(lb)	(lb)
Assam	483	3.64	4.52
Bengal	5,027	6.73	9.07
Bihar	883	2.00	3.08
Bombay	1,737	6.85	10.59
Cochin	252	17.19	19.56
Delhi	10	0.90	1.27
Madras	4,946	8.16	13.62
Mysore	101	1.28	1.76
Orissa	657	3.48	4.51
Punjab	37	0.09	0.11
Travancore	1,087	14.71	18.53
United Provinces	140	0.20	0.32

Source: Report on the Marketing of Fish in India, Government of India, 1946. Published in 1948.

The dress of the people...

Costumes, whether they are for occasions or for daily wear, vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

Many varied costumes are worn in India but different costumes need different qualities of cloth. The Mafatlal Group of Mills manufactures a wide range of cloth for everyday use in all parts of the country.



The fisherwoman of Bombay, a familiar figure in the market, wears a nine-yard saree. The style is indicative of the freedom and strength these women draw from the ocean.

SHORROCK, Ahmedabad. NEW SHORROCK, Nadiad. STANDARD, Bombay. NEW CHINA, Bombay. SASSOON, Bombay. NEW UNION, Bombay. SURAT COTTON, Surat and Dewas. MAFATLAL FINE, Navsari. GAGALBHAI JUTE, Calcutta.

MAFATLAL GROUP OF MILLS



CLOTH FOR THE NATION

Mafatlal's other interests include Sugar and Dyestuffs

MAFATLAL HOUSE, BACKBAY RECLAMATION, BOMBAY I.

primitive methods of fishing. Another reason is that caste restrictions hamper fishing activities. It is not generally known that in the Malabar district men who capture fish with hooks and lines cannot take part in fishing operations with nets, and vice versa. In the Chilka Lake, certain castes are permitted by their rules to fish only with bamboo screens and traps but not with nets. Again, some castes only catch fish, while certain other castes only market it.

Twelve Zones

Although these caste restrictions are slowly vanishing, their existence serves as a reminder of the huge problems confronting what should be a simple industry to develop. According to the 1931 census—the magnitudes are not likely to have changed greatly—the fishing population of India was not more than 0.5 per cent of the total population, and today a large part of it is concentrated on the West Coast, especially in two areas.

The coast of India can be divided into twelve natural fishing zones. These are:

- (1) West Bengal and Orissa,
- (2) Andhra coast (from south of Gopalpur to north of Vishakapatnam),
- (3) Andhra coast (from Vishakapatnam to Masulipatnam),
- (4) Andhra coast (from south of Masulipatnam to north of Pulicat Lake),
- (5) Coromandal coast (from Pulicat Lake to Cuddalore),
- (6) Coromandal coast (south of Cuddalore to Devipattam),

(7) Palk Bay and Gulf of Mannar, (South of Devipattam to north of Cape Comorin),

(8) Travancore, Cochin and Malabar (Cape Comorin to Ponnani river),

(9) South Kanara (north of Ponnani river to Mangalore),

(10) Kanara, Karwar and Konkan coast, (north of Mangalore to south of Ratnagiri),

(11) Bombay and Gujarat, (Ratnagiri to Broach), and

(12) Kathiawar coast, (north of Broach).

It will be seen from Table II that the west coast by far gets the bigger catch. This may also be seen from statistics of landings of the important shoaling fishes of the west and east coasts of Madras, for the year 1955-56, prior to re-organisation of States:

	Weight (lakh (Rs lakhs) maunds)	Value
West Coast		
Oil Sardine	4.79	25.59
Mackerel	10.86	71.78
Silver bellies	3.49	15.96
Ribbon fish	1.08	5.55
Catfish	0.84	8.81
Soles	4.10	9.71
Prawns	1.91	11.99
Horse mackerel	0.75	3.46
East Coast		
Mackerel	0.20	1.21
Sardines	0.40	4.05
Mulletts	0.94	9.45
Ribbon fish	3.64	54.67
Catfish	1.62	16.20

It will be seen that catches of sardines, mackerel and prawns on the west coast easily outweigh the catches on the east coast. (Prawns,

incidentally grow to full size in 3 to 4 months and are practically inexhaustible.) In fact, a recent survey of the west coast showed that a strip of sea off the Kanara and Malabar coasts, about 104 miles long and 4 miles broad, is rich in fish, especially in shrimps, which find a ready market in the United States. The discovery was made by an FAO expert, in March 1955, who called it a real "treasure chest". The area stretching from Beggore near Kozhikode north to Mangalore was found while he was trawling in a Japanese fishing boat. According to this expert, the shrimp ground lay one and a half miles to five miles offshore, at depths ranging from 9 to 30 feet. He said that with trawlers and mechanised boats local fishermen netted 10 times their former fish catch during mid winter and spring.

West Coast Richer

The reason why the sea off the west coast is a richer fish field, of course, is obvious. In the first place, the west coast gets a heavier rainfall than the east coast, the proportion being 6:1. The west coast is a far narrower strip of land and is heavily forested on the ghats. The gradient from hill to sea is steep. Thus, the heavy rains wash away rich organic material along with slush and slime into the sea, thus providing an excellent feeding ground for fish of all kinds. There are as many as 18 perennial rivers in south Kanara alone and another 7 in north Kanara, the two districts of maritime Mysore.

Because Mysore's maritime districts are particularly important from the point of view of fishing,

Table II—Marine Fishing Villages (1949)

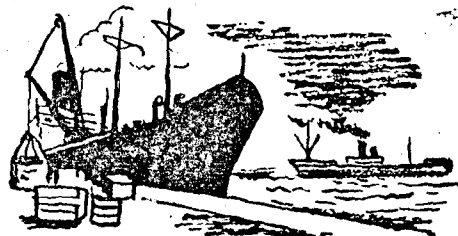
Fishing villages (nos)	Total fishermen population (nos)	Types of Boats (nos)			Computed Landing of Fish (tons)
		Catamarans	Boats	Canoes	
West Bengal and Orissa	127	33,640	2,391	792	18,842
Andhra coast — zone 2	139	83,404	9,034	850	54,273
Andhra coast — zone 3	145	28,885	5,995	5,442	24,426
Andhra coast — zone 4	108	8,870	2,578	474	1,308
Coromandal — zone 5	123	51,329	7,874	543	12,685
Coromandal — zone 6	55	9,138	2,086	353	11,850
Palk Bay and Munnar Gulf	55	35,268	1,502	482	2,600
Travancore to S Malabar	45	1,59,248	982	—	48,659
Malabar and S Kanara	108	85,115	—	36	85,512
Kanara, Karwar, etc	145	85,057	—	2,670	72,840
Bombay and Gujarat	183	1,61,945	—	3,949	48,447
Total	1,331	7,41,899	32,442	15,571	25,330
					3,81,442

TWO Great BENEFITS

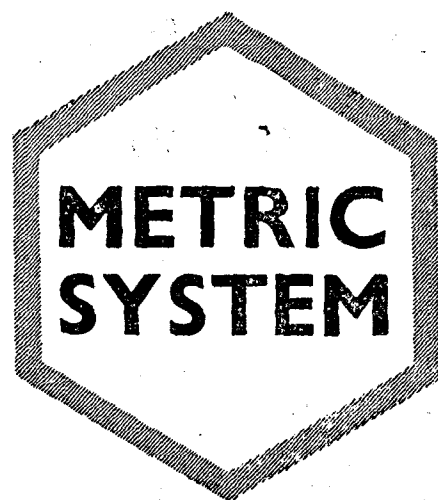
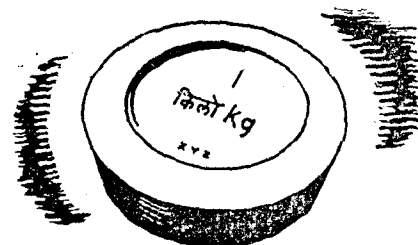
The change-over to the Metric System of Weights and Measures will benefit us in two important ways. At home, there will be an end to the confusion and loss arising from innumerable systems.



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and since these districts are, so far as concerns fishing, given cinderella treatment by both the central and the State Governments, we must discuss them in greater detail.

In Kanara

These districts together have a coast line of 200 miles, with 25 fishing harbours, 200 fishing villages, some 8,000 fishing boats, 40,000 fishing nets and 20,000 fishermen. Annually some 1,55,000 tons, or 10 per cent of the Indian catch, worth Rs 1.25 crores, are harvested by two districts. (Figures supplied by the Kanara District Development and Welfare Board.) About Rs 83 lakhs worth of fish is exported annually.

Between them the two districts have 48 curing yards, 80 fishermen's cooperatives, 30 fishery schools, two fish meal and oil plants, 10 mechanised boats and three transport vans. Though abundant fish is available off these districts, little is done to harvest it and transport it to such rich markets as Bombay city in the north or Bangalore in the east.

Opposition to Mechanisation

In the first place, it would seem, there is some hesitancy among fishermen to use mechanised fishing boats. Shri B Vaikunt Baliga, former Labour Minister of Mysore, quotes one of the better-known leaders among fishermen, Shri Monappa Thingalaya, as saying that mechanised fishing may not be advisable in the tropics, but only in cold zones where fish grow bigger and are more plentiful. Shri Thingalaya's objections have not been fully detailed and it might be that there are other reasons as well, such as a fear that mechanisation might displace the illiterate fisherfolk from their livelihood, and allow the more literate communities to take over the fishing business. Indeed, it is interesting to note that the very first experiment in catching fish in Indian waters with steam vessels as early as 1902 by a private trawling company had to be abandoned owing to the hostility of the fisherfolk.

During the last fifty years, over nine trawler experiments have been carried out, the first official one in 1920, the third, on a commercial basis, in Bombay and Sind waters resulting in a loss of Rs 3.18 lakhs. Then, in 1907-08 the steam boat "Margarita" did some prospecting off the coast of Malabar, but the boat was small, the gear of insufficient power, and there were no con-

clusive results. Since then more valuable work has been done. In 1931 Dr H T Sorely recommended that the existing types of small fishing boats of 4 to 5 tons be decked and fitted with auxiliary engines and local fishermen be taught to work them. G L Kesteven in his report on Fisheries in Pakistan, India and Ceylon (1948) suggested vessels of smaller dimension, powered mostly by diesel engines. Mr Zeiner, the F A O expert, who was commissioned to help build boats in Mangalore in 1957-58 had come to the same conclusion.

State Aid Needed

But ten mechanised boats are hardly sufficient to cope with the work, if it is undertaken seriously. This fleet needs to be expanded. The Kanara districts can easily undertake to meet the fish requirements of the entire Karnatak hinterland because of the easy ghat roads which permit heavy traffic. There are three major ghat roads leading away from south Kanara to the hinterland and these need not only to be broadened and kept in good repair, but the State—since private agencies can hardly be expected to do this—should organise and establish storing centres along the routes and expand the production of ice. Happily, the new network of electricity made possible by the Jog enterprise makes this both easy and cheap.

It is interesting to note that the Fish Market Society, Mangalore, has already made over 9 trips with insulated vans to such places as Puttur, Mercara, Santicoppa, Somavarpur, Mysore and Sakleshpur and six trips along the coastal villages, transporting 49,000 of mackerel in fresh condition. Difficulties can be surmounted, if there is adequate State interest.

In fact, in his address to the Kanara District Welfare Board, Shri Baliga had this to say: "Without waiting for expansion of the fishing industry on the catching side, one can usefully organise the handling, transporting and marketing sides. Proper facilities for storage are woefully lacking. Catches made by rampain or smaller nets find no adequate space for handling and storage. Ice should be made available at every landing place, even at cost price or lower government-subsidised prices. There ought to be ice factories alongside the coast at appropriate places within a distance of

10 to 15 miles between any two factories. Transport vans should be ready to take fish from landing place to factories or processing places. Export trade in fish has vast possibilities. Last year alone about 5 tons of processed prawns were sent to America fetching about Rs 5 lakhs...."

Refrigeration, Canning and Curing

One of the greatest shortcomings of the fishing industry is the lack of refrigeration facilities. For example, in the financial year 1957-58 which witnessed one of the largest mackerel hauls on the Kanara coast, large quantities were allowed to rot in Karwar harbour alone. Prices fell from Rs 50 to Rs 5 per thousand. Had it been possible to move the mackerel catch fast enough, not only would Bombay and the Karnatak hinterland have been supplied with good fresh fish, but the fishing community itself would have stood to gain tremendously. It is not enough to catch fish: it has also to be used most efficaciously, if the catch is to mean anything to anyone. In India it is estimated that only 43 per cent of the total production is consumed as fresh fish. On the West Coast 40 per cent is salted.

Naturally this would mean an increase in canning facilities and in fish curing. Mr Bomguist, of Sweden, an expert in these matters, has also suggested that surplus fish available on the Mysore coast be processed into fish balls in a canning plant. The fish balls should constitute a very cheap supplementary food, that can be easily transported and to which, during the processes of manufacture, spices could be added in order to popularise the product.

Whether canning of fish in India will be a feasible proposition is, however, a doubtful matter. The demand for canned fish is small. In the past it was met by excellent imported goods. Canning factories, it was feared at one time, may have to be inoperative for over 260 days a year owing to such factors as the long non-fishing seasons. But these days greater attention is being given to fresh water fish and pisciculture. To give but one instance, in Mysore State alone there are as many as 4,000 major tanks and over 30,000 minor tanks, besides some of the tanks of really major dimensions, such as the Krishnarajasagara dam, the waters of the Tungabhadra project, Bhadra project, Ghataprabha

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(L B C) Tunga project, Nugu project, Rajolbunda, Ambligola, Kolchi, Ramanahalli tank, Narnapura anicut, Areshankar tank, Kalaskope tank, Kariyala tank and a host of reservoirs at Nagathna, Ghataprabha, Dharena, Hagari Bommanhalli, Jambadahalli, Arkavathi, Kanakanal, Hathikoni, Kabin, Chikole, Hebbanahalla and so on. It is possible to use the waters for systematic culture of the right type of fish. Canning can be profitable, despite many difficulties if the right kind of assistance is given to the industry.

Exchange Earner

For fishing to be profitable, it will, of course, be necessary to make the maximum of any given catch. India has an export trade in preserved fish with Ceylon, Burma, Straits Settlement and Hong Kong, valued at over Rs 75 lakhs per year. This could be increased, if more curing facilities are given, if the loss in assembly is minimised and a steady supply is assured. Mention has not been made of the production of shark liver oil, nor of the possibility of smoking fish; at most fishing sites quantities of fish often come too late at night for government fish curing yards or in too large quantities for ordinary handling. Instead of throwing them away as tainted, or drying them for fertilisers, they might be turned into palatable food by light "smoking". The process can be carried out in the most adverse circumstances. Experiments in Madras in the past have shown that sardine, mackerel and small seer, pomfrets, ribbon fish etc give excellent results. And, it is reported, Hilsa will probably give the best result which may well stand comparison with the bloaters, red herrings and kipper of England.

India and Japan

It must be remembered that India's national income is annually enriched by nearly Rs 30 crores from fisheries, both marine and inland, and that since 1949 there has been an increase—though not sufficiently large—in the number of fishing craft plying the seas. There are now more than 800 mechanised boats operating on the Indian coastlines and new designs are being evolved for boats in Madras, Kerala and Andhra States. Experiments in improved types of fishing with small craft are also in progress.

The traditional opposition to mechanisation is being worn down

slowly, but steadily. Perhaps some propaganda among Indian fishermen would be useful at this stage. Perhaps he should be told, graphically, how, while the Japanese are way ahead of us in their catch—as much as 80,000 pounds per man—we have an average of 2,500 pounds per man per year. Japan not only continues to be the world's foremost fishing country, but is actually widening the gap between her and the second country, the United States (including Alaska). In 1957 Japan caught 5,399,000 metric tons of fish, or just over 18 per cent of the world total fish catch. The U S caught 2,741,100 tons or a little over half the amount caught by Japan. The development of the Japanese fishing industry is easily one of the outstanding features of the world fishing scene. Japan harvested 3,000,000 tons in 1950, over 4,000,000 tons in 1952, and passed the five million mark in 1957. India catches just over a million tons.

Scope for Development

Under the Second Five Year Plan, a sum of Rs 10 crores is expected to be spent by the Central and State Governments on the development of fisheries. Of this, it is said, Rs 82 lakhs will be devoted to mechanisation and improvement in fishing crafts. A 30-member Central Board of Fisheries has now been formed by the Government of India to study the problem connected with fisheries research and development, and for coordination between the Centre and the States—a very necessary and vital task.

Meanwhile, the Central Fisheries Extension Units have assisted the State governments of West Bengal, Andhra Pradesh, Uttar Pradesh, Madhya Pradesh, Madras, Mysore and Delhi not only in locating spawn and fry collection centres, but in organising supply of fish-seed to deficit States, demonstrating improved methods of pisciculture, demonstrating techniques for induced spawning of major crops, demonstrating use of modern fishing gear and improved methods of fishing in reservoirs and inshore waters, and so on. And a Central Fisheries Technological Research Station has been established in Kerala and is already functioning at Cochin.

There is obviously so much to do, and so little is being done, though, of late, the State governments have been stirring themselves. In some

respects, inter-State co-operation will be called for. It has been suggested that small, suitably-equipped airplanes might be used to detect large shoals of fish and meanwhile, the service planes of the Indian Airlines Corporation might be used to report fish shoals as seen through the transparent blue waters of the Indian Ocean and the Arabian Sea. A whole new industry can be built in the next few years, while the necessary infrastructure (roads, bridges, storage facilities, technical education) gets established.

This is not so fishy a tale, when one comes to think of it. All we need is a "tall ship" and a steady administrative star to steer her by.

Fisheries in Ceylon

SOME interesting problems arising from the development of the fresh-water fisheries in Ceylon are reported by Dr Shao Wen Ling, a Chinese fisheries biologist. Dr Ling, who was sent to Ceylon by FAO to advise the Government on the development of brackish and fresh-water fish culture in Ceylon, reports:

"... Ceylon is predominantly a Buddhist country and the Buddhist religion objects to any form of killing, so we had some difficulty in finding people of the inland areas who would actually do the fishing. This problem has been partially overcome by persuading the coastal fishermen, who are not Buddhists, to move inland during their off season and try fishing in the inland waters. As they made good catches, some of them decided to remain... working on the lakes, rivers, and reservoirs which we have been stocking with carps and gourami."

"We found, however, that hatching, raising and harvesting the fish was not the end of our work and problems. Since people in the inland areas are not accustomed to eat fresh-water fish, a large proportion of the catch has to be processed and presented in diversified forms such as salted, dried or smoked fish. These products are now beginning to appeal to the potential consumers although a good deal of educational work and persuasion will be necessary to establish these fish products as commonly accepted food. But, no doubt, that will come about as the industry slowly expands."

The carp used by Mr Ling were imported from Thailand and gourami from Malaya.

Around Bombay Markets

Equities and the Budget

MARKETS last week made quite a mixed showing. Dalal Street's confident tone was in pleasant contrast to its uneasiness in the previous week. Money continued to be tight and the treasury bill rate rose to 2.592 per cent, the highest since the resumption of sales in November last. But the Gilt-edged market displayed marked strength with the three per cent Conversion Loan up from Rs 73.65 to Rs 74.15. Cotton prices suffered a further sharp break and touched new low levels for the month. But oilseeds showed a steadier tendency, although fluctuations were rather erratic.

The stock market showed a distinctly steady tendency throughout the week, with prices recording all-round sizable recovery from their previous week's lowest levels. This was not due to precautionary pre-Budget short covering. It was attributed chiefly to sustained selective bull support. Market men said that the buying was quite influential at times, which led many to think that this had probably been inspired by optimism about the Central Budget.

The absence of any new taxes in the Bombay Budget was not quite unexpected. Even so, Sugar shares staged an impressive rise because fears of tax on agricultural income had been belied. Although interest continued to be selective, the rise was by no means confined to the speculative counters only. Among the semi-gilts, Electric shares displayed marked strength on keen investment buying which was attributed generally to hopes that the wealth tax on electricity companies might go.

On Saturday evening Shri Morarji Desai will divulge all his Budget secrets. What these secrets are is anybody's guess but they have a very important bearing on the trend of equity prices. The Budget can make and unmake the market. Implement Shri Shriman Narayan's suggestions about an excess profits tax and an increase in wealth tax, expenditure tax and estate duty; Dalal Street will be all tears. And Shri Shriman Narayan is no small man. He is not merely a member

of the Planning Commission but he is also a spokesman of the Congress economic policy. Of course it does not follow that these suggestions will be incorporated in the Budget.

The stock market's optimism about the Budget is based essentially on the idea that Shri Morarji Desai has a bias in favour of industry. But the outlook is by no means encouraging. For, the 1958-59 Budget estimates are likely to be realised only in respect of excise duties and perhaps also income tax. Customs will yield much less and realisations from wealth tax, expenditure tax and estate duty will also be considerably lower. The revised estimates therefore are likely to show a substantially larger revenue deficit. How much, will depend on the Government's ability to effect the much needed economy in administration.

Will the Finance Minister leave the revenue deficit uncovered? Doubtful, particularly when the National Development Council has been emphasising the need to keep the Plan outlay at Rs 4,500 crores despite the Planning Commission's latest estimate of total available resources at Rs 4,220 crores which takes credit for Rs 400 crores under borrowings (gross), Rs 173 crores from small savings and Rs 52 crores from additional taxation of which the Centre's share is Rs 40 crores. Even then there will remain a gap of Rs 210 crores to be covered by deficit financing. There seems thus no escape from increased taxation. How the additional funds will be raised is the only question, and this is what concerns the stock market the most.

The scope for any important increase in direct taxes is generally thought to be limited. The Finance Minister therefore will have to exercise his ingenuity in gathering more revenues through indirect taxes. He might put his fingers on articles which have benefited appreciably from import restrictions, both through higher prices and increased domestic production. And with several imported articles already selling at prices which the consumers can be made to pay and import licences

fetching fantastic premiums, levy of import duties will only affect the trader's profit margin. Hence the possibility of such duties.

Cotton

Further Decline

AFTER a brief show of strength early in the week cotton prices suffered a further sharp decline and touched new low levels for the month. Jarilla (Moglai fine 25/32") March and May contracts which had been done up to Rs 673.50 and Rs 672 respectively on February moved irregularly down to Rs 653.50 and Rs 651.75 by February 25. In the first week of the month they had touched their all-time highs of Rs 688 and Rs 684.50 respectively.

The decline was not confined to futures only. The weakness was even more pronounced in spot. Prices gave way under the pressure of arrivals of Vijay, Surti and Kalyan crops. With the turn in the general market psychology, brought about by official measures taken to arrest the runaway boom in commodities which included stern warning to speculators by the Forward Markets Commission, there was none to absorb the increased flow of arrivals. Mills chose to keep off the market in anticipation of lower prices and merchants were in no mood to work as mere godown keepers for the mills by taking up high priced cotton.

Larger Arrivals

Increased arrivals and the turn in sentiment alone could have produced a big fall in prices but the downward trend was accelerated by the release of an import quota for 1.33 lakh bales of cotton made up of 48,000 bales of U S cotton, 60,000 bales of cotton stapling 1-1/16" and above but below 1-3/16" and 25,000 bales of cotton stapling 1-3/16" and above. Prices of long staple cottons like C O 2 simply tumbled down because of the cheaper supplies from abroad.

Advices from abroad were discouraging. The Karachi cotton market had to be closed because of an emergency following the steep decline in prices. The 3/4" cotton can now be

had there at around Rs 550 per candy of 784 lbs. And in Liverpool one inch staple American cotton contract gives a parity of Rs 800 per candy against which the Indian equivalent is quoted at around Rs 1,100. East African Busoga 1-1/8" staple could be had at Rs 795 c i f Bombay while Indian cotton of that quality would cost about Rs 1,200. With prices abroad steeply down and conditions in the world textile trade continuing to be sluggish, it is no surprise that Indian cottons are not faring well on the export front. The price trend abroad underlines the need for a more determined effort to sell Indian cottons outside the country.

Tendering Differences

The tendering differences fixed by the special sub-committee of the East India Cotton Association, in respect of the March contract, do not call for much comment since they more or less reflect the conditions prevailing in the spot market. By themselves they are unlikely to affect the volume of tenders which will depend largely on the temper of the spot market during March.

According to a report issued by the International Cotton Advisory Committee, world cotton supplies (excluding the Soviet Union and other Communist countries) will be largely unchanged this year from last year. Production for 1958-59 is estimated at 29 million bales compared with 27.8 million bales in 1957-58. The increase is attributed to large crops in Mexico, the central American countries, Egypt, the Sudan and Uganda. Consumption during the first three or four months of the season was significantly less than a year ago. But the report says that in interpreting these data, account should be taken of the fact that consumption in many countries while lower than a year ago, shows some increase compared to the end of the last season.

Oilseeds

About Oil Exports

WHILE there was hardly anything exciting about the up and down movements in oilseeds prices, the week was quite eventful from the viewpoint of exports. Business for nearly 2,000 tons of castor oil was said to have been concluded with the Communist bloc. The U K too took small parcels now and then. But no less significant was the sale



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of 1,140 tons of linseed oil to Australia at between £ 113 and £ 114-10 per ton. Some business was also reported to have been put through in groundnut oil with Burma and Hong Kong. Overseas inquiries in groundnut extractions were poor but sales of groundnut H P S were estimated around 600 tons, prices realised being mentioned at around £ 77-10 for the ordinary type and £ 82-10 for special Java quality.

The quantity of linseed oil sold to Australia is by no means very large but the significant factor is the price. Australia paid up to £ 114-10 per ton for Indian oil while the quotation for linseed oil at Rotterdam is placed at around £ 80. Surely the difference does not reflect the differences in quality and freight advantage. Apparently Rotterdam does not have the stuff to offer to Australia. Quotations there are therefore of a nominal character.

Recent news about linseeds and linseed oil from abroad is interesting. Despite forecasts of bumper crops in all the producing countries, the Argentine is not an important seller. Shipments of linseed oil from the Argentine between January 1 and February 18 this year are placed at only 6,773 tons (U K 112 and Continent 6,661) compared with 25,935 tons (U K 4,232, Continent 21,387 and non-Europe 316) during the corresponding period last year. The Commodity Credit Corporation in America has decided not to sell linseeds from its stock-pile at below \$ 3.09 per bushel against \$ 2.4 last year. Linseeds prices in Canada have hardened recently.

The U. K. interest in Indian groundnut extractions has been on the low side for some time and the seasonal factor is against the early revival of business. Quotations for extractions, 50 per cent, have been fluctuating between £33 and £32 per ton. There have, however, been reports of increasing inquiries from the Communist bloc. Very recently, East Germany took about 2,500 tons, February-March shipment. Yugoslavia and Czechoslovakia are expected to take about 10,000 tons and 5,000 tons respectively February-March and March-April shipments.

Business in groundnut oil is very slow to develop and it can pick up only if the export quota for expellers under the incentive scheme is raised sufficiently to off-set the loss on the export of oil. Informed sources

seem confident that the necessary announcement will be made soon after the meeting of the Export Advisory Council on March 2. This will help sales of both expellers and oil. Of course the export of expellers is limited only the quotas.

Speculation Mainly in Castor

Speculative interest in the oilseeds market continued to centre mainly on castor because here alone speculators can do what they like without having to pay margin. Fluctuations were irregular but the general tone was distinctly steadier because of the export business in oil and prospects of further business in the near future. The pronounced weakness in cotton futures induced selling in castor on the rise but lower levels attracted short covering and export house buying. Castor May moved as follows: Rs 156.25, 157.37, 155.87,

158.25, 153.87, 156.37, 154.75, 155.25 (February 25).

Groundnuts were dull, irregular but steady. Speculation in groundnuts has lost all its charm because of the margin but that is precisely what the margin is intended to do. Nobody need regret that the market has become very thin. Arrivals continue to be poor while demand remains satisfactory but it is by no means very aggressive. Crushers and vanaspati manufacturers are always there to pick up all they can get without pushing prices up. Throughout the week groundnut May contract fluctuated between Rs 179.75 and Rs 177.25 per candy. Linseeds and cottonseeds merely followed the up and down movements in other seeds. The general tone was rather subdued. Cottonseeds were affected by the weakness in cotton and

linseeds by the movement of the new crop even though it is still very poor.

Securities Steadied Up

CONDITIONS in short-term money market continue to be tight, with inter-bank call money rate among the exchange and bigger Indian banks at 3½ per cent and business limited only by the supply of funds. Bank advances continue to rise and banks are being forced to borrow more from the Reserve Bank to meet the rising trade demand for funds. The response to the 91 days' treasury bills reflects this tightness in the money market. The amount offered this week is only Rs 40 lakhs more than the tender amount of Rs two crores and the bill rate is up from 2.559 per cent to 2.592 per cent, the highest since the resumption of sales in November last.

But the gilt-edged market which had been distinctly subdued for some time due to steady dis-investment by the scheduled banks has turned steadier again. The three per cent Conversion Loan which had been marked down to Rs 73.65 is up again at Rs 74.15 and sellers are hard to find. The three per cent 1970-75 Loan has also risen by about 20 nP over the week. The State Loans continue to be in good demand and the strength is marked in the 4.1/4 per cent Bombay loans.

Dealers in Government Securities think that the market is unlikely to experience any further important selling pressure from banks and that gilt-edged prices therefore are likely to steady up around the current levels. It is generally thought that the Reserve Bank's call to the member banks not to allow any further rise in their advances with a view to holding the price line in check would discourage a further increase in the pressure on the money market. State-trading in food grains should also ease the seasonal pressure on the trade demand for funds.

Bullion Fluctuation Indecisive

Very little has been happening in the bullion market for quite some time. Both gold and silver continue to move up and down in an indecisive fashion. The general tone remains steady. Off-take is not large but arrivals too are on the low side.

Fluctuations last week were as follows: gold Phagan: Rs 117-1½, 117-7½, 116-12, 117-5, 117-3½; silver Phagan: Rs 195-10, 196-11, 194-12, 195-6, 194-15, 195-1.

Martin Burn Limited

Notice

THE Annual General Meeting (being the Thirteenth Ordinary General Meeting) of the Shareholders of Martin Burn Limited, will be held on Thursday, 26th March, 1959, at 12 noon at the Registered Office of the Company, 12, Mission Row, Calcutta, to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended 30th September, 1958, and the Directors' and Auditors' Reports thereon.
2. To declare a Dividend and Cash Bonus.
3. To appoint a Director in place of the retiring Director.
4. To appoint Auditors and to fix their remuneration.

The Ordinary Share Registers of the Company will be closed from 19th to 26th March, 1959, both days inclusive.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

By Order of the Board

Calcutta,
28th February, 1959.

A. G. Gidley,
Secretary.

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CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores	Latest Week	Month Ago	Year Ago
1. Note circulation	1659.49	1668.14	1623.87	1546.01
2. Rupee Coin	132.28	131.76	134.62	129.99
3. Deposits				
Central				
Government's	61.44	65.82	55.23	51.01
Other				
Governments'	19.31	21.99	47.00	16.73
Banks'	71.42	72.43	68.18	77.34
Others'	114.77	114.98	115.44	113.04
4. Foreign Securities	178.01	178.01	164.68	245.54
5. Balances held abroad	33.47	28.12	33.56	31.75
6. Rupee Securities	1251.45	1251.45	1219.81	1076.82
7. Investments	260.04	259.78	268.35	240.58
8. Loans and advances to Governments	21.90	27.79	23.94	29.72
9. Other loans and advances	84.38	96.82	84.70	64.68
Scheduled Banks				
1. Demand Liabilities (net)	695.15	692.03	695.36	705.20
2. Time Liabilities (net)	897.00	895.47	872.06	705.96
3. Cash	112.44	107.23	110.67	105.60
4. Borrowings from Reserve Bank of which against Usance Bills	42.27	35.22	41.26	31.51
5. Advances & Bills (inland & foreign) discounted of which State Bank's	910.22	899.38	864.48	882.82
6. Invest. in Govt. Sec. of which State Bank's	617.32	628.29	633.46	432.80
Cheque Clearance	177.47	162.84	162.06	161.77

For Reserve Bank and Cheque Clearance week ended 20-2-59 Scheduled Banks week ended 15-2-59

Bombay Money Rates				
	15-2-59	6-2-59	16-1-59	14-2-58
Call Money				
From banks	3 $\frac{1}{2}$	3 $\frac{1}{4}$	3 $\frac{1}{2}$	3-4 $\frac{1}{2}$
From public	4	4	4	3 $\frac{1}{2}$ -4 $\frac{1}{2}$
Three Months	1 $\frac{1}{2}$ -4 $\frac{1}{2}$	1 $\frac{1}{2}$ -4 $\frac{1}{2}$	1 $\frac{1}{2}$ -4 $\frac{1}{2}$	3-4 $\frac{1}{2}$
Six Months	2-4	2-4	2-4 $\frac{1}{2}$	2-4 $\frac{1}{2}$

Bombay Bullion				
	26-2-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	118.28	117.94	116.12	111.62
Forward	117.28	117.56	115.50	111.50
Silver (per 100 tolas)				
Spot	194.31	196.06	193.62	191.44
Forward	195.00	196.00	194.31	191.56

JUTE STATISTICS

(1958-59)

	Dec.	Nov.	Oct.	July to Dec.
Production ('000 tons)				
Hessian	40.1	35.8	33.3	215.8
Sacking	49.2	44.9	43.0	276.1
Others	7.2	6.3	5.5	35.7
Total	96.5	87.0	81.8	527.6
" in corresponding months :				
1957-58	92.8	91.9	83.5	522.0
1956-57	84.9	83.8	80.4	517.3
Stocks ('000 tons)				
Hessian	15.3	17.3	17.8	—
Sacking	80.4	75.5	77.5	—
Others	13.7	12.6	12.1	—
Total	109.9	105.4	107.4	—
" at the end of the corresponding months :				
1957-58	75.0	71.0	76.0	—
1956-57	95.7	101.7	116.7	—

Despatches :† ('000 tons)

Hessian	41.9	36.5	32.3	231.7
Sacking	44.9	47.6	46.0	286.2
Others	5.3	5.1	4.6	32.9
Total	92.1	89.2	82.9	550.8

 " in corresponding months :

1957-58	88.1	97.0	83.4	560.1
1956-57	90.5	97.5	88.5	548.2

Raw Jute Consumption : ('000 bales)

1958-59	554	503	475	3,035
1957-58	532	548	499	3,024

IJMA Mills' Purchase

of Raw Jute ('000 bales)				
Pakistani	Nil	Nil	Nil	116

In corresponding months :

1957-58	21	56	96	385
1956-57	20	63	37	294

Indian

655	853	732	3,702
-----	-----	-----	-------

In corresponding months :

1957-58	652	712	593	3,178
1956-57	742	688	529	3,360

†Includes despatches for exports and sales for internal consumption.

Source : Indian Jute Mills Association

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

Group and Sub-Group	WEEK	ENDED
	7-2-59	31-1-59
Food Articles	117.4	116.2
Cereals	107.4	106.8
Pulses	127.4	122.5
Fruits & Veg.	114.5	115.6
Milk and Ghee	103.8	103.3
Edible Oils	123.1	120.5
Fish, Eggs & Meat	108.4	108.6
Sugar & Gur	131.2	129.6
Others	155.8	154.4
Liquor and Tobacco	105.9	106.1
Tobacco	104.9	105.2
Fuel, Power, Light & Lubricants	115.2	114.9
Industrial Raw Materials	116.9	116.2
Fibres	108.7	108.5
Oilseeds	129.2	127.5
Minerals	103.6	103.6
Others	110.4	110.2
Manufactures	108.6	108.6
Intermediate Products	110.5	110.4
Finished Products	108.3	108.4
Textiles	102.0	102.2
Cotton	110.8	110.8
Jute	84.4	85.9
Woollen	105.9	105.9
Silk & Rayon	91.5	91.1
Metal Products	143.3	143.1
Chemicals	111.3	111.3
Oilcakes	149.7	147.6
Machinery and Trans Equipment	104.8	104.5
Others	113.7	114.1
All Commodities	114.5	113.7

LATEST ALL-INDIA CROP

(Area in '000 acres, Production in '000 tons)

	1958-59	1957-58*	+ or - (%)
First Estimates (area)			
Kharif Cereals :			
Rice	71,700	69,794	+ 2.7
Jowar	25,297	24,674	+ 2.5
Bajra	25,115	26,004	- 3.4
Maize	9,386	8,849	+ 6.1
Ragi	4,847	4,762	+ 1.8
Small Millets	9,154	9,294	- 1.5
Tur	4,914	5,056	- 2.8
Pulses (kharif)	11,269	12,067	- 6.6
Sugarcane	4,795	5,031	- 4.7
Cotton	15,511	15,510	+ 0.01
of which			
Long staple	5,036	5,211	(..)
Medium staple	7,678	7,324	(..)
Short staple	2,797	2,975	(..)
Second Estimates (area)			
Groundnut	13,880	12,683	+ 3.1
Sesamum	3,812	3,949	- 3.5
Mesta	817	717	+13.9
Final Estimate			
Jute :			
Area	1,827	1,742	+ 4.9
Production	5,178	4,052	+27.8
(..) = negligible			
* Corresponding adjusted estimate			
Source : Ministry of Food & Agriculture.			

WORKING CLASS COST OF LIVING INDEX

(Monthly Average or Calendar Months)

(Base: 1949 = 100)

	Bombay		Calcutta		Delhi		Kanpur		Madras		All India (average)	
	F	G	F	G	F	G	F	G	F	G	F	G
1955	110	110	90	92	97	99	68	78	96	99	92	96
1956	117	115	98	98	112	109	81	89	110	111	105	105
1957	123	120	106	105	117	114	87	94	113	116	112	111
Nov	118	116	102	101	123	117	87	93	113	114	111	110
Dec	118	116	102	102	120	115	83	91	113	115	110	109
1957: Jan	117	116	100	100	118	113	83	91	113	115	108	107
Feb	118	116	99	100	118	114	84	92	112	114	107	107
Mar	117	116	101	100	118	114	83	91	111	114	107	107
Apr	117	116	100	100	116	112	81	89	111	114	108	108
May	121	118	102	102	119	114	85	91	110	114	111	110
June	124	121	106	105	119	115	86	93	112	115	113	112
July	126	122	107	106	119	115	90	96	113	116	113	112
Aug	126	123	110	108	123	118	93	98	113	115	115	113
Sept	125	122	111	109	115	113	91	97	111	115	115	114
Oct	125	122	110	108	115	113	91	96	113	116	113	113
Nov	125	125	111	109	114	112	89	96	120	121	116	114
Dec	128	125	109	107	111	110	85	93	119	121	113	113
1958: Jan	127	124	106	105	111	109	83	91	118	120	112	111
Feb	127	124	104	104	110	108	81	89	118	120	110	110
Mar	127	124	104	105	110	108	82	89	116	119	110	110
Apr	131	127	105	105	109	107	85	91	116	119	112	111
May	132	126	106	106	110	108	87	93	117	120	114	113
June	133	129	109	107	114	111	94	98	118	121	118	116
July	138	133	114	112	122	116	99	101	125	125	122	119
Aug	137	132	118	115	123	117	102	103	127	126	124	120
Sept	136	132	119	116	124	117	104	104	128	127	125	121
Oct	137	132	119	116	125	119	108	108	133	130	127*	123*
Nov	—	131	—	114	—	120	—	106	—	132	—	122*
Dec	—	—	—	110	—	118	—	101	—	137	—	—

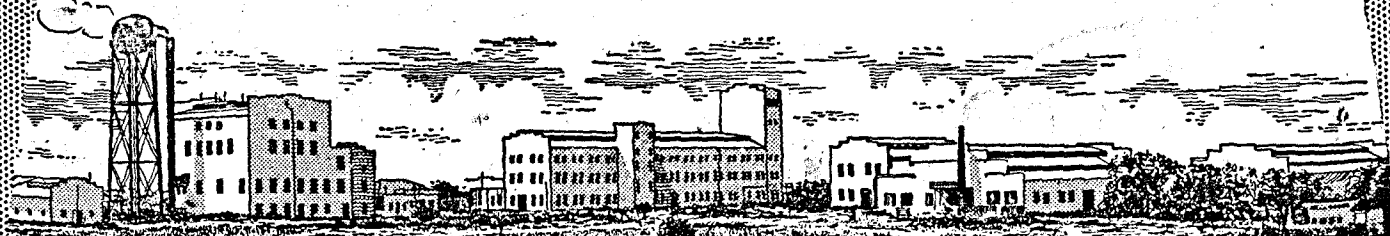
Note: F—Food
G—General

*Provisional. Source: Central Statistical Organisation, Delhi

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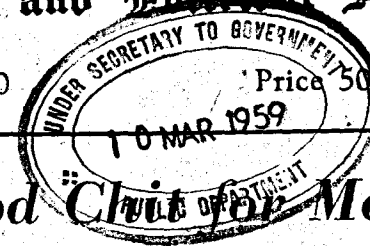
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Not a Good Chit for Morarji

THE outline of the economic situation presented by the Finance Minister, and elaborated in the Economic Survey, is "one of an economy which has moved, over the last twelve months and more, towards, but not yet sufficiently near, the goal of achieving a balance, both internally and externally". The rise in aggregate investment has been relatively small. While public investment is expected to be more than in the previous year, private investment will probably be lower. Then the Survey goes on to explain that the relative improvement in the balance of payments in the latter part of the year—on which is based the prospect of the economy moving towards external balance—has been due partly to stiffer import restrictions and, partly, to larger external assistance. The reason for thinking that the economy is moving to an internal balance is therefore that inflationary pressures at the moment "can hardly be said to be strong, but they have not been mastered". The Budget proposals have to be judged in the light of this appraisal of the situation.

Actually, the Finance Minister has set himself a much simpler task. For he has taken the investment target as laid down by the National Development Council in conjunction with the Planning Commission. While laying down the target for investment, the Planning Commission had also prescribed or recommended the tax effort to be made by the Centre and the States in the remaining period of the Second Plan. While the broad magnitude of his task was thus set, to what extent it had to be modified in view of the fall in revenue receipts which had correspondingly increased the deficit in the current financial year was left to him to decide. It is in the light of these factors that the Finance Minister has framed his Budget proposals.

The increase in taxation which the Finance Minister has proposed fits so closely with what had been assigned to the Centre in the last Appraisal of the Plan, that the latter may be taken as the key to the Budget. It appears to have been taken by the Finance Minister as such. As an instrument of economic policy, any budget derives its significance as much from the ends it aims to attain as from the means which it employs. The former, the Finance Minister has taken as given. "The stage that has been reached in the implementation of the Plan," the Finance Minister said at the conclusion of his Budget speech, "conditions this Budget." The main considerations necessary for the successful implementation of the Plan, as interpreted by him, were maximum mobilisation of resources, firm control over non-development expenditure and minimum of deficit financing. In regard to the last, the Finance Minister does not seem to have taken any definite attitude at all. If he regarded it as a matter of serious concern, he could certainly have exploited the scope for taxation more fully. On the other hand, if the Finance Minister felt—as he seems to imply—that inflationary pressures had been greatly aggravated by reduced food production and that food crop prospects were sufficiently promising, this should justify a bolder developmental effort. That there are signs of stagnation in large parts of the economy, in fact, made such an effort imperative, and he need not have felt himself inhibited to stick to the findings of the last Appraisal which was made far back in May, since when the situation has changed.

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The reason why the Finance Minister has not thought of seriously tackling the deficit is that substantial tax efforts have been made in raising additional resources since the Second Plan came into operation and that, therefore, he need cover only a fourth of the anticipated deficit of Rs 82 crores in the revenue account in the coming year. This he has done by raising excise duties which, excluding the shares that accrue to the States, will realise Rs 18.08 crores, changes in customs duties which will bring in Rs 2.77 crores and an increase in Wealth Tax netting in Rs 2.5 crores, a total of Rs 23.35 crores. The deficit on revenue account will thus be reduced from Rs 81.67 crores to Rs 58.32 crores, about the same amount as in the current year, which is proposed to be left uncovered. The overall deficit, taking the revenue and capital accounts, will still be large, though it will be reduced from Rs 245 crores in the revised estimates to Rs 222 crores.

While lacking imagination and boldness in the broad effects of these proposals on the economic situation, Shri Morarji has shown a surprising degree of both in effecting a sorely needed reform in company taxation by separating income tax payable by companies from the personal income taxation payable by the shareholders. By this bold stroke, company taxation will be greatly simplified without any loss of revenue. Companies will still deduct tax on the dividend paid to shareholders at a prescribed flat rate and credit it to Government and this will be reimbursed to the shareholders at the time of their assessment. This scheme is to be implemented in two stages and small shareholders have been promised exemption certificates, so that the question of reimbursement does not arise in their case.

There are two other important changes in taxation of companies. The Wealth Tax on companies has been abolished and so has been the tax on excess dividends. In view of the strong opposition to the Wealth Tax on companies from business circles both in India and abroad, its abolition had not been unexpected. Since tax on excess dividend acted as a damper on distribution of company profits, at first sight it might appear that after the proposed change, company taxation will lack the incentive for retaining

profits and encouraging corporate savings. But it is more than likely to have the opposite effect, encourage building up of corporate reserves and discourage distribution of profits. The higher the percentage retained by a company, the lower the incidence on corporate plus personal income and super taxes on total corporate incomes. So the Directors of any company who hold a large proportion of shares will tend to vote for retention. They can reap the benefits either in capital gains or bonus shares and pay much lower taxes. In fact, as a result of this change, there might ensue a movement away from private to public companies which itself would be a welcome development.

While these changes in company taxation are welcome, it is surprising that the Finance Minister should propose taxation of share premia as from next year. This is highly iniquitous. In fact, after the removal of the excess dividends tax, tax on bonus shares itself would lack justification. After all, partly the purpose of this tax was to prevent evasion of the excess tax on dividends. And why tax on bonus shares when there is a tax on capital gains?

Though outwardly socialistic, it is also doubtful whether raising of Wealth Tax rates on individuals will not defeat the main purpose of this tax which is primarily to act as a 'control' than yield revenue. And as a measure of control, the rate has to be very low so that, by itself, the tax impinges as little as possible on the tax payer. It is the information collected through this tax which is of importance for enforcing the

revenue taxes. Another objection is that without first making sure that items of wealth are not concealed, raising the rate of the tax will mean that more people will switch over to assets which can be easily concealed. Without effective measures for checking concealment of wealth, Government might succeed in collecting the additional 2½ crores, but the country is likely to lose far more in foreign exchange through 'the gold drain', for example.

In the whole range of indirect taxes proposed in the Budget, however, there is little on which the Finance Minister can be congratulated. To begin with, the sins of omission are even more regrettable than the sins of commission, bad as they are. While the Finance Minister was perfectly justified in not being stampeded by the spectre of budgetary deficit into slowing down development, there is no reason why he should not have mobilised those resources which could be easily got at. In the field of commodity taxation, there is surely enough room for manoeuvre, though not along the traditional lines. Domestic production of a number of articles of consumption including some durable consumers' goods, as well as industrial raw materials, has benefited enormously from the imposition of restrictions or complete ban on imports of competitive products from abroad. The manufacturers of these items have been reaping large gains—gains which they do not necessarily deserve, if the criterion adopted by the Tariff Commission for the grant of protection were applied. A part of these gains could be claimed back by the Gov-

ernment through the imposition of excise duties on these items. The items which suggest themselves immediately to one's mind are blades, toothpastes, fans and bicycles among consumers' goods, and caustic soda, soda ash and sulphuric acid. It should be possible to add to this list and a duty on them would be reasonable by all standards. Equally unjustified it is to let off the imports which the consumers do not get at anywhere near imported cost in any case. There is surely perfect justi-

fication for mopping up undeserved profits, through judicious imposition of import duties on items the import licences for which command a premium of 100 per cent or more.

Worse still, most of the commodity taxes that have been proposed seem to have some other purpose than the revenue they are expected to bring. There is little justification, for example, in trying to correct the imbalance in the oil economy and appease automobile interests by raising taxes on diesel oils and

thereby retarding the development of road transport. The cess on Khandasari sugar, the tax on art silk fabrics at a much lower rate than this industry can well stand, lowering of the exemption limit in respect of products of small-scale art silk industry—all these are tarred by the same brush. The only redeeming feature in the Budget is the one that would attract the least opposition from business quarters. This is not a good chit for a loyal servant of the Congress.

Operation Export Bonus

INSTEAD of indulging in platitudes, as usual, the Governor of the Reserve Bank made the sensible point, while speaking at the last meeting of the Indian Council of Foreign Trade, that it would be useful to study "whether certain short-cuts which exporters are in the habit of suggesting to Government are not fundamentally likely to lead to distortions in the economy". Unfortunately these short-cuts are no longer mere suggestions: at least one of them, the export bonus scheme has been accepted by the Government and extended not only to art silk industry, which has been so much in the news, but to many others. The Red Book lists a number of industries, about 60 in all, which are now entitled to this privilege. It should be interesting and useful to know what has been the net effect, according to the Government, of this particular variant of export promotion. The public knows only what happened to art silk in which the exporter has already overreached himself; the over-invoicing of art silk exports and dumping of import licence have been both so scandalous that at the moment the art silk import licence has ceased to be an attractive buy and is no longer sought after. The announcement at the last meeting of the Export Promotion Council that the issue of import quotas for yarn given to the art silk industry had been temporarily suspended, therefore, will cause little surprise. True, in the case of this particular industry, export incentive in the form of import quota for raw materials has turned out to be a self-correcting mechanism, but it has worked only at the cost of diverting scarce resources to wrong uses.

The industries to which the export bonus scheme has been extended are allowed to retain 75 per cent or double the import content, whichever is less, of their export receipts and import the raw materials for their products. In the case of art silk fabrics, retention quota is 100 per cent. This incentive would be justified if it led to full capacity output; there would be nothing wrong if these industries were induced to earn their foreign exchange in a manner which would increase the foreign exchange earnings of the country also at the same time. It is only when the incentives work in the manner intended that the industries enjoying the benefit become export-minded. But in view of the abuses which have crept in, the scheme has to be scrapped altogether or operated in a way which ensures that the imports are utilised only for the purpose intended, instead of giving rise to a chain of malpractices. The permitted imports should be linked with the production programme of the industry concerned. Perhaps they are, on paper. How do they then find their way into the free market, to be sold at a high premium? Moreover, these export incentives should not be allowed to help to expand the production capacity of any industry if it is not otherwise desirable to do so.

Though Shri Lal Bahadur Shastri did not comment specifically on the results of this particular scheme, he has frankly expressed his disappointment with the results of the efforts to promote the export of industrial products. Though in a few cases some slight increases in export had been achieved, these were, he said, "marginal and the total earnings represent a negligible per-

centage of the foreign exchange that has to be spent to keep our industries in good heart." The Commerce and Industry Minister threatened that "our industries cannot expect to continue to depend indefinitely and in such large measure on export earnings from other sectors for maintaining their day to day production. They must strive and earn substantial foreign exchange to meet their requirements."

Commenting favourably on the work of the Engineering Export Promotion Council, he had, nevertheless to admit that "the sheltered home market continues to be the biggest attraction to even progressive manufacturers." All this was a prelude to the objective which he finally placed before the Council, that industries newly entering the export field should export 10 per cent of their products while those that are already established should bring about 10 per cent increase in their existing level of exports. Now 10 per cent of total production in the case of industries which are new to export business may not be on a par with the task Shri Shastri put before the exporting industries. But arithmetical disputations apart, how is this objective to be realised? The slogan of export at a loss may not be unwelcome if the compensation is offered to the exporting industries to raise prices in the domestic market. Export promotion bristles with problems of one sort or another. Therefore, there is no reason to give up the attempt only because of the difficulties, but did the Commerce Minister just put the suggestion before the industrialists in order to have their reaction, or does he have something up his sleeve which has been carefully worked out?

INDIAN AGRICULTURE IN BRIEF

A useful, handy and pocket size booklet has been recently brought out by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, with a view to meeting primarily the need of those who wish to have a snap-shot picture of Indian Agricultural Economy as revealed by the current Agricultural Statistics. Certain essential data in allied spheres, e.g., population, national income, etc., needed for an understanding of the agricultural economy in its broader perspective have also been included in this booklet.

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Weekly Notes

Record Life Insurance Business

THE Life Insurance Corporation has happily proved the gloomy prophecies wrong who had feared that its record business in 1957 might turn out to have been only a flash in the pan, brought about by the reduction in premium rates and by the extra-incentive offered to the field staff that their pay scales, etc. would be fixed on the basis of business by them introduced during that year. Far from a drop in new business, as reported in sections of the press only a month ago, the Corporation increased its new life business during 1958 by 22 per cent over the level of 1957. For the first time in the history of life insurance in this country, the annual new business has exceeded Rs 300 crores to reach a level of Rs 399 crores within India, and another Rs 6 crores abroad. The new business includes Rs 1.60 crores under the Janata Policy Scheme. The number of policies issued during 1958 totalled over 9,60,000 against 8,00,000 issued in 1957. A complete report of its activities is, unfortunately, still not available. The Corporation's was set up in September 1956, but it has not yet issued a complete Annual Report. The delay in publishing the report is inexcusable, even though actuarial valuation may not have been completed so far.

The Corporation is extending its coverage to include new areas, particularly in the rural sector, and in those States where the insurance habit is still relatively undeveloped. Permanent training centres have been established at the headquarters of all the five zones to train field staff on the professional aspects of sales and servicing. This is a long overdue measure, which nearly all insurance companies had neglected in the past, making the insurance salesman thereby a social pest rather than a welcome help to prospective clients. On the Corporation's initiative, the Payment of Wages Act and Minimum Wages Act has been amended to allow deductions by employers for payment of premiums on behalf of employees. This is expected to give a fillip to various group insurance schemes. The Corporation has drawn up an ambitious five year plan, which has yet to be finalised, to attain a new business of Rs 1,000 crores at the end of

this period.

While its business continues to expand satisfactorily and the capital market continues to draw generous sustenance from its funds, the Corporation's relations with its employees have yet to be put on a stable, satisfactory basis. The Corporation's offer of one month bonus or free insurance has now been enlarged to include a term insurance benefit during the employees' service with it, but the employees still agitate for a larger bonus payment.

The payment of bonus to employees in any Government undertaking is highly objectionable on principle. For profit-sharing in a public concern has an entirely different connotation, for here the profits arise from monopoly or from special positions created by law or by special circumstances. Even Government employees, however, can be entitled to production bonus, a system to which private employees are also becoming increasingly reconciled.

Changing Imports

THE Economic Survey for 1958-59 released along with the Budget papers contains an interesting account of the adverse turn in our foreign trade during the first half of the Second Plan, i.e. from April 1, 1956 to September 30, 1958. Total exports during this period were only Rs 1,483 crores while imports were nearly double at Rs 2,796 crores. The trade balance was, therefore, adverse to the extent of Rs 1,313 crores. Net invisible receipts reduced this figure by Rs 344 crores, leaving a deficit of Rs 969 crores in the balance of payments on current account till the end of September 1958. About three-fifths of this deficit was financed through running down of reserves and official loans helped cover a further one-fifth.

Breakdown of imports into those on private and Government accounts is available for a total of Rs 2,777 crores against Rs 2,796 crores mentioned above. Of this figure, Rs 1,753 crores were imports on private account and the balance of Rs 1,024 crores on Government account. But as no attempt has been made to trace how much of the private imports were on Government account or found their way to the public sector, these figures have to be accept-

ed with considerable reservation. Going by these figures, Government imports were only a little over one-fourth of the total in 1956-57, but the proportion increased to about 48 per cent during April-September 1958, following the decline in private imports and larger imports of food, etc. Analysis of Government imports shows that foodgrains have been the largest single item, reflecting the extent to which the shortfall in food output has contributed to the troubles of the Second Plan. The item 'others' which, presumably, consists mostly of defence equipment, has accounted for as much as Rs 226 crores. Nearly half of the total Government imports, however, have been on account of capital equipment and allied items.

Imports on private account have been more than 70 per cent higher than Government imports during the first half of the Second Plan, according to the Economic Survey, though this proportion, as mentioned above, should be treated with some reservation. There was a spurt in private imports between 1955-56 and 1956-57 after which a steady decline set in. The increase in the first year of the Second Plan was largely due to the rise of Rs 142 crores in imports of intermediate and capital goods, and an increase of nearly Rs 26 crores under consumer goods. The most spectacular rise between these two years occurred under iron and steel, and machinery; imports of the former rose from Rs 58 crores in 1955-56 to Rs 119 crores in 1956-57 while those of machinery went up during the same period from Rs 108 crores to Rs 151 crores. In the subsequent year, while imports of machinery went up further to Rs 165 crores, those of iron and steel declined to Rs 83 crores and later fell to Rs 21 crores only during April-September, 1958. The drain of foreign exchange owing to steel imports, is a poignant reminder of lost opportunities from 1948 to 1954, when steel output could have been expanded at much lower cost.

The pattern of private imports indicates some changes over the last two and a half years compared with 1955-56. The proportion of consumer goods has steadily declined while that of raw materials has

fluctuated, but after declining to a low level of 20 per cent in 1957-58, it rose again to 25 per cent of total private imports in 1958-59. Intermediate goods have maintained a fairly steady proportion, the rise during the first two years of the Plan being accounted for almost entirely by imports of iron and steel. The share of capital goods rose from 25 per cent of total imports in 1955-56 to 30 per cent in 1957-58, but has declined again, due to import restrictions, to 27 per cent in 1958-59. The most curious feature of this analysis of the pattern of private imports is the category 'Others', which has been rising consistently and rapidly. It rose from only 4 per cent of total imports in 1955-56 to 13 per cent in 1958-59. Unless the commodities being imported now are so complex as to defy the classificatory powers of Government departments, there may be grounds for suspicion that this category is perhaps not so innocent as it appears.

Large Deficit with O E E C

DATA on the regional pattern of the balance of payments on current account show a total deficit over the two and a half years of Rs 894 crores. (How this is to be reconciled with the figure of Rs 969 crores mentioned earlier in the Survey is not explained.) Of this, as much as Rs 535 crores was accounted for by OEEC countries, Rs 146 crores by the Sterling area, Rs 82 crores by the Dollar area, while the deficit with the rest of the non-Sterling area amounted to Rs 131 crores. The deficit of Rs 894 crores is to be compared with the overall payments surplus of Rs 66 crores that we had during the last three years of the First Plan. Even during that period, however, while we had a surplus with all the other areas, we were in the red to the tune of nearly Rs 218 crores with OEEC countries. Our adverse balance with this area is, therefore, not a feature of the Second Plan alone; only the deficit has been growing steadily from year to year. It rose from Rs 58 crores in 1953-54 to Rs 85 crores at the end of the First Plan. In 1957-58, it stood at a peak of Rs 239 crores but has declined in the course of the current year to an annual rate of Rs 194 crores. While our imports from Western Europe have till recently kept on rising, our exports to them have remained

stationary partly owing to the absence of direct trade links.

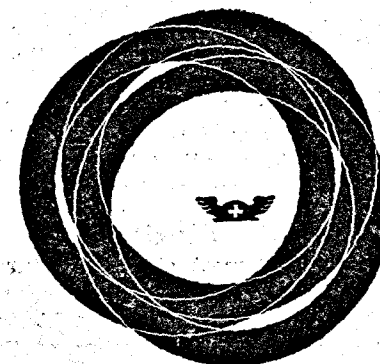
Since nearly three-fifths of our total payments deficit during the first half of the Second Plan has arisen out of trade with OEEC countries, it is of the utmost importance to step up our exports to these countries. The six member-States of the European Common Market have already reduced duties and eased quota restrictions on their imports from one another and from their dependent territories overseas. This will enhance still further the difficulties faced by our exports of tea, coffee, cotton fabrics, jute goods and coir products. While there is no doubt that lethargy at this end has been partly responsible for the stagnation in our exports, surely the OEEC countries have also a responsibility to see that trade with one of their biggest customers does not remain a one-way traffic. Shri Lal Bahadur Shastri has, therefore, done well in giving a clear warning that unless discussions through GATT machinery against us, we would be forced to consider steps for achieving a better balance between what we buy from these countries and what we can sell to them. Mutual discrimination would however, be helpful to neither of the parties concerned. It is therefore, desirable that efforts be made from both sides to bridge this yawning gap in our trade with OEEC countries.

The Mission to Moscow

MR MACMILLAN has made a good salvage job of his Moscow mission. Last week it had appeared

as if the visit was going to be a dead loss; but the damage caused by Mr Khrushchev's ill-mannered rudeness and deliberate toothache, not to mention President Eisenhower's antics to match, seems to have been quickly repaired. The British Prime Minister returned home, finally, with at least two achievements of major importance. The greater of these is the possibility, which emerged from the talks, of making the whole of Europe into a nuclear-free zone. If this possibility is eventually followed up with even moderate success, Mr Macmillan's trip would have been worth it.

The second achievement, of course, is the big Russian concession in agreeing to an East-West meeting at a Foreign Ministers' level. A great deal of negotiation will still have to be done in this connection, of course, and the whole road to the final conference is riddled with familiar pitfalls; but it is at least a positive result of the visit. It seems clear enough, at the same time, that the Russians have not made the concession without extracting an important promise from Mr Macmillan. He is evidently expected to try, even at this stage, to convince Washington of the greater desirability of a Summit meeting. There are signs that the British Prime Minister has himself been converted to the Soviet viewpoint on this question, and will honestly endeavour to convert the Americans. There is thus a sporting chance of the Foreign Ministers' conference being elevated at the last minute to a full-fledged Summit.



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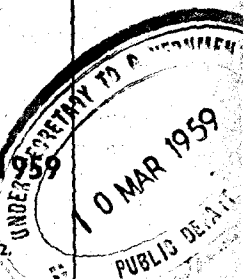
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The proposal for an Anglo-Soviet non-aggression pact, is, of course, dead. It now appears from the official communique that the Russians made two conditions:

- (a) that the two countries should agree to settling all their disputes over the next 20 years by negotiations through the United Nations, renouncing all use of force; and
- (b) that both countries should clear themselves of all foreign bases for this purpose.

Clearly, Mr Macmillan was in no position to agree to the second clause, and that is where the proposal wrecked. Clearly, also, there was more to the Soviet proposal than met the eye.

Blundering in Blantyre

THE unreported casualty in Tuesday's police firing in Nyasaland, which killed 24 Africans, is the Federation itself. Nothing now can keep the angry Nyasas within the stifling fold of their forced union with the Rhodesias. The Federation is dead as a door-nail, even if the Rhodesian settlers have not the eyes to recognise the corpse. And the crowning irony is that it has not been killed, as expected, by uncompromising African opposition, but shot dead by the bullets of the settler police.

Ever since the Central African Federation was first imposed on the protesting Africans of the Rhodesias and Nyasaland in 1953, the Nyasas have been the most vehement opponents of the union. For this there are several reasons. First, Nyasaland, unlike the Rhodesias, is not a British colony, but a protectorate which Britain rules by the invitation of the African Chiefs with the express object of leading it towards self-government as an African State. It had early become crystal clear to the Nyasa leaders that if their country was made a part and parcel of a federation over which the white settlers of the Rhodesias held increasing sway, the future of Nyasaland, as an African State, would be gravely jeopardised. Secondly, the Nyasas have always been mortally afraid that Federation would mean the opening up of their frontiers to the starkly racist influences of Southern Rhodesia; and, finally, six years of federal rule have done everything possible to convince the Nyasas that all their fears

were well-founded. That is why the agitation against federation has been strongest in recent months. The Nyasas have been anxious to leave no room for doubt as to their opposition to the continuation of the federal experiment, which is threatening to come up for confirmation in May next year.

It is interesting to see how last month's events in Central Africa have served to bear out the deep-seated suspicions of the Nyasas on all counts. To begin with, the constitutional reforms for Nyasaland were slow-motioned, quite regardless of the increased tempo of African nationalism in the protectorate caused by the All-Africa People's Conference in Accra. Nyasa exasperation on this account had become quite evident to all objective observers in Blantyre for several weeks preceding the riots which broke out last month. The rioting in various parts of the country was spontaneous and obviously without any central direction. Of this, the Government in Blantyre was quite convinced; and that is why it did not immediately react by declaring a state of emergency and arresting political suspects. That drastic step, curiously enough, was left to Southern Rhodesia—which is twice removed in distance from Nyasaland, and where no violence of any sort had occurred at all. Sir Edgar Whitehead, the Southern Rhodesian Prime Minister, panicked like a hunted hare and not only clamped a quite unnecessary emergency on the Colony but rounded up all the African leaders, put them in jail, and imposed a ban on all the African Congresses of Central Africa. The purpose of these extraordinary moves is, no doubt, that of putting the fright of the white man in the heart of the Africans; but as certainly as night follows day, the effect will be to provoke them to extremism and violence. It is, indeed, surprising that the violent failure of the Belgian experiment in trying to isolate the Congolese Africans from the mainstream of African nationalism has taught the Rhodesian settlers nothing.

Another Algeria?

THE most striking feature of Sir Edgar Whitehead's declaration of emergency in Southern Rhodesia was that the actual scene of the riots, Nyasaland, had felt no need to take any such steps. This situation,

however, was set wrong on the Tuesday of this week when Sir Robert Armitage, the Nyasaland Governor, justified the ill-repute of his Cyprus days by following obediently in Sir Edgar's dangerous foot-steps. This was by every test a remarkable thing to do; for the emergency in Nyasaland was declared when all the rioting had died down, and in fact one day after the Governor himself had declared publicly that the situation was entirely under control and that no emergency measures would, therefore, be justified or necessary. From these facts it emerges clearly that Sir Robert acted under extreme pressure from the federal and Southern Rhodesian Governments. Naturally, the Nyasas were deeply provoked by the step: hence the renewed violence of this week.

But that is not the end of the follies committed by the settlers last week. Sir Roy Welensky went a bad step further and armed the settler reservists and flew them out to crush a quietened rebellion in Nyasaland. That put the cap on the whole affair. Nothing now will ever convince the Nyasas that they can be secure in any kind of association with the Rhodesian whites.

The most discouraging part of the week's episodes is that the Colonial Office has given the appearance of standing solidly behind the misdemeanours of the Central African authorities. This will serve to undermine the confidence that the Nyasas have habitually shown in the fairness of the British Government. If the damage is to be repaired, there is only one way out: The Nyasas should be restored their normal freedom of action, and assured at once that they would be allowed to secede from the Federation next year if that is their wish. It might seem an impossible step to take, but that alone can provide an escape from what is, after all, an impossible position.

If Britain hesitates now, and is held back by the fear of settler annoyance, the price of this week's blunders will have to be paid with endless violence and bloodshed, not only in Nyasaland but, possibly, in every territory of East and Central Africa. The choice before Britain is between allowing (and indeed helping) Nyasaland to become another Ghana, and risking its becoming another Algeria.

Surcharge on Jet Air Fares

THE controversy over air fare on jet planes which could not be resolved at the conference of the International Air Transport Association, at its annual meeting in New Delhi, has since been resolved with a minor victory for non-jet operators who have been apprehensive that the competition of the faster jet planes might work to their disadvantage. The airlines flying jet planes on Atlantic and trans-American services have agreed to a small surcharge. No surcharge, however, will apply to jet planes operating on the eastern services. This will be of some advantage to BOAC who are going to be the first in the field with their Comet IV jet planes, which commence their flight to India next month. But this is perhaps a sop for BOAC, and its sister company, BEA, in Europe, from the competition which they will suffer from chartered services which have rapidly developed a thriving business in conducted tours. These lower rate flights have been approved or rather accepted by the IATA for their promotional and developmental services.

Agreement has been reached that a surcharge of \$15 will be made on jet air fare for economic and tourist classes and \$20 on first and de luxe classes on all Atlantic services. The higher surcharge will also apply to fares by jet aircraft from New York to Buenos Aires, irrespective of the class of passengers.

It is curious that though the cost of operating jet planes is often believed to be higher, the demand for surcharge has not come from the airlines flying these planes. As a matter of fact, not enough experience has been gained yet to settle the point once for all whether jet operation would be more costly or not. In fact, in view of the much larger carrying capacity of the jet planes, the operational cost may be actually lower. In any case, larger volume of traffic which these planes carry would call for a substantial increase in traffic to justify the expansion of carrying capacity which the introduction of jet planes on a large scale will automatically create. Thus a case could be made out not for a surcharge but for a reduction in jet air fares, to stimulate traffic.

In view of the manner in which this dispute has been settled, however, it is misleading to talk of a

victory for one group as against another. For the settlement has been arrived at by mutual agreement though it might have taken several conferences to hammer out the differences. The present agreement, naturally, is a provisional one, and only for the transitional period for the year from April 1, 1959 to March 31, 1960 during which jet operation will be introduced. It will be reviewed subsequently, in the light of the experience gathered.

Nepal Central Bank Report

AMONG the many reforms proposed in the landlocked kingdom of Nepal over the last nine years, one of the most important has been the attempt at currency stabilisation. Nepal has a dual currency. The Indian rupee circulates freely in the prosperous Terai area and commands a premium in relation to the local currency. Import demand and budget deficits have led to frequent depreciation of the Nepali rupee. The country has only one commercial bank, which was established in 1937. A central bank, called the Nepal Rastra Bank, was set up in 1955. It is wholly owned by the Government and has to date opened 15 offices in various parts of the country. It will in due course perform all the traditional functions of a central bank, even though for the present it has not been given the custody of foreign balances.

The first annual report of the Nepal Rastra Bank, which has just been published, covers the fifteen months from April 26, 1956 on which date it was set up to July 15, 1957. The delay in publication is not the fault of the Bank entirely; Government took a rather long time to appoint auditors for it. Even the Bank's share capital, in fact, was received quite late and that, too, in the form of newly-issued currency notes, revenue from which is a substantial source of income to the Government. The Report makes some interesting contributions to the knowledge of administrative difficulties of underdeveloped countries.

Industries in Nepal are few and the country, therefore, relies to a considerable extent on imports, mainly from India. Thanks to Government measures, including sale of Indian currency from official balances, the unofficial rate was brought down from 155 to 135 Nepali rupees per 100 Indian bet-

ween June 1956 and March 1957. These measures could not be continued for long as official balances got exhausted and demand for Indian currency continued unabated. One of the principal reasons for this currency depreciation is the excessive creation of money by Government. Since there is only one commercial bank, private credit creation is negligible. From the first budget of Nepal, which was published in 1951, every published estimate has shown a deficit. Since no public loans have been floated, deficits have been met by issue of currency notes and coins and drawing down of reserves. How large these deficits have been is not known.

The Bank estimates total note issue at Rs 5.49 crores, and rupee and subsidiary coins at Rs 5.87 crores. Excluding currency with the Bank, total Nepali currency in circulation is estimated at Rs 8.34 crores. There is no record of the total volume of Indian currency circulating in Nepal. The Issue Department holds a little over Rs one crore Indian.

The problems facing the Nepal Rastra Bank are of no mean dimension. The effort to fix land tax (paid customarily in Terai in Indian rupees) payments at a rate of Rs 128 Nepali for Rs 100 Indian rupees proved a failure, because the market rate was nearer Rs 160. Next, import control was tried. Indian currency drafts were sold at concessional rates to importers of 'approved commodities'. These rates gradually improved from Rs 175.5 to Rs 130.5 Nepali rupees within two years, but the market rates remained consistently above the official rates. Even this limited success has been dubious, since it was accompanied by a drain on the country's resources of Indian currency. Concessional rates meant, in effect subsidization of wholesale prices without lowering of retail prices. After selling drafts totalling Indian Rs 1.63 crores between July 1957 to June 1958, the experiment was abandoned in November 1957. The Report concludes that unitary currency system can be achieved only after a fairly stable rate between Nepali and Indian currencies has been maintained for an appreciable period of time. For this purpose, Government finances would have to be managed more carefully.

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Our American Letter

ADD a State Department photo release to a Herblock cartoon in the 'Washington Post', and you get about the total picture of the confusion and sense of despair that have been brought about here by Dulles's illness. Herblock's cartoon is captioned 'Foreign Policy Decision', and shows a bewildered American citizen gaping at the entrance of the Walter Reed Hospital. The photo shows Christian A. Herter, the Acting Secretary of State, entering his office—on crutches. The poor man is suffering from acute arthritis, and more than one interpretation is possible of the wry smile on his face.

If you have tears, shed one for the down-cast Republicans. The incapacitation of Dulles is the last in a series of misfortunes to befall the Party. It is still reeling under the shock of the worst Congressional election debacle since the Depression days. The party apparatus is all a shambles in a good number of States, including California, Vice-President Nixon's back yard, where stalwarts such as ex-Governor Goodie Knight and ex-Senator Republican Leader Knowland have gone down in defeat. Since the Sherman Adams affair, the Republicans cannot even claim to speak in high moral tones and point toward the incorruptibility of their administration in contrast to orgies of graft and nepotism alleged to have been indulged in during the days of Roosevelt and Truman.

Republican Frustration

And all passion is spent with regard to the name spelled Eisenhower. This is partly the result of the Republicans' own past doing: they are reaping what they themselves sowed. Despite his intellectual and administrative shortcomings, Eisenhower has proved beyond a shadow of doubt that his vote-drawing ability can well compare with Franklin Roosevelt's. In 1956, many Republicans swarmed into the Senate and the House simply by clutching on to Ike's coat tails. Alas, Ike cannot stand for a third term in 1960. What stands in the way is the Twenty-second Amendment to the Constitution, which precludes a person from being elected President for more than consecutively two terms. This Amend-

ment was voted ten years ago by a predominantly Republican Congress which was still haunted by the memory of four-time winner FDR and which was determined to forestall any similar monkey business on the part of Harry S Truman.

No doubt the Republicans are now kicking themselves for the folly committed in haste. By a peculiar psychological complex, the Republican frustration is breaking out in the form of complaints which make Eisenhower responsible for the Party's current ills. His personal shortcomings are being openly discussed; he is being accused of not providing the Republicans with continuous moral leadership; the fulmination grows every day that he is too much under the influence of the small group that constitutes his golf-and-bridge playing fraternity. In short, he is being convicted, by his own Party men, of all the sins of omission and commission which the Democrats had listed against him, three years ago. If you have tears, shed a special one for Eisenhower.

Good Entertainment for Democrats

On the one hand, arch conservatives, led by Senator Barry Goldwater of Arizona, berate the President's liberal attitudes towards foreign aid and tariffs and hold these responsible for Republican decay. They argue that where Republican policies are hardly distinguishable from Democratic ones, the traditionally GOP supporters feel let down—they search the Republican image (we will notice later how deeply this concern regarding 'image' bedevils American politics), find it not and withdraw in their groove. At the other hand, there are such Republicans as representative Aiken from Illinois who believes that the only chance of saving the Party from a complete eclipse in 1960 lies in remoulding the Party's image through adoption of a genuinely progressive programme of action. They therefore complain bitterly about Eisenhower's vacillations, indecisions and periodic surrender to the die-hard elements in the GOP. The President's current obsession over a balanced budget has come in for biting criticism from this group: did Abraham Lincoln care for balanced budgets?

All this is providing good entertainment for the Democrats. The image of Eisenhower as a doddering old fool who cares only for golf and the hunting estate in Georgia of his ex-Secretary of (the) Treasury Humphrey has not a little been fostered by press columnists, who in this country are accorded a wide latitude even in papers owned by people with out-and-out Republican affiliations. Thus the fact that, since his last operation, Eisenhower has developed a distinct lisp is widely and gloatingly commented upon, along with such juicy tidbits as, for example, that the President cannot pronounce the word 'nuclear', but says 'nuk-leur'. This sneering snobbery on the part of journalists has developed to a large extent as a result of Eisenhower's extremely poor performance at press conferences. He is often at sea when replying to slightly involved financial or even foreign policy questions, and his English syntax is a perfect mess.

Samples

Discussing Berlin issue: 'What I do think is here is something that has to be constantly studied, explored, and to keep with the changing proposals, free cities, and that sort of thing, I mean in the free city in the sense of an international sense, not the way we are talking about it, that kind of thing'. Discussing Quemoy and Matsu: 'Every single day there are new and tough decisions that have to be made within a foreign policy, but if you go back to 1947 and see the statements that are made about opposing the territorial expansion of communism by force, when you go back and see what our policy went into in the effort to develop collective security, mutual aid, technical assistance and that kind of thing, that, well, at least will help to make the free world stronger collectively and each individual nation as opposed to communism, that when you come down to it are the basic parts of the policy.'

Solace Gone

Given these diverse misfortunes John Foster Dulles was a point of solace to devout Republicans. Come what may, you cannot take Dulles away from the Republican party, and isn't he the man who has kept the Russians and the rest of the

scheming Communists at bay over the past decade? Here was the architect and executor of Western diplomacy, and who can dispute that his image is the Republican image?

And now Dulles has been stricken by deadly cancer. This has had the effect of a telling blow, and the bulk of the Republicans are now convinced that the gods have deserted them. A house in deep disarray, the Republican administration is counting the days and months till next year's election, when, by general supposition, a Democratic President would be comfortably elected.

Yet it would be wrong to conclude that everything is decided regarding the 1960 election, or that the Republicans have given up all hope of another victory. For, despite severe odds and Dr Gallup, didn't Harry Truman emerge triumphant in 1948, swamping Republican Dewey, whose victory had been so confidently forecast? The search is on for the person who can do a 'Truman' for the Republicans next year. It is in this connection that the name of the freshman Governor of New York, Nelson A Rockefeller, is being freely talked about.

Miraculous Victory

For 'Rocky's' victory in the gubernatorial contest was something in the nature of a miracle. It was achieved in the face of a Democratic avalanche all over the country, and despite the good administrative record of the popular and influential Democratic incumbent, Averell Harriman, who had offered himself for re-election. The Rockefeller scion had entered the contest under heavy odds. But he threw himself into the fray with great zest, and campaigned vigorously on the plank of an attractive, liberal programme. While in the rest of the States the Republican base was perilously shrinking, in New York Nelson Rockefeller, coming up from behind, beat his Democratic opponent by a wide margin. Not only that, on his coat tails he also carried a Republican Senator. His prestige at the moment is very high indeed, and by all accounts he is regarded as a big draw for independent voters.

A 'Rockefeller for President' campaign is slowly gaining ground in isolated Republican pockets, and very soon it may assume a proportion which would be frightening to other aspirants, Democrats as well as Republicans. Rocky's ascendancy

threatens the prospects of Vice-President Nixon, who until now was considered to be the front running Republican candidate for next year's election. Nixon's advantage is that he has the wholehearted approval of the Republican Party machine. He is an 'inbred', proud of his conservatism yet flexible enough to deliver speeches airing non-controversial liberal sentiments, a tireless campaigner who can give, and loves giving, hell to the Democrats. In contrast, Rocky's Party affiliations are perfunctory, his public speeches are soaked in progressivism, and the GOP bosses are not all confident which way the guy is heading.

Rockefeller Phenomenon

All the same, prognosis in these matters is extremely difficult. For in 1952, Taft had the party machine at his command, but Eisenhower succeeded in stealing it away at the crucial hour. If the GOP machine would be convinced that with Nixon as candidate, the chances of victory are slim, while Rockefeller, given his status among unattached voters, can bring in an upset Republican victory, it will have little qualm in ditching Nixon and climbing Rocky's band wagon. As almost everywhere else, in American politics too, the policy of expediency is the best. Besides, the wholesale massacre of the Republican forces in last year's Congressional elections in California, Nixon's home State, has considerably weakened the Vice-President's position. As Rockefeller partisans are saying, Nixon's is the image of debacle; their hero's, that of victory.

The Rockefeller phenomenon is causing worry to the Democrats as well. With Eisenhower constitutionally prevented from presenting himself for a third term, the Democrats had been thinking that they had it all sewed up. Pick a non-controversial candidate, paper over the North-South fissure over the civil rights issue, keep on passing a steady stream of legislation with accent on public works expenditure, keep on waging for high farm price parities, and the rest would be done by the damn fool Republicans stewing in their own bickerings and blunders. The setback in New York has set them thinking afresh. For what has happened in New York can well be repeated for the nation as a whole. The menace of Rocky must be sized up and adequately met, otherwise

he may yet topple the Democratic applecart.

Intra-Party Battle

The new series of tax measures which Rockefeller has proposed in New York immediately on his inauguration as Governor have made the Democrats happy. Surely this is going to weaken his hold on the independent voters? Meanwhile, a leading group of New York Democrats, including Mrs Eleanor Roosevelt and ex-Senator Robert Lehmann, have come out with a statement which tries to suggest that the Democratic malaise in New New York State can be directly linked to the organizational hold maintained by the Tammany Hall boss, Carmine de Sapio. The statement is a delightful exercise in subtlety. Unlike the Republicans, Mrs Roosevelt and her associates do not bluntly accuse de Sapio of bossism and graft. But, they say, Tammany Hall presents an 'image of bossism' to voters, and this has to be removed if Democratic prospects are to improve in New York State.

The Battle of Images is thus on. At the first stage, it is an intra-party battle, corresponding to the 'primaries'. For the next fifteen or eighteen months, it will be a regular free-for-all, with Images going abegging. At the end of it, when the Democrats and the Republicans have picked their respective candidates, Images will be reduced to just two, and the inter-party battle will be on. And each will have the liberty to describe the Republican and Democratic images in the way he or she wishes. Images, after all, are what you want them to be.

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Book Reviews

Dr Gallup in an Indian Village

Harish Pandya

Voting Behaviour in an Indian Village by A H Somjee. M S University, Baroda. 1959. Pp iv+64. Price Rs 2/4

THIS brochure is to be welcomed as it embodies the results of an empirical study made at the time of the last General Election, of voting behaviour in Boriavi, a village 27 miles from Baroda on the Baroda-Ahmedabad railway line. It is to be hoped that Dr Somjee's study is symptomatic of a change of interest among Indian political scientists from problems such as "T H Green's political philosophy" and "Social Contract theories in Ancient India" to actual investigation of Indian political behaviour in the context of economic, religious and social conditions obtaining in the country. Only when Indian political scientists get their teeth into this kind of problem is there some hope of any contribution to political theory being made by them. Dr Somjee's pamphlet is therefore doubly welcome.

After an unnecessary, and, I regret to say, a pretentious section on the logic of question and answer—it looks as though Dr Somjee was trying to assure his colleagues that his investigation was really theoretical even though he was rubbing shoulders with grubby peasantry—, Dr Somjee proceeds to tell us that he and his assistants adopted the method of 'participant observation.' 'Participant observation' is the rage among Indian highbrows today, thanks to the invasion of India by Point Four and TCM social scientists. Dr Somjee tells us that he had the advice of his colleagues in the Department of Sociology in planning his survey. It is a pity that his sociological colleagues did not explain to him the real meaning of 'participant observation.' In the latter the investigator spends at least a year in a community sharing the life of the ordinary people and winning their confidence. He collects a vast amount of data, and uses questionnaires as little as possible.

No one who had really studied a society by means of the 'method of participant observation' (what a mouthful!) would show the naivete which many of Dr Somjee's remarks show. For instance, Dr Somjee writes, "Although socially a

homogeneous group, none of the Patidar samples expressed his caste sentiments in connection with voting in spite of direct questions to that effect from our investigators." (p 24. Emphasis added) The idea that stranger-investigators could unearth caste-sentiments by direct questioning in formal interviews is too simple-minded for words. Dr Somjee's remarks, made thirty pages later, belie his claims to employing the method of participant observation, "Consequently the lack of familiarity on the part of the investigator with his sample acted as one of the factors in the political inarticulation of some of the samples." (p 54)

Boriavi is too large a village (it is classified as a 'town' in the 1951 census) to be studied without the aid of sampling techniques. Dr Somjee's pamphlet is liberally interspersed with numerical data and the reviewer is thankful to him for it. But surely, the expression of figures in terms of percentages is occasionally distorting especially where the sample studied is small. For instance, on p 25 Dr Somjee writes that 5 per cent of his samples were Barots and that the percentage of vote-intention among them was 100 per cent, 50 per cent voting for Congress and 50 per cent voting for Mahagujarat. Then comes the earth-shaking conclusion, "They (Barots) seemed to have been strongly influenced by the leaders of both the parties." Thumbing through the pages one finds that two Barots were interviewed!

In the first few pages alone Dr Somjee makes it clear that he is not a mere fact-gatherer. He has a 'hypothesis' to test, viz, to find out the part played by forces such as 'falia' (neighbourhood group), caste and local leadership in the elections. He also states that he wanted to find out how an immense and nation-wide phenomenon like the General Election was translated into local terms. Both sensible tasks, in spite of the pompous manner in which they are stated. Dr Somjee writes: "Although the influence of the caste and religious sentiment on the voting-behaviour was consider-

able it cannot be said to be universally present. That is to say that neither all the caste and sub-caste groups expressed their sentiments of 'weness' in connection of voting through the idiom of caste nor did a sample explicitly state that he was going to vote for a particular candidate because he belonged to his caste or community. Brahmins, Patidars, Barias, Barots, Darjis, Luhars, Sonis, Dhobis, etc, did not say that they as a caste-group were going to vote for this or that candidate. Caste considerations begin to appear among the lower stratas (sic) of Hindu society such as Kachchia Patels, Bhois and Bariayas. There too the sentiment of caste with regard to the election was not universally present. To the best of our knowledge, none of these caste-groups excepting the Baraiyas got together to vote for this or that candidate. And so far as the Baraiyas were concerned they are so scattered in the villages of Kaira District that their caste leaders to the best of our information did not reach the average Baraiya voter." (p 30)

This long quotation gives a brief summary of Dr Somjee's findings. It is confusing in some ways. In one place Dr Somjee implies that caste considerations were not present because his 'samples' (what a word!) said so while in another he says simply that such considerations were not present. Again, in one place, he says that caste considerations were present among the lower castes while in another he says they were not present even among the Baraiyas. Finally, no one acquainted with villages will agree with him when he says that Baraiya leaders were not in touch with their followers because of scattered settlements.

Even Dr Somjee says that 'religious' factors exercised a definite influence on the voting-decisions of Muslims, Christians, and Harijans. (Since when did Harijans become a separate 'religion'? Dr Somjee's persistent references to them as distinct from the Hindus is understandable, to say the least.)

According to Dr Somjee himself, caste was obviously operative with

the lower castes (including Harijans), and religion with Christians and Muslims. Perhaps if Dr Somjee's methods had been a little subtler and deeper, he might have found caste operative with the higher castes as well. If the techniques of 'participant observation' had been really applied, Dr Somjee would have been able to listen in on many a conversation revealing the indirect ways in which caste expressed itself. Dr Somjee, for instance, says that the economic factor was the most potent factor of all. It may indeed have been so, but a surprising omission is the castewise distribution of land-ownership, and the numerical strength of each caste. This would have given some idea of the inter-meshing of caste and economic factors.

Sometimes it is really difficult to discover what Dr Somjee means. For

instance, explaining the Harijan vote, he says "They voted as a caste, not in order to maintain themselves as a caste but to be able to rise higher in the economic and social scale." (p 50) Translated into simple English this means that a caste which votes en bloc for a candidate in order to raise its position is not voting on caste considerations. Comment is superfluous.

Land Tenancy Act is rightly given an enormous amount of importance by Dr Somjee. But the reviewer would have liked Dr Somjee to explain how exactly this Act worked in Boriavi. Reports from other areas in Gujarat do not show that the Act was very effective in transferring land from big land owners to tenants. Again, Dr Somjee does not distinguish between landowners resident in the village and absentee landowners. Some landowners are

also tenants, and occasionally, even hire themselves out as labourers.

According to Dr Somjee, the 'leaders' were very important in influencing voting-behaviour of their followers. He would have added to the usefulness of his pamphlet if he had explained to his readers what exactly was the kind of hold the leaders had—landownership, membership of particular castes, money-lending, crucial contacts, education etc. He writes: "It may be interesting to note that whenever a sample did not act in accordance with the dictates of caste, religious or economic considerations, wherever they definitely operated, one could trace the influence of a political leader in such a voting-decision." (p 4) This is contradicted for Christians and Muslims (p 51), who, according to Dr Somjee, voted for the Congress candidate on the instructions

of leaders of their respective religious leaders residing outside Boriavi.

The reviewer is not trying to deny the importance of either leaders or of economic factors. What he is objecting to is that Dr Somjee's survey is neither deep nor systematic, and Dr Somjee lacks the requisite 'bag of tools' to carry out effectively the task he has undertaken. One methodological question seems to have escaped him altogether: what guarantee is there that voters finally vote as they have told

the investigators they would? Again, how does one know they give the reasons which really prompt them, assuming that they are clearly aware of them?

Dr Somjee's pamphlet seems to have been written in a great hurry. Spelling and punctuation leave much to be desired. One sentence reads: "This difficulty was all the more greater in the case of female samples." (Emphasis added) Then there is a gem on p 24: "Among the Patidars the samples who failed to express their vote-intention were

essentially female samples." (Emphasis added) What were they inessentially?

These criticisms should not be understood to mean that the reviewer does not welcome the pamphlet. He does. Dr Somjee's endeavour deserves to be praised. He is on the right road and that is the important thing. Let us hope that in the near future the Department of Political Science in Baroda will lead the other Universities in this type of research.

Rural Sociology in India

THIS is a revised and considerably enlarged version of Dr Desai's earlier 'Introduction to Rural Sociology in India'. Both books have the same pattern: a first section discussing some of the problems and categories used in the study of rural society, and a second part consisting of reprints and abridgements of various substantive articles on the subject.

Virtually no changes have been made in the first part of the book. But the 'readings' of the earlier edition, none of which had specific reference to India, have been replaced by writings about Indian rural society. One or two of the articles selected come from the 'classics': for example, there is the famous extract from Capital and there are two short pieces from Baden-Powell's book, 'The Origin and Growth of Village Communities in India'. But most of the pieces are taken from recent publications by sociologists, some of them from relatively inaccessible or ephemeral sources. In addition, Dr Desai has classified the pieces into ten sections, which are designed to show the change and development now taking place in Indian rural society, and the obstacles which such developments meet.

It is to be regretted that Dr Desai was not able to apply to the first part of the book the same radical surgery which he has used on the second. When a third edition of the book is contemplated, I would recommend that the following points should be taken into consideration. Firstly, although the

categories and theoretical framework of the first part of the book are in many ways directly applicable to Indian society, there nevertheless remains here and there an outlook and approach which is not Indian, but American. For instance in the chapter on Economy, I consider that the distinctive character of Indian as against American agriculture—its labour-intensive-ness—is not sufficiently brought out.

Secondly there is an unfortunate air of 'manifesto' or 'programme' pervading the first part of the book. We are continually being told what should be done. I confine myself to one example, from page 20:

"A detailed map of India indicating various natural and economic regions; indicating areas inhabited by populations living in various stages of economic development; showing linguistic regions including regions based on different dialects as well as different variations of the main language; and showing, further, religious regions based on different religious beliefs prevailing among the people; will throw great light on some of the most burning problems of Indian society...."

Would it not have been better, in a book designed to introduce people to the subject, to show them what has been done: or even, if such a map is an 'urgent need' to make it and publish it in the book? The basis of my criticism is that many of the questions described in the first part of the book as requiring an urgent answer, could in fact have been answered, at least in part, from the readings given in the second part, or from other sources. One might even argue that more

is known about the peasants of India, their economic, political and religious life, than about peasants anywhere in the world. The first part of Dr Desai's book has not tapped the rich sources of information to be found in the older, as well as more recent, literature about the Indian countryside.

Thirdly I would like to suggest that in future editions of the book there should be some discussion of sociological theory: at least an explanation of such basic concepts as 'structure', 'function', 'system', and so forth. It is true that an intelligent reader will pick up the meaning when he goes through the second part of the book, but, unless he is exceptionally intelligent, he will not realise that behind many of the analyses lies a coherent and systematic body of sociological theory.

Finally the student who uses this book would benefit if he were told something of the methods and techniques which can be used in the study of rural society. I think it would add life to the book if one were told how a survey is conducted, of what intensive fieldwork consists, how questionnaires are framed, what a genealogy is, what the 'case method' is, and, most importantly, if the student were warned to look at particular bodies of information and to try to evaluate their accuracy and worth against the methods used to collect that information. A teaching book should try at least to inculcate the habit of criticism.

Nevertheless, if intelligently used, Dr Desai's book will provide a stimulating aid to class-room teaching.

By A R Desai. The Indian Society of Agricultural Economics, Bombay, 1959. Pp xviii, 440. Price Rs 20.



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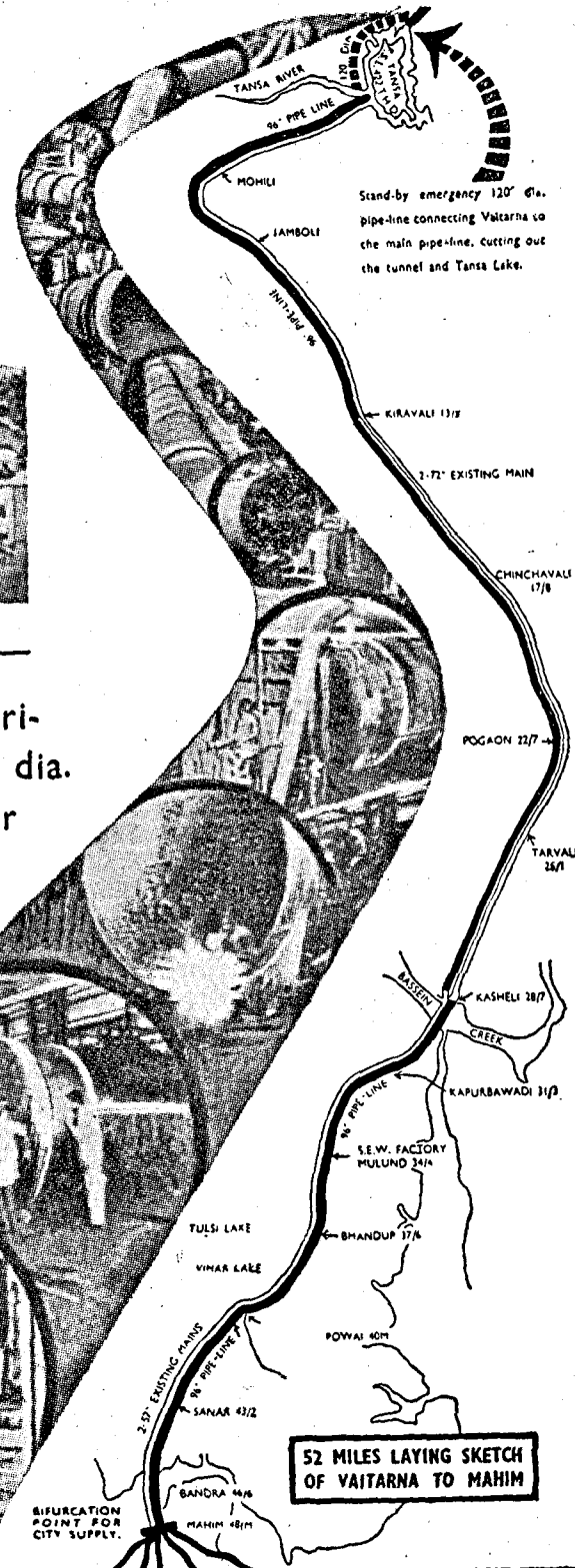
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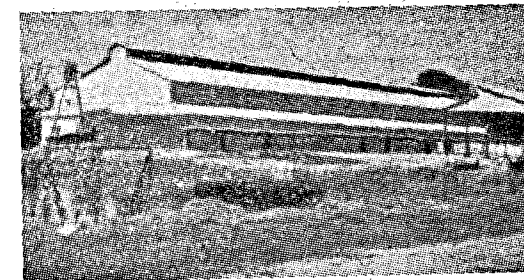
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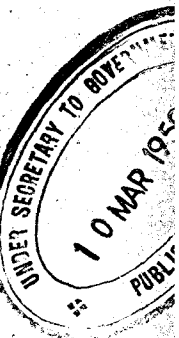
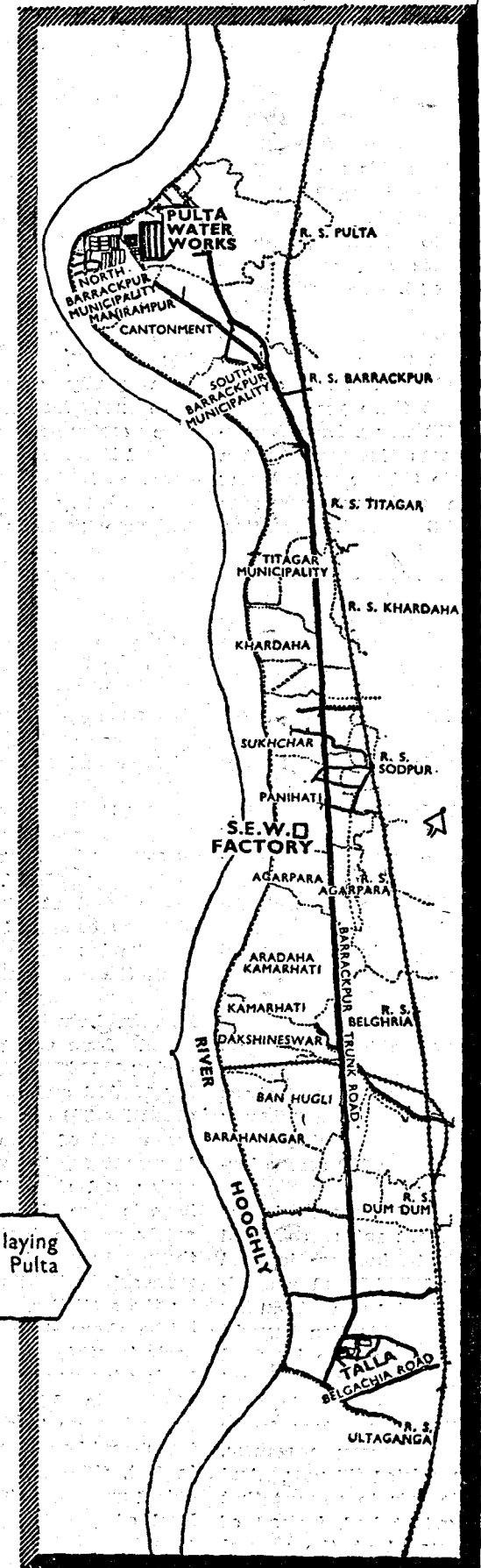
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Three Years of the Plan A Retrospect

Savya Sachi

AT the end of this month, three years of the Second Plan would be completed and it is worthwhile at this stage to look back, examine the past trends and analyse the present state of the economy.

Investment as a proportion of total income seems to have increased from about 9 per cent during 1955-56 to about 10-11 per cent during the first three years of the Plan-period. It was private investment which was increasing at a significant rate (24 per cent) during 1956-57, while public investment rose by only about 3 per cent. Thereafter, however, public investment increased by about more than 30 per cent during 1957-58 and is estimated to increase by about 10 per cent during 1958-59, while private investment probably is showing some decline during these two years. Even so, by the end of 1958-59, the organized private sector would have fulfilled about two-thirds of its investment target, while public sector would have fulfilled about one-half only.

Savings as a proportion of national income seem to have remained constant at about 7.5 per cent during the three years of the Second Plan.

This discrepancy in the savings-investment rates was made good by import surpluses, financed out of our sterling balances and foreign aid/loans. During the first two years of the Plan-period, the draft on our foreign exchange reserves was about Rs 221 crores, and Rs 260 crores respectively, and is expected to be about more than Rs 100 crores during 1958-59.

Further, this discrepancy in the savings-investment rates coincided with a nominal increase in food output during 1956-57 and a significant drop of 10 per cent during 1957-58. This combination brought about a considerable rise in food prices, which in 1958 alone increased by 9 per cent. The rise in food prices was the most potent factor in causing inflationary pressures, which have persisted till now. And it seems quite fair to suggest that if the food output had, instead of declining, increased at the normal rate during 1957-58, the economy

would not have suffered from inflationary pressures as it did, though, of course, the import surpluses would have persisted, arising as they did from the direct investment demand for metals and machinery.

The rapid increase in private investment, particularly during 1956-57, appears to have been partly along lines which were not included in the private sector investment for the Second Plan. It was at least partly because of this reason that we faced such a heavy drain on our foreign exchange reserves during 1956-57 and 1957-58. The unexpected drain on the foreign exchange reserves was also caused by laxity in the import control machinery, which permitted certain "non-essential" imports of consumers' goods and general underestimation of the import requirements for defence, the maintenance of the domestic levels of industrial output and the Plan-investment. Food imports were largely financed by P L 480 loan/grants and played only a small part in causing the large drain on reserves during 1956-57.

The difficult foreign exchange situation compelled the authorities to take immediate action and they since the beginning of 1957 took drastic measures to reduce private imports. Private imports hence declined from about Rs 804 crores during 1956-57 to Rs 682 crores during 1957-58 and are expected to be about Rs 550 crores during 1958-59. Some part of these private imports is meant for the use of the public sector and since the public sector imports are increasing, one can safely assume that the decline in the purely private imports is much more substantial than what is shown by the statistics.

The sharp decline in private imports together with the low level of bank advances and slowing down of the rate of increase of industrial production go to show that private investment has been slackening. And in fact, this is exactly what is required under the circumstances. The level of private investment in the organized sector has to be reduced to half of what it was during the

first three years in the remaining period of the Plan, if public investment is to proceed at the expected rate in view of the actual and expected foreign exchange resources.

Another favourable factor from the point of view of Plan investment is the prospect of a substantial increase in food output during 1958-59. It is expected that the food output this season would be around 70 million tons. This increase together with the expected food imports under P L 480 would be sufficient for meeting the current demand for food as well as for building up adequate food stocks.

The reduction in private investment and the expected increase in food output have created a very favourable climate for a substantial increase in public investment. In fact, these two favourable developments remove to a very great extent the danger of inflationary pressures and the 'undesirable' use of foreign exchange resources, both of which created a sort of a crisis during the initial period of the Plan.

Here is, then, an opportunity to increase public investment substantially. As against this opportunity, according to the Finance Minister's latest Budget speech, the level of public investment is going to be only a little more than the level of 1958-59, so as to reach the target of Rs 4,500 crores during the Plan-period. The Finance Ministry as well as the Planning Commission have fixed these targets on the basis of the available and expected financial resources.

Of course, in view of the more or less fixed limit of available and expected foreign exchange resources, it is quite understandable if the Commission restricted investment involving foreign exchange expenditure to the permissible level. But what about investment which does not require the use of foreign exchange resources?

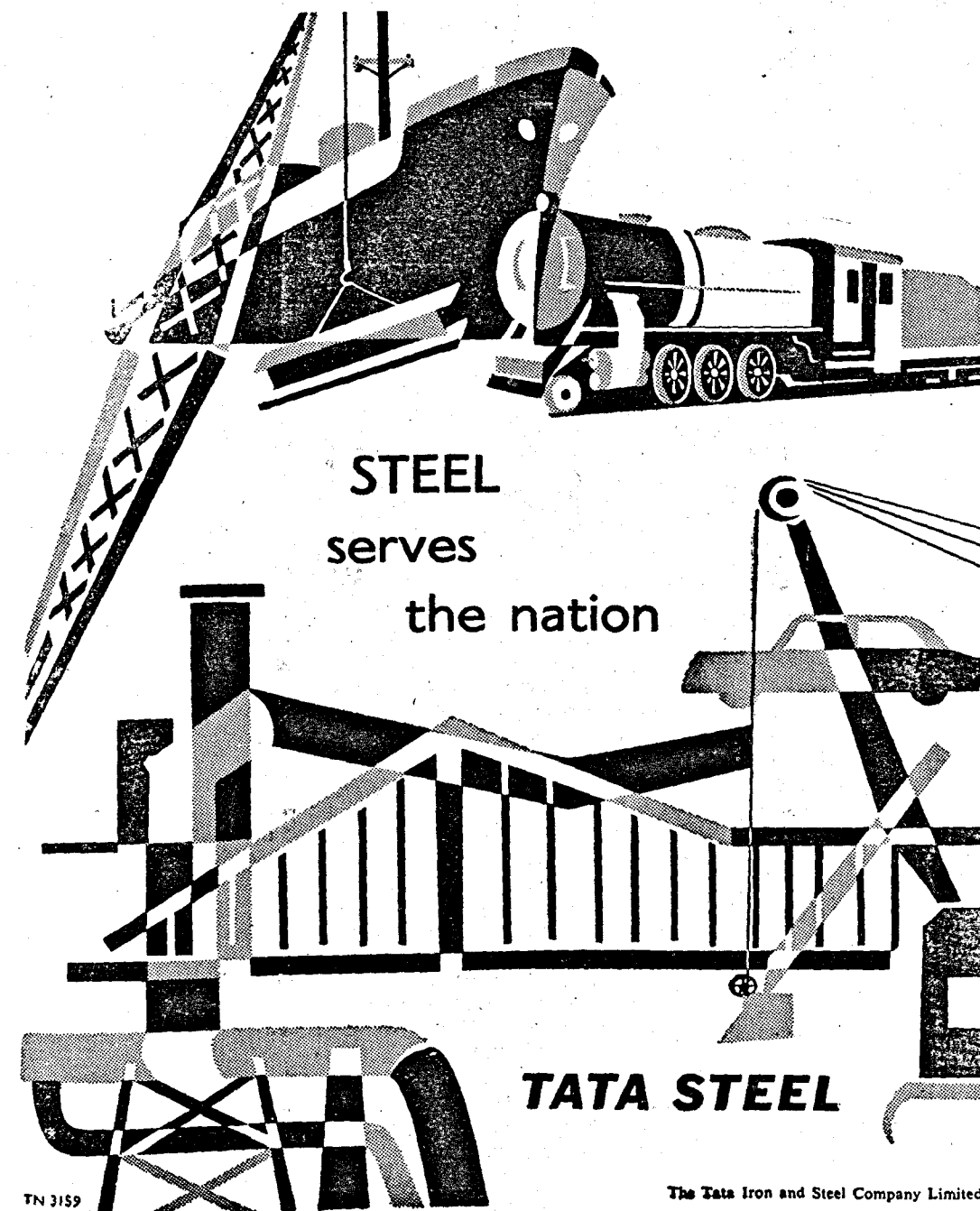
Such investment in fact should be increased in view of the reduction in private investment and the prospects of a substantial increase in food output. Both these developments would make more internal resources available which, if

not used for the purposes of increasing public investment, would remain idle and generate a recessionary trend in the economy. Apart from this danger, it would be wholly unjustified not to use available resources for the purposes of investment when it is so urgently necessary to increase the production capacity of the country and find productive employment for the people.

The Planning Commission does

not seem to appreciate what should be pretty obvious, because of its obsession with a faulty and highly misleading apparatus of economic analysis, which runs purely in financial terms. If adequacy of internal resources is judged, not from the point of view of internal financial resources but from the view point of real physical resources, it would be perfectly clear to any serious student of the Indian economy that the present situation is

very favourable for a substantial increase in non-import-requiring public investment. A similar period favourable for stepping up public investment had arisen in 1952-55 but it could not be availed of because of organisational drawbacks; it would be inexcusable to miss the opportunity that the economy now provides for a considerable increase in public investment with no or negligible import content.



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The Tax Proposals

THE budget presented by Shri Morarji Desai is remarkable in many ways. On the one hand, it reflects an understanding of the need for the simplification of the tax structure, which is highly commendable. On the other, it shows an inability to tackle boldly the problem of resources, which is regrettable. The Finance Minister has fallen back on the easy remedy of deficit financing for carrying out the programme of investment of the fourth year of the Second Plan in spite of the general agreement on the need for restraint in this matter in the circumstances now prevailing in the country. (The Finance Minister has hinted at the possibility of additional tax proposals later during the year, but this is hardly a healthy practice.) The tax proposals made by him are estimated to bring in a total revenue of about Rs 26 crores of which a little over Rs 23 crores is to accrue to the Central Government and the balance to the State Governments. As a result, the Finance Minister has covered only about one-fourth of the revenue deficit of Rs 81.67 crores for 1959-60. The overall deficit after taking the new tax proposals into consideration will be as high as Rs 222 crores.

Wealth Tax on Companies

Of the tax proposals, it is the indirect tax changes which are expected to yield the major portion of the additional revenue, while the changes in the direct tax system are aimed primarily at simplifying the tax system. The Finance Minister has struck boldly in this direction and he must certainly be congratulated for the way in which he has been able to go to the root of the matter and bring about basic improvements in the system. What the Finance Minister has done first is to eliminate two of the taxes on companies which have been the source of much irritation to the corporate sector. The Finance Minister has abolished the Wealth Tax on companies and also the tax on excess dividends.

The wealth tax on companies has been severely criticised. It has to be paid even by those companies which are making no profits and lays a proportionally heavy burden on those companies which are for one reason or another not earning very high profits. It is true that new companies not earning profits had been given exemption from the

operation of the tax, but this did not cover those companies which had been established for some time but were passing through a period of difficulties. The wealth tax was also a disincentive to investment in such activities as on the whole tend to give relatively low rates of return to the investor. It has to be remembered that the justification for the wealth tax on individuals is that even where the wealth does not yield its owner any income, it gives him both a real satisfaction and a security which make it a good object of taxation. This argument does not apply to companies, all of whose assets are presumably being productively employed even if not necessarily at a profit. The wealth tax on companies together with the wealth tax on shareholdings in the hands of individuals also led to double taxation, which the abolition of the wealth tax on companies will now eliminate. The only justification for the wealth tax on companies was that in the given situation in India, the wealth tax on individuals alone might not yield much revenue to the government. Since the revenue aspect of the wealth tax on companies has been taken care of by Shri Morarji Desai in his new system of taxation, this argument also loses much of its force.

Tax on Excess Dividends

The tax on excess dividends was first introduced by Shri Chintaman Deshmukh, though it has undergone a number of changes since then. It will be remembered that the tax on excess dividends was introduced simultaneously with the withdrawal of the income tax rebate on undistributed profits as a measure by which the differential tax in favour of undistributed profits would still be maintained, even though the rebate on undistributed profits had been withdrawn. The tax on bonus shares was the third measure in the set of integrated proposals put forward by Shri Deshmukh at that time. Shri Morarji Desai has now proposed the abolition of the tax on excess dividends, the loss of revenue from this proposal being made up by suitable changes in the income tax system.

Company Taxation

It has been suggested above that the revenue losses from the aboli-

tion of the wealth tax on companies and the tax on excess dividends have been made good by changes in the income tax system. A glance at the new rates does not give this impression at all. The income tax on corporate profits, inclusive of surcharge, was 31.5 per cent and the corporation tax was 20 per cent. This gives a total of 51.5 per cent taxation on total profits. The new rates proposed are 25 per cent income tax and 20 per cent super tax, giving a total of 45 per cent taxation on total profits. This is not, however, a reduction as might appear at first sight. In the past the 31.5 per cent income tax was treated as having been paid by the company on behalf of its shareholders. This tax payment was, therefore, credited to the tax-payer both by way of an increase in his income and by way of payment of tax. His income was grossed up by the tax payment, but the tax payment was also credited to him to be set off against his total tax liability or be available for a refund to him. This will no longer be done with respect to any part of the 45 per cent taxation referred to above. The whole of this tax payment will in other words be treated as corporation tax was treated in the past, a tax paid by the company as such, not as paid on behalf of its shareholders.

The dividend paid to the individual shareholder will thus be treated as his income for the purpose of tax payment, without any tax payment being credited to him out of the 45 per cent tax referred to above. At the same time, provision has been made for the advance payment of income tax on the dividend at a standard rate, this income tax being additional to the income and super taxes on the income of the company totalling 45 per cent which has been discussed above. The shareholders' income will be treated as consisting of the dividend plus the advance tax payment at the standard rate made in accordance with the system described above. At the same time, the advance tax payment will be credited to the shareholder for set-off against his total tax liability or for refund.

Advance Payment of Shareholders' Tax

This system of advance tax payment and subsequent credit both for

income and for tax purposes may not appear to be very different from the existing system, but in fact it differs in essential features. In the existing system, the process of grossing up the dividend income of a shareholder is a highly complicated process. To carry out the process, it is necessary to determine the following factors which affect the rate at which grossing is to be done:

(a) the composition of the profits of the company which have been availed of for declaring the dividends, that is, how much of the dividends have come out of the profits subjected to tax and how much out of exempted profits; and

(b) the composition of the profits taken to reserves in earlier years, in cases where the company draws upon these past reserves for declaring dividends.

This process is not merely complicated; it can be carried out only after the assessment of the company's profits has been completed. The shareholder's assessment gets inevitably delayed. The new system does not require any complicated process of grossing up depending upon the composition of the profits out of which the dividends are paid. The tax payment in connection with the dividend is quite separate from the tax payment on the company's profits. This tax payment in connection with the dividend is clearly known and the grossing up can be carried out without any difficulty or delay.

It is because the advance income tax on dividends, which is treated as paid on behalf of shareholders, is quite different from the income tax on the company's profits that a rate of 45 per cent on the latter instead of 51.5 per cent is expected to yield the same net revenue as was yielded by the income, wealth and excess dividends taxes. The 45 per cent tax on company profits is thus expected to yield a revenue equal to the annual gross revenue now obtained from companies from all forms of taxation less the annual credit given to the shareholders.

Effect on Individual Companies

While the total revenue of the Government of India from corporate taxation will not, therefore, diminish as a result of the proposed change in the system of taxation, it does not mean that particular companies will be unaffected. As pointed out above, the rate of grossing up of

shareholders under the existing system depends upon a number of factors, whose influence is bound to vary from company to company and even for the same company from year to year. The new rates of taxation are, however, uniformly applicable to all companies and all of them will also have to pay the same standard rate of advance tax on dividends. The net effect is thus bound to vary. It is wrong, however, to imagine that all companies will be worse off, and each of them always so, as a result of the change-over. If this were true, it would imply that the new rates have on the whole not been appropriately adjusted and that the Government would be obtaining additional revenue because of the change in system. Shri Morarji Desai has specifically proclaimed his intentions in the matter and there is no reason to believe that the rates do not correspond to his professions. The rates must have been fixed in fact after taking the total revenue from companies less the annual credit to shareholders into consideration. There is not likely to be any increase in the burden as a whole, but this is only because the burden on some will increase and on others decrease.

Consequential Changes in Tax Law

As a result of the introduction of the new scheme and the new rates, a number of consequential changes are necessary in the income tax law. These are carried out in the finance bill. There are, however, also other provisions of a minor character which cannot be described as purely consequential in character. The capital gains tax on companies, which was levied so far at 31.5 per cent has in effect been reduced to 30 per cent (20 per cent income tax and 10 per cent super tax). The justification for this reduction, minor as it is, is difficult to appreciate and in fact no explanation is offered. Again, section 23A companies which were hitherto required to distribute at least 45 per cent of industrial profits and 60 per cent of non-industrial profits to avoid the penal provisions of that section are now required to distribute 50 per cent and 65 per cent respectively of these classes of profits. The object is "to ensure that the profits retained by these companies after the introduction of the new scheme, without being subjected to the penal tax, remain at the same level as before its introduction." The company de-

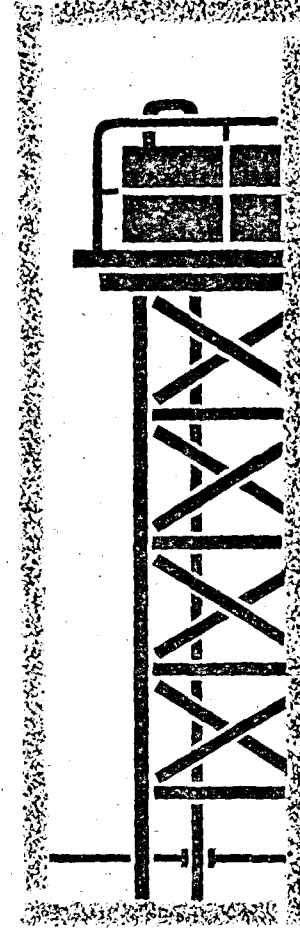
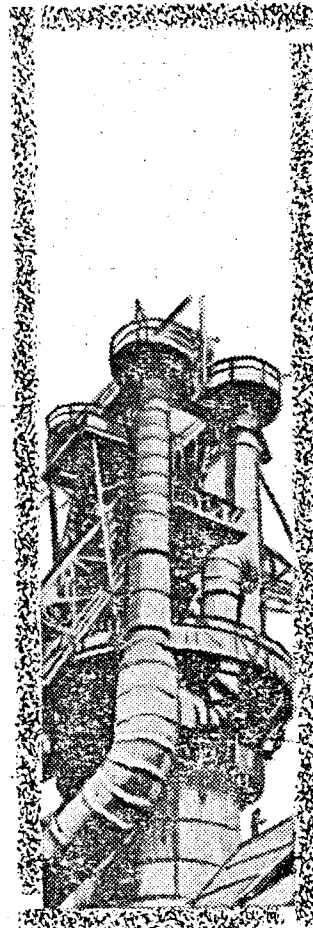
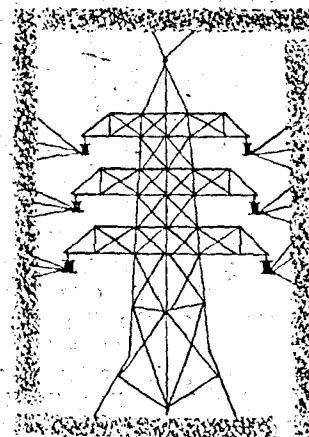
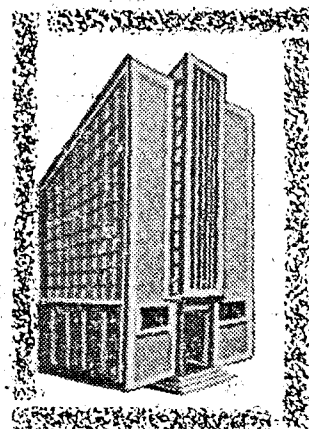
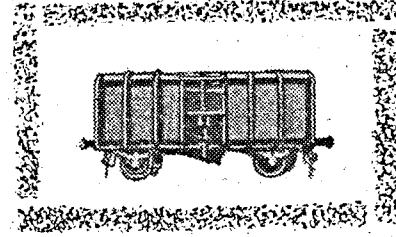
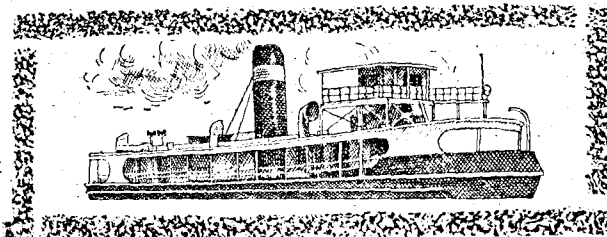
posit scheme which was in operation during 1957-58, but was suspended during 1958-59, is proposed to be abolished. The Finance Minister has also proposed that bonus shares should be taxed even when they are issued out of share premium accounts. This appears to be unfair. The tax on bonus shares in any case came in first as a corollary to the excess dividends tax. It now stays on though that tax has been abolished.

Corporate Saving

The changes in the system of corporate taxation now proposed raise the question whether there exists in the new tax system any special inducement in favour of corporate saving through a differential in the rates at which distributed and undistributed profits of companies are taxed. The need for corporate saving can hardly be questioned, and it is interesting, therefore, to spell out the changes that have been made in the tax system during recent years in relation to this question of a differential between taxation on distributed and undistributed profits.

Until March 31, 1956, the differential was very clearly maintained in the form of a rebate on undistributed profits in the ordinary income tax system. In the budget for 1956-57, Shri Deshmukh abolished the rebate on undistributed profits, but simultaneously introduced the tax on excess dividends, which was payable at different rates when the dividend exceeded 6 per cent of the paid-up capital of the company. Since the distribution of profits to any substantial extent would in most cases take the dividend to more than six per cent of the paid-up capital, thus attracting the Excess Dividends Tax, the imposition of this tax would thus operate as a differential against distributed profits. Incidentally, the Tax on Bonus Shares was introduced to prevent the issue of bonus shares as a method of reducing the nominal rate of dividends and thus evading the tax. The changes in the excess dividend tax which have been made subsequently did not affect this basic function of the tax which was to create a differential in favour of undistributed profits. The advantage of the changes made by Deshmukh was that the differential in favour of undistributed profits was maintained without that loss of revenue from the rebate on undis-

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tributed profits allowed under the earlier system.

Shri Morarji Desai has now abolished the excess dividends tax, but he has simultaneously changed the system of company taxation. Companies are now expected to pay 45 per cent tax on their profits. No part of this tax is, however, deemed to have been paid on behalf of shareholders. There is in addition a 20 per cent tax on all dividends, which will be treated as having been paid on behalf of the shareholders and which will, therefore, be both utilised for grossing up the shareholder's income and credited to him as tax paid on his income. Since this tax payment will have to be made only on that part of the profits which are distributed to shareholders, the incentive not to distribute profits will remain even under the new system. The differential in favour of undistributed profits will in fact be both large and clear, much larger and clearer than under the system introduced by Deshmukh. It is a welcome feature of the new system that while the revenues have been maintained in tact by appropriate adjustments of the tax rates and the advantages of simplicity have been obtained, the incentive in favour of corporate saving has been maintained, and even strengthened.

Loopholes in Personal Taxation

In the field of personal taxation, the rates of income tax and super tax for all classes of taxpayers have been left unchanged. Two loopholes in the existing law have, however, been plugged. Income accruing or arising out of India but which is not remitted to India in the same year was so far exempted from taxation upto a maximum of Rs 4,500. This concession has been withdrawn. Again, under the existing law, a person who is not resident in India is not taxed on the income which arises outside India. This enables Government servants who are posted abroad for a period of years to escape taxation. Salaries paid out of the public revenues of India, exclusive of all allowances and perquisites granted to meet the cost of living abroad, have now been subjected to tax irrespective of the period of the Government employee's stay abroad.

In the field of personal taxation, certain changes have also been made in the wealth tax and the expenditure tax. In the case of the wealth

tax, the Finance Minister has proposed that the rates for individuals and Hindu undivided families should be increased by one-half per cent throughout. The three slabs for individuals are from Rs 2 lakhs to Rs 12 lakhs, from Rs 12 to Rs 22 lakhs and above Rs 22 lakhs. The rates for these slabs which were one-half, one and one-and-a-half per cent have now been raised to one, one-and-a-half and two per cent respectively. The slabs for Hindu undivided families, which are correspondingly higher, remain unchanged, but the rates go up as in the case of individuals. The original rates were experimental in character and the low yield of the tax so far justifies the increased rates now proposed. For the expenditure tax, the Finance Minister has not proposed any increases in rates. He has, however, withdrawn certain concessions that existed under the old scheme under which the wife and minor children of an assessee were each given a separate tax free allowance of Rs 30,000 if they had separate sources of income. Now even if the wife and minor children have independent sources of income, they will be grouped together with the husband in a family for the purpose of the tax-free allowance. It has also been proposed that expenditure by way of repairs, maintenance, etc. of owner-occupied property should be treated as personal expenditure since the rent item of expenditure is not included in the expenditure of such families. A further change is with regard to expenditure on bullion, precious stones or jewellery which it is now proposed to treat like expenditure on durable consumer goods, such as automobiles, instead of being made completely tax free. This means that expenditure on these items will now be spread over five years for calculating the tax. The removal of these concessions is intended to make the expenditure tax system more effective as a source of revenue and more equitable between the various persons affected. The changes made are on the whole to be welcomed.

The major portion of the additional revenue expected from the new tax proposals will come from changes in indirect taxation. This is in the fitness of things, since the major changes in direct taxation likely to yield additional revenue have been carried out in earlier years. It is true that there is some

scope for increases, e.g., in the rates of the expenditure tax, but this will have to wait for a couple of years till sufficient experience has been accumulated about the working of this tax. The Finance Minister has in fact not gone far enough in his indirect tax proposals. Both in range and in magnitude they are relatively limited. Given the size of the overall deficit in his budget, the Finance Minister should certainly have taken the opportunity to revise the whole system of excise duties, which has not received the overall attention which it deserves.

Non-Revenue Objectives

Of the changes in excise duties proposed by the Finance Minister, there are some which are in fact justified on grounds other than revenue, though their revenue yield is not inconsiderable. The levy of an excise duty on khandasari sugar at the rate of Rs 5.60 per cwt falls into this class. With the doubling of the excise duty on crystal sugar in May 1957 and the imposition of additional excise duty in December 1957, the margin in favour of the khandasari industry went up by an additional Rs 8.93 per cwt. This unplanned benefit to the khandasari industry it is now proposed to eliminate, though only partially, through the levy of the proposed excise duty. The revenue estimated from this proposal is Rs 25 lakhs. The increase in the excise duty on refined diesel oils and vaporising oil from 40 nP to 80 nP per imperial gallon has also an independent explanation. While there is a surplus in motor spirit, considerable quantities of refined diesel oils are being imported to meet the increasing demand in the country since the local production is insufficient to meet the requirements. This preference for refined diesel oils is largely due to the advantage in price which these oils have over motor spirit. The proposal to increase the duty on refined diesel oils and vaporising oil is, therefore, intended to conserve foreign exchange and discourage excessive consumption of these oils. The increase in the duty on diesel oil not otherwise specified from Rs 40 to Rs 50 per ton is consequential in nature. The increase in the excise duty on motor vehicle tyres from 30 per cent to 40 per cent ad valorem, it has been argued, also falls into the same class. The object of this tax is to discourage road transport and re-

duce its competitive position vis-à-vis the railways. This view is supported by the fact that the proposal is to raise the duty on motor vehicles only. There will be no increase in the existing rate of duty on cycle tyres. On this view, the proposed increase in the excise duty on diesel oil is also ultimately motivated by the desire to reduce the competitive position of road transport in relation to the railways.

Other Excise Duties

The other excise duty proposals do, however, appear to have an increase in revenue as their primary objective, though the selection of the particular commodities in which these increases are proposed is naturally based on features which suggest capacity to bear the increased tax. The increase in the rate of duty on art silk fabrics from six paise per square yard to six naye paise per square yard is expected to yield Rs 100 lakhs of additional revenue. Part of this increased revenue will be contributed by the proposal to reduce the present exemption from 9 powerlooms to 4 powerlooms. The Memorandum explaining the provisions in the Finance Bill points out that "The Tariff Commission have reported that the industry is making excessive profits and that the exemption in the present form in respect of the production of the first 9 looms is said to have induced fragmentation of units." It is clear that the relative prices of art silk fabrics and cotton textiles will improve in favour of the latter as a result of the change that is now proposed. The proposal is intended, however, primarily to mop up part of the excessive profits to which the Tariff Commission drew attention. Increases have also been made, by administrative notification, of duty on rayon and synthetic fibres and yarn, estimated to yield Rs 50 lakhs of additional revenue. Tax increases on cigarettes and on vegetable products are expected to yield an additional revenue of Rs 245 lakhs.

In the customs duties, the Finance Minister has proposed only two specific changes. A slight increase in the duty on unexposed cinematograph film is expected to give an annual revenue of Rs 5 lakhs to provide funds for the Film Finance Corporation which it is proposed to set up. The import duty on rubber tyres and tubes for motor vehicles

is also proposed to be increased from 35 to 40 per cent. Other changes in the customs duty tariff are to be brought about as countervailing increases to the proposed increases in excise duties. These changes are expected to bring in an additional customs revenue of Rs 360 lakhs.

—Hannan Ezekiel

Loans to Small Industry

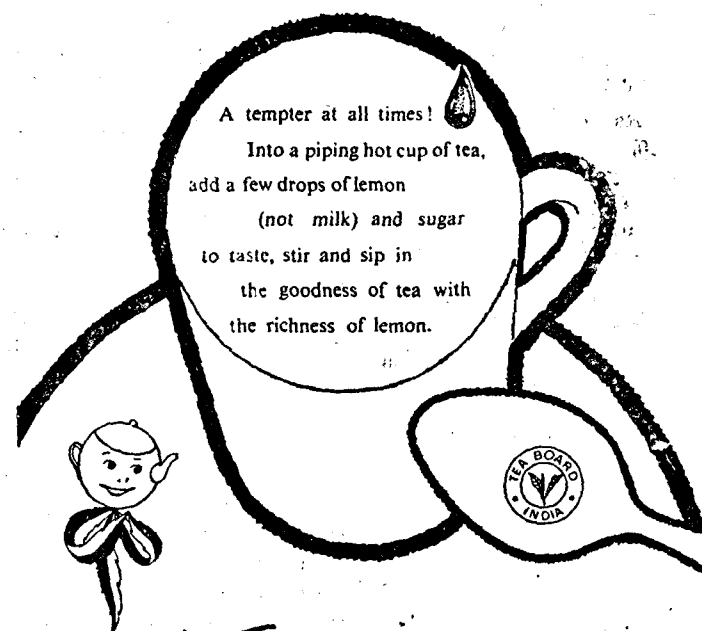
ABOUT 350 small industrial units in 12 States have been sanctioned loans amounting to about Rs 2.59 crores by the State Financial Corporations. The total loans for small industries disbursed by the Corporations by the end of Sept-

ember, 1958 was about Rs 1.74 crores.

The 12 States are Punjab, Kerala, Bombay, Andhra Pradesh, West Bengal, Assam, U P, Bihar, Rajasthan, Madhya Pradesh and Orissa, where State Financial Corporations have been established, and Madras, where the Madras Industrial Investment Corporation Ltd, functions on the lines of a State Financial Corporation.

Among the small industries to whom loans were provided are engineering goods, electrical goods, cold storage, steel products, motor spare parts, bicycle parts, locks and padlocks, agricultural implements, hosiery, plastic goods, rubber, ceramics, pharmaceuticals, and chemicals, paints and varnishes.

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EST 214

Around Bombay Markets

Budget Pushes Up Equities

THE way equity prices sky-rocketed during the special Budget session on Saturday evening it looked as if a volcano had erupted. Century shot up from Rs 433.50 to Rs 459, National Rayon from Rs 238.25 to Rs 260, Bombay Burmah from Rs 467.50 to Rs 496, Tata Locomotive from Rs 169.50 to Rs 180, Indian Iron from Rs 26.45 to Rs 28.20 and Tata Steel from Rs 173.25 to Rs 183. But by Monday and Tuesday most counters were down again to around their pre-Budget levels. Subsequently, however, a major portion of these losses was once again made up and a few counters even rose above their Budget session tops.

The following fluctuations give a vivid picture of the wide swings in prices in some of the leading speculative scrips. The order is: pre-Budget closing, Budget session high, the lowest thereafter, subsequent recovery points and Wednesday's closing rates.

Tata Steel: Rs 173.25, 183, 173.75, 178.50, 177.50,

Indian Iron: Rs 26.45, 28.20(CR), 22.16 (XR), 22.80, 22.56, (Right valued at Rs 4.25),

Tata Locomotive: Rs 169.50, 180, 172.50, 183, 180.50,

Century: Rs 433.50, 459, 433, 447.50, 447.50,

National Rayon: Rs 238.25, 260, 242.50, 256, 254.50,

Bombay Burmah: Rs 467.50, 496 (CD), 464(XD) 488, 484, (dividend) is Rs 15),

Premier Construction: Rs 227, 251, 230.50, 246, 242,

Belapur: Rs 272.25, 287, 275, 290, 290.

Favourable Initial Reaction

The stock market's first reaction to the Budget was by no means impulsive. "Realistic", "practical" and "one placing the accent on industrial development"—these were the general comments heard on the Budget proposals in the trade and financial circles. The increase in the wealth tax on individuals and the withdrawal of certain exemptions under the expenditure tax evoked only a very mild comment since this was about all that gave the Budget a "socialistic" look.

Indeed, there were many points in the Finance Minister's proposals which sustained the feeling of hope and confidence which the market had always felt about Shri Morarji Desai. Not only had all the fears been belied but some of the most optimistic expectations had also been realised. The net addition to the tax load was much less than what had been generally anticipated, while the abolition of the wealth tax on companies and also the excess dividend tax was more than what any body had imagined. Not only had these two taxes been abolished but the total tax liability of the company had been fixed at only 45 per cent from 1960-61 onwards (20 per cent income tax plus 25 per cent super tax) as against the present 51.5 per cent (31.5 per cent income tax plus 20 per cent super tax).

The excise duty on sugar had been left untouched and instead a fresh levy had been imposed on khandsari which would indirectly benefit the sugar mill industry. The increase in excise duties on rayon and staple fibre yarn and rayon fabrics was less than what the market had feared. Re-adjustments in excise and export duties on tea were welcome in that they would help the export trade. Cotton textiles had been left alone. Only the heavy excise levy on diesel oil was feared to push up production cost in certain industries.

Confusion Over "Grossing"

IT was only when, after the close of the special Budget session, the market came to know further details about the proposed changes in the present system of taxation of company profits and dividends that it felt the need to have second thoughts on the Budget. Utter confusion prevailed when the market came to know that "the legal fiction of deeming the income tax paid by the company as having been paid by the shareholders and the complicated process of grossing the dividends received by the latter will be abolished." Companies are now to pay dividends after deducting tax at a prescribed flat rate of 30 per cent and credit it to the Government. Only this tax will be re-imbursed to the shareholders at the time of their assessment as is done to-day in the case of interest on Government Securities.

Experts began to analyse company accounts to assess the possible implications of the proposed changes in taxation on the fortunes of the shareholders. The Finance Minister had pointed out that he had only simplified the tax system and that the over-all tax rates hitherto applicable to Indian companies will be so fixed that the yield will be equal to the present annual gross yield less the annual credit now given to the shareholders. But the income-

(1) Name of Company	Effect of New Taxes			
	(2) Dividend distributed 1957-58	(3) Net profit after depreciation without deducting tax	(4) 10% saving in tax under proposed changes	(5) (4) as % of (3)
	Rs '000	Rs '000		
Indian Iron	117,00	5,42,00	54,20	46
Tata Steel	268,00	5,60,00	56,00	21
Tata Locomotive	51,85	1,00,00	10,00	19
Bombay Dyeing	25,00	54,00	5,40	21
Century	24,00	27,00	2,70	11
National Rayon	31,00	64,58	6,46	20
Tata Chemicals	17,00	25,60	2,56	15
Alembic Chemical	5,70	21,00	2,10	37
Phalton Sugar	10,00	24,50	2,45	24
Orissa Cement	16,80	40,00	4,00	24
New India Ass	23,70	42,00	4,20	18
Andhra Valley	27,60	63,00	6,30	23
Tata Power	48,00	1,08,00	10,80	22
Indian Copper	£ 2,47	10,64	1,06	43

tax experts had a different story to tell. They said that notwithstanding the reduction in the incidence of taxation on companies from around 55 to 56 per cent (51½ per cent, both super tax and income tax, plus wealth tax plus excess dividend tax) to merely 45 per cent, the proposed changes definitely weighed against the shareholders because of the abolition of the old system of grossing of dividends. This produced considerable nervous selling by bulls on Monday and Tuesday. Bears too did not hesitate to exploit the situation. That is how prices dropped sharply after the Budget.

A study of the latest balance sheets of a large number of companies the shares of which are very popular on the Bombay Stock Exchange reveals that the 10 to 11 per cent saving in tax following the fixing of the total liability at 45 per cent can enable them to raise their dividends by between 15 per cent and 25 per cent even if their profits are merely maintained at the old levels. But this will not be enough to enable the shareholders obtain the same amount of net dividend.

Saving in Tax

But according to official sources the position of company shareholders will not be substantially altered by the abolition of the system of grossing of dividends under the Finance Bill. While the variations may be substantial in extreme cases, in terms of both gains and losses to the shareholders on the existing position, the standard marginal deviation will not be more than one per cent. These sources say that there is no deliberate intention to charge either the company or the shareholder more or less than at present. It is said that the percentage of the tax on companies now effective has been arrived at after taking into account the receipts from all the existing taxes (less the rebates) and by determining it as a percentage of the total taxable profits to the nearest number. According to Shri A K Roy: Shareholders received last year approximately Rs 1.90 crores in cash by way of tax refund while the amount of Rs 12 crores was set off against their tax liability.

The spectacular rise that occurred during the Budget session could not have gone much farther without making the technical position of the market very vulnerable. A correction was necessary in any case. The

confusion that followed the abolition of the system of grossing of dividends provided the excuse. Fears in this regard have been considerably allayed by the official interpretation of how the proposed changes are likely to affect the shareholders. This has already imparted marked strength to the market. Technical analysts are convinced that the primary upward trend will gather momentum in due course of time and that the market will not take very long to cross the 1958 high levels.

Oilseeds

Demand for Oilcake Tapered Off

NEW DELHI has yet to take a decision on raising the export quota for groundnut expellers under

the export incentive scheme for groundnut oil. But condition abroad have changed so rapidly that even doubling the expeller quota as demanded by the trade at the Madras meeting of the Advisory Council will now be of no avail. For while Indian groundnut oil is still about £9 dearer, the margin on the export of groundnut expellers has declined to merely two pounds per ton.

About a week ago the U K quoted about £33 per ton for groundnut expellers, March shipment, but the current quotation is down at around £30-15. In January the same stuff could be sold to the U K at around £39-10, almost in any quantity. Increasing the quota for expellers

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from one ton to two tons for each ton of oil would have produced large business in groundnut oil at that time. But the Government lacked imagination and initiative. New Delhi should have known that the buying season for oilcakes in the U K does not last beyond February. Whether or not the export of groundnut expellers and groundnut oil should be encouraged is a moot point. But if the Government is not averse to it, there is no reason why quotas should not be released when the overseas buyers can be made to pay really good prices.

Scarcely any important business was said to have been put through by oilseeds exporters last week. Groundnut extractions were weak and neglected, with the U K quotation for 50 per cent mentioned at around £29-10, per ton, March shipment. This is nearly £2 per ton down over the week. The U K quotation for groundnut oil was a little better at £105 but this is still about £9 below the Indian parity. Inquiries in castor oil were few but the trade somehow continued to be optimistic about further business with the Communist bloc.

Reports that Brazil has ceased to be an important seller of castor oil for near positions have led traders to think that the U S might enter the Indian market now that its monthly consumption is high around 9 million pounds which is about 20 per cent more than the 1958 average. The pressure of supplies from British East Africa is also said to have slowed appreciably, which should help revival of demand from the U K and Continent. This explains why castorseed prices here are holding fairly steady despite the flow of arrivals and lack of any important export business in oil.

No Reaction to Budget

Groundnuts continue to hold firm because of the good off-take by vanaspati manufacturers in face of tight supply. Arrivals remain small and crop estimates have now been revised down to around 20½ lakh tons. Notwithstanding the strong statistical position of the commodity it is no longer popular with bulls because of the persistent fear that the authorities might close forward dealings in groundnut at any time. Linseeds were dull and barely steady because of the gradually movement of the new crop. Cottonseeds, however, showed marked improvement

due to the firm up-country bull grip and the strength in the cotton market.

Fluctuations in seeds futures were as follows: castor May: Rs 155.25, 155.75, 153.62, 156.12, 154.75, 155.37; groundnut May: 178, 177, 180.25, 179.87; linseed May: 32.31, 32.44, 32.19, 32.31; cottonseed May: 119.75, 121, 124.25, 122.50, 127.25, 126.

The Budget proposals containing an increase in the excise duty on vegetable products and the abolition of the exemption limit for power driven units for the payment of excise duty on non-essential oils have not evoked much comment. It is generally thought that the vanaspati industry can pass about half the burden on increased excise to the consumer. The withdrawal of the exemption limit is bound to hit the baby expellers but then the evasion of excise duty payment had to be checked. Big crushers are naturally happy because they are now placed in a better competitive position. But will this help the cause of the export trade? Unlikely.

Cotton

The Trend Reversed

AFTER a further early setback which took Moglai Jarilla March and May contracts to Rs 650 and Rs 650.75 respectively on Thursday of the previous week, the market staged an impressive recovery and by March 4 the March and May contracts were up again at Rs 664 and Rs 669 respectively. Early last month they had touched their season's record highs of Rs 688 (March) and Rs 684.50 (May).

The performance of the spot market was no less impressive. Odds are that after important technical adjustments cotton prices have resumed the main upward trend which the statistical position of the commodity would seem to warrant. The reactionary trend had continued long enough and the decline from the season's highest levels had also been quite pronounced. While futures lost only Rs 35 to Rs 38 per candy, spot prices fell by Rs 50 to Rs 65 per candy. Only the very superior varieties were more seriously affected by the growing weakness in world cotton prices and the release of an import quota.

Vijay, Surti and Saurashtra cottons have been on the move but the pressure has turned out to be smaller than generally feared. The growers seem unwilling to part

with the crop at lower prices because the over-all supply position is no longer considered very comfortable in view of the revision of crop estimates to around 48 lakh bales. And off-take continues to be very satisfactory. With the January consumption (provisional) of 4.13 lakh bales, the total consumption of indigenous cotton during the first five months of the season comes to 19.74 lakh bales against 19.46 lakh bales in the corresponding period last season. The consumption of foreign cotton, however, is down from 2.49 lakh bales to 1.92 lakh bales.

The improved trend in consumption is likely to be maintained because of the revival of confidence in the textile industry's outlook following larger agricultural production and the export incentive scheme. Mill cloth and yarn output in January placed at 429 million yards and 149 million pounds is very satisfactory and it might have been still better but for the Republic holidays.

While sentiment last week was helped by the poor tenders against the maturing contract, the marked improvement in prices both in ready and futures merely underlined the trade's re-assessment of the crop position. With the turn in sentiment mills are beginning to take a more lively interest in making fresh commitments. They had been holding off the market for a few weeks. Vijay has risen by about Rs 20 over the week and Kalyan which went abegging at around Rs. 30 'on' is now wanted up to Rs 48 'on'. Export business continues to be limited, with Japan taking up a few lots of Bengal now and then.

Money

Bill Rate Up

MONEY continues to be tight under the pressure of seasonal influences. While interest rates in the short-term money market held their previous levels, the treasury bill rate rose further from 2.592 per cent to 2.625 per cent and the amount offered was only Rs 10 lakhs more than the tender amount of Rs two crores. The Gilt-edged market continues to be firm due to selective inquiry and scarcity of offerings.

Scheduled banks advances in the week to February 20 showed a further rise of Rs 6.19 crores but with deposits up by Rs 14.80 crores at a record high of Rs 1606.94 crores,

CURRENT STATISTICS

BANKING RETURNS					INDEX NUMBER OF WHOLESALE PRICES				
Reserve Bank	Rs Crores				(Base : 1952-53=100)				
	Latest Week†	Week Ago	Month Ago	Year Ago	Group and Sub-Group	WEEK ENDED			
1. Note circulation	1654.64	1659.49	1624.43	1545.26	Food Articles	14-2-59	116.8	117.3	114.1
2. Rupee Coin	132.65	132.28	134.90	180.20	Cereals	105.9	107.2	104.7	94.4
3. Deposits					Pulses	126.0	127.3	117.5	75.5
Central					Fruits & Veg.	116.1	114.3	111.0	94.5
Government's	56.78	61.44	57.92	56.80	Milk and Ghee	107.0	103.8	104.2	99.9
Other					Edible Oils	121.5	122.9	119.5	116.9
Governments'	24.42	19.31	28.56	15.67	Fish, Eggs & Meat	107.7	108.6	108.7	98.7
Banks'	76.55	71.42	75.74	75.46	Sugar & Gur	125.7	131.2	125.8	110.1
Others'	115.66	114.77	115.24	112.84	Others	157.7	155.8	151.1	128.8
4. Foreign Securities	178.01	178.01	164.68	245.64	Liquor and Tobacco	105.0	105.9	105.5	96.7
5. Balances held abroad	32.95	33.46	26.75	34.25	Tobacco	104.0	104.9	104.5	95.2
6. Rupee Securities	1251.45	1251.45	1219.79	1076.32	Fuel, Power, Light & Lubricants	115.2	115.3	114.9	114.4
7. Investments	261.37	260.04	268.71	239.75	Industrial Raw Materials	116.1	116.9	114.5	112.0
8. Loans and advances to Governments	22.49	21.90	26.94	38.26	Fibres	108.4	108.7	108.9	112.6
9. Other loans and advances	86.13	84.38	93.86	66.60	Oilseeds	127.0	129.2	124.8	112.2
Scheduled Banks					Minerals	103.6	108.6	107.8	109.3
1. Demand Liabilities (net)	706.78	695.15	703.62	713.88	Others	111.0	110.4	110.2	110.4
2. Time Liabilities (net)	909.17	897.00	875.81	710.23	Manufactures	108.4	108.6	108.5	107.6
3. Cash	111.20	112.44	107.93	106.76	Intermediate Products	110.8	110.6	110.6	105.4
4. Borrowings from Reserve Bank of which against Usance Bills	28.57	42.27	29.96	27.10	Finished Products	108.0	108.3	108.1	107.9
5. Advances & Bills (inland & foreign) discounted of which State Bank's	5.62	5.53	4.83	24.10	Textiles	101.6	102.0	102.1	106.4
6. Invest. in Govt. Sec. of which State Bank's	193.44	193.86	178.93	201.57	Cotton	111.2	110.8	110.6	116.9
Cheque Clearance	181.36	177.47	161.97	160.32	Jute	81.7	84.4	85.5	87.8
For Reserve Bank and Cheque Clearance week ended 27-2-59					Woollen	105.9	105.9	105.9	103.0
					Silk & Rayon	91.5	91.5	91.1	89.9
					Metal Products	143.3	143.3	143.1	143.4
					Chemicals	111.1	111.0	111.3	99.2
					Oilcakes	148.0	149.7	145.7	111.0
					Machinery and Trans Equipment	104.7	104.8	104.5	102.5
					Others	113.7	113.7	114.1	111.8
					All Commodities	114.0	114.4	112.4	104.8

FOREIGN TRADE OF INDIA

(Merchandise Value, Rs lakhs)

Year/Month	Imports	Exports*	+ or -
1956	808.73	613.46	-195.27
1957	1,025.82	642.85	-382.97
1958	797.62	587.18	-210.43
1957 Jan	78.00	55.27	-22.73
Feb	70.60	54.44	-16.16
Mar	79.41	53.94	-25.47
Apr	89.40	47.85	-41.55
May	85.38	52.83	-32.55
June	86.23	48.34	-37.89
July	81.13	55.79	-25.34
Aug	80.98	60.25	-20.73
Sept	83.29	61.55	-21.74
Oct	73.07	53.64	-19.43
Nov	78.18	59.02	-19.16
Dec	66.58	54.59	-11.99
1958 Jan	66.05	55.27	-10.78
Feb	66.21	54.44	-11.77
Mar	70.56	46.73	-23.83
Apr	60.00	41.73	-18.27
May	63.24	44.71	-18.53
June	63.93	28.12	-35.81
July	66.79	54.31	-12.48
Aug	55.92	49.91	-6.01
Sept	58.60	59.02	+ 42
Oct	56.99	56.10	- 89
Nov	70.92	50.80	-20.12
Dec	85.75	52.40	-33.35

* Including re-exports

Source: D C I S, Calcutta

INDUSTRIAL DISPUTES IN INDIA

Year/Month	Disputes (Numbers)	Workers involved	Working days lost
1953	772	466,607	3,382,608
1954	840	477,138	3,372,630
1955	1,166	527,767	5,697,848
1956	1,203	715,130	6,992,040
1957	1,522	666,253	5,903,083
1956:			
Sept	180	130,391	924,763
Oct	138	95,882	822,965
Nov	137	60,478	513,389
Dec	147	70,473	422,406
1957:			
Jan	155	129,791	405,805
Feb	124	57,833	269,041
Mar	113	42,516	287,650
Apr	161	66,724	414,535
May	163	76,337	455,037
June	153	106,234	734,545
July	198	96,715	764,308
Aug	205	146,511	821,211
Sept	232	148,148	842,508
Oct	222	110,548	533,206
Nov	175	61,498	338,979
Dec	155	84,881	512,381
1958:			
Jan	145	58,402	354,185
Feb	133	87,130	342,205
Mar	167	91,489	818,824
Apr	170	65,199	490,816
May	160	61,570	560,459
June	163	164,673	1,529,248
July	164	64,516	464,165
Aug	147	72,579	655,057
Sept	132	59,359	415,083
Oct	121	36,501	262,600

Source: Deputy Commissioner of Labour, Government of Bombay.

INDUSTRIAL DISPUTES IN BOMBAY STATE

Year/Month	Disputes (Numbers)	Workers involved	Working days lost
1953	179	141,525	618,192
1954	201	111,273	396,287
1955	255	103,319	361,249
1956	294	245,140	705,881
1957	306	192,283	867,311
1956:			
Nov	26	7,835	27,041
Dec	38	15,011	38,972
1957:			
Jan	34	11,624	46,424
Feb	26	13,432	33,285
Mar	31	16,107	61,351
Apr	35	25,919	123,603
May	28	22,741	34,906
June	25	17,891	71,093
July	38	17,829	151,493
Aug	17	6,712	85,731
Sept	36	26,506	81,333
Oct	52	31,455	53,990
Nov	31	12,934	33,603
Dec	26	16,101	90,499
1958:			
Jan	31	14,946	69,955
Feb	25	11,475	27,114
Mar	19	5,426	11,428
Apr	34	16,858	113,292
May	25	10,340	147,368
June	26	65,701	605,755
July	30	77,219	197,087
Aug	21	8,824	10,709
Sept	21	5,802	15,209
Oct	17	1,949	20,561
Nov	23	3,811	13,444
Dec	24	17,602	33,848

Source: Deputy Commissioner of Labour, Government of Bombay.

WORKING CLASS COST OF LIVING INDEX

(Monthly Average or Calendar Months)

(Base: 1949 = 100)

	Bombay		Calcutta		Delhi		Kanpur		Madras		All India (average)	
	F	G	F	G	F	G	F	G	F	G	F	G
1955	110	110	90	92	97	99	68	78	96	99	92	96
1956	117	115	98	98	112	109	81	89	110	111	105	105
1957	123	120	106	105	117	114	87	94	113	116	112	111
Nov	118	116	102	101	123	117	87	93	113	114	111	110
Dec	118	116	102	102	120	115	83	91	113	115	110	109
1957: Jan	117	116	100	100	118	113	83	91	113	115	108	107
Feb	118	116	99	100	118	114	84	92	112	114	107	107
Mar	117	116	101	100	118	114	83	91	111	114	107	107
Apr	117	116	100	100	116	112	81	89	111	114	108	108
May	121	118	102	102	119	114	85	91	110	114	111	110
June	124	121	106	105	119	115	86	93	112	115	113	112
July	126	122	107	106	119	115	90	96	113	116	113	112
Aug	126	123	110	108	123	118	93	98	113	115	115	113
Sept	125	122	111	109	115	113	91	97	111	115	115	114
Oct	125	122	110	108	115	113	91	96	113	116	113	113
Nov	129	125	111	109	114	112	89	96	120	121	116	114
Dec	128	125	109	107	111	110	85	93	119	121	113	113
1958: Jan	127	124	106	105	111	109	83	91	118	120	112	111
Feb	126	124	104	104	110	108	81	89	118	120	110	110
Mar	127	124	104	105	110	108	82	89	116	119	110	110
Apr	131	127	105	105	109	107	85	91	116	119	112	111
May	132	126	106	106	110	108	87	93	117	120	114	113
June	133	129	109	107	114	111	94	98	118	121	118	116
July	138	133	114	112	122	116	99	101	125	125	122	119
Aug	137	132	118	115	123	117	102	103	127	126	124	120
Sept	136	132	119	116	124	117	104	104	128	127	125	121
Oct	137	132	119	116	125	119	108	108	133	130	127	123
Nov	136	131	117	114	127	120	106	106	136	132	127*	122*
Dec	—	130	—	110	—	118	—	101	—	137	—	119*

Note: F—Food
G—General

*Provisional. Source: Central Statistical Organisation, Delhi

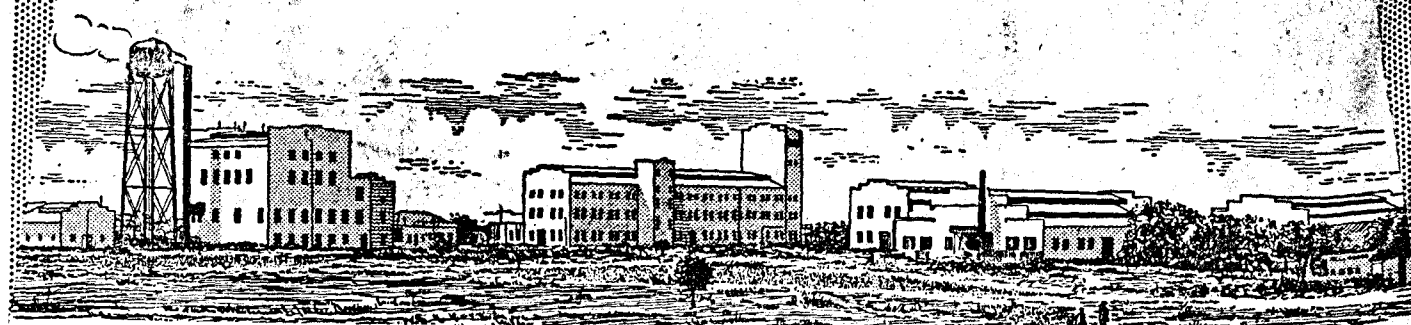
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Break this Prison of Words

THE Federation of Indian Commerce and Industry is the mouthpiece of organised industry in this country. Over the past few years, it has steadily established its bona fides and won the recognition of the Government. It has done so with a measure of success. This has been an uphill task. For the Federation to win and retain a position of respect from a Government which is committed to economic planning in which the private sector was given an expanding role, would have been difficult in any case. The circumstances in which the Congress came into power, the economic chaos and aftermath of the war-time controls made it far more difficult for the Federation to win the status which it feels should rightfully belong to it.

The working of a mixed economy can never be smooth and free from friction. A division of the economic field between the public and private sectors itself leads to sharp clash of interests and there is resentment the moment the State goes beyond what private industry had come to regard in the past as its own sphere. Pressure of circumstances, however, has forced businessmen and industrialists to concede much to the State and to recognise that economic development of an under-developed country calls for these concessions. How far has the acceptance of the extension of the public sector by the private sector been genuine and sincere? On this question, there is much room for doubt.

While the attitude of the Federation has largely been one of acceptance with mental reservations or 'humble submission to the contrary', in the recent past the dissidents among this sector have been vocal and have agitated in an organised manner for free enterprise. It is not as surprising that vested interests should fight for their rights, or for what they consider to be their rights, as that the loudest supporters of the extension of public sector should be found in the ranks of private industry or that they should profess to welcome it with open arms. That Socialism as applied in practice by the Congress Government has, as a matter of fact, enabled even the private, organised sector of industry to come up in a big way, is a matter of cold fact. That Socialism is also the bulwark of the private sector is a matter of faith and judgment, which may not appear axiomatic to everyone.

If the division of the field between two sectors in a manner acceptable to both is difficult, the decision, being political, has, so far, presented no serious problem. A much bigger Plan and a further extension of the public sector are now on the cards. Their eventual acceptance would also be a political decision, which, from the present alignment of the political parties, should not be a matter of speculation. But there have been indications of late that it may arouse considerable controversy, even from sections of business and industry who are within the Congress and who have, so far, willingly or not, towed the party line.

The working of mixed economy, however, is not only a matter of marking off the respective domains and fixing the targets. There is the far more difficult problem of implementing these decisions by mobilising resources into the respective sectors as planned. The uneven progress in the attainment of the targets laid down in the Plan, the magnitude of the foreign exchange crisis, precipitated in the very first years of the Second Plan, and the acute shortage of resources now

being experienced by the public sector which has already forced a cut in the Plan, all these illustrate that the working of a mixed economy is neither smooth nor automatic, that in actual operation it has run up against snags which perhaps should have been anticipated and provided for in advance but were not and which may wreck the next Plan.

Now that the Congress Government has got a Finance Minister who is acceptable to the business community, those who have faith in harmony of interests had hoped, sustained by past achievements of the Congress in imposing discipline on its ranks and reconciling conflicts in its own way, that a closer understanding would now be secured between Government and business. On the other hand, rumblings have been heard of dissensions within the Congress and inside the Cabinet. Pandit Nehru's isolation from his own Cabinet had long been apparent and since the Nagpur session of the Congress, there have been indications of his growing isolation from quite a number of Congress leaders.

All this had invested this year's annual session of the Federation with unusual interest. Did the proceedings of the Federation fulfil these expectations or throw any light on the future lines of development?

For an answer, one will have to remember the polite convention which is rigidly followed in the discussion of controversial issues in august assemblies such as the open session of the Congress. "When firm opinions collide", as Pandit Nehru said in the course of his spirited address to the Federation, "there may be sparks." But there were no sparks. The Federation noted with anxiety the slowing down of economic development; it expressed special concern at growing unemployment, particularly among the middle classes; and it welcomed the Government's desire for a bigger and more ambitious Third Five Year Plan. There was, however, considerable difference among the members over the working of this resolution. The original draft had expressed complete agreement with the proposed size of the Plan, of Rs 10,000 crores. The resolution which was passed did not mention any figure.

Both in the Presidential address and in the principal resolution at the Annual Session of the Federa-

tion of Indian Chamber of Commerce and Industry, the main issue raised was that of slowing down of the tempo of economic development in the country and of the growing unemployment. This was arresting enough and should cause the deepest concern to the Government. The Federation, of course, had its own solutions, but it is not the remedy suggested by the Federation that attracted the most attention. True, there was nothing sensationally new in the suggestions that the Federation had to offer, that special efforts should be made to increase the national income in agricultural and industrial sectors, that tax concessions or other incentives should be given to stimulate investment, that the tax structure should be simplified or credit expanded, or that reliance should be placed more on freer flow of foreign private capital than on foreign loans.

Pandit Nehru welcomed the desire of the outgoing President that the business community should be consulted in the formulation of the Third Plan, and assured full consultation. But he warned the Federation that businessmen, or others, should not allow their minds to become "prisons of words and phrases" or remain slaves of their preconceived notions in a changing world. They had once shied at the conception of a welfare state. Now that it is accepted, the talk of creating a classless society should not frighten them any more. There was need to change with the times. To all economic issues, this was his answer: "There should be a common understanding that if something comes in the way of the development of the millions of India, and is a burden to them, it must go. That is the basic test." That is what Gandhiji had taught. None of these issues was touched by Panditji. Taking his cue from the role of co-operatives in agriculture assigned by the outgoing President—that it should stop "short of joint production"—Pandit Nehru spoke with deep passion in support of co-operative farming. However questionable the facts which he cited in support, there is no question that the Nagpur resolution on agrarian co-operatives has set off acute controversy throughout the country. For quite a while the Congress party has appeared to be suffering from a kind of paralysis. Now, like a dose or two of cortisone, the Nagpur issue has given fresh motion to the

arthritic old body. The simple fact that a furious debate rages around a Congress resolution is a major political victory for the organisation. Fancy talk of "civil war" and "bloodshed" only adds to the excitement, and some resignations—possibly quite overdue—make matters all the livelier.

The Nagpur resolution does not commit the Congress to co-operative farming in the first three years, but only to service cooperatives, which is not a controversial issue, and to the imposition of ceilings on land holdings. And cooperative farming is enjoined only for land which is rendered surplus by the imposition of ceilings. Several State Governments have indicated that either they intend to impose liberal ceilings e.g. 100 acres or more in Madras, or that even after ceiling is imposed, there would be little land available for cooperative farming. Nor is it everywhere that largescale cultivation promises greater productivity. Even the Communist Government of Kerala, which cannot be suspected of turning away from cooperative farming, on the ground that it may eventually lead to collectivisation, has definitely decided against introduction of joint farming. It has gone, instead, for better farming societies.

That the resolution has touched off a countrywide controversy is, nevertheless, welcome even though the controversy may have been fostered deliberately to cloud the issues, for slowing down land reform, and averting imposition of ceilings. Resolutions have been a familiar feature of Indian politics, to which Avadi has contributed an added air of unreality. May Pandit Nehru's attempt to understand the Federation lead to the clarification which he hopes for from an honest discussion of differences. Speaking for himself, he said "It is natural that those of us who have spent a considerable number of years in public work and had to deal with a variety of problems should hold certain opinions and that too firm opinions. We are not people with blank minds and those opinions cover most of the important aspects of life. Life becomes an interconnected whole. When firm opinions collide, there may be sparks. That does not matter if we are determined to face these matters firmly but always co-operatively". Let there be real sparks, but not mere wordy fire-works.

Afro-Asian Conflict in U N

SO completely has India identified itself with the freedom movements in Africa that it is a pity that, over the question of the French Cameroons, the official Indian viewpoint has for the first time clashed with the demands of some of the African Governments themselves. India is backing the five-nation resolution in the United Nations, which seeks to end the trusteeship status of the territory and make it an independent state on January 1, next year. The African Group, led by Ghana and the United Arab Republic, demands that no transfer of power to the Cameroonian people should take place until a new election has first been held directly under the supervision of the United Nations.

The African Group's demand springs from the fact that the present Government of the French Cameroons is moderate and pro-West, and in the opinion of the African Group, not truly representative of the Nationalist sentiment of the people in that country. The Group would, therefore, like that permanent power in a free Cameroons is not transferred to the hands of this Government. India, on the other hand, is obliged to take the following points into account: (a) that a general election was held for a four-year term in the Cameroons only three years ago; (b) that only recently the same Government was again returned to power in new elections; (c) that these elections were held on the basis of universal adult franchise; and (d) that a United Nations mission, of which India herself was a member, has certified after a visit to the territory that there was no evidence of the poll having been gerrymandered. What India, therefore, is being asked to do now is to renounce the results of a popular and fair election merely because it has failed to produce the sort of Government which the African Group would have preferred. In any case, what is the guarantee that yet another election will produce the results Ghana or the UAR wants? It has been suggested that some of the Opposition parties had boycotted the recent elections, which could therefore not be considered free and fair. But, as against that, one must ask if it is proper for any party or faction in a country to

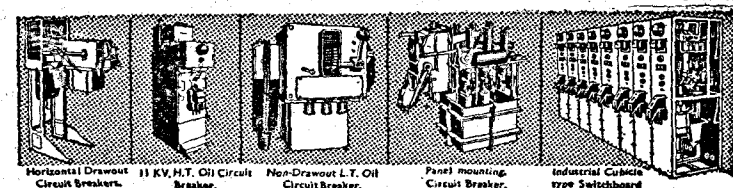
boycott elections that are being held by secret ballot on the basis of adult franchise. And, finally, what if the present ruling party in the Cameroons boycotts the new elections which the African Group wants the U. N. to hold?

As far as the United Nations is concerned, there is also an important constitutional issue involved. Can the U. N. demand fresh elections to be held in a country because some (or even a majority) of its members dislike the reigning Government?

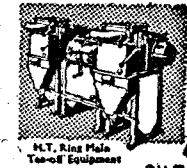
Part of the African Group's fears in regard to the proposed arrangements for the French Cameroons springs from an apprehension that if a precedent is once established for transfer of power to an African Government which has been elected under French-supervised elections, the principle might be applied with

disastrous results to Algeria. The point, however, is that if the French are willing to hold an election in Algeria on the basis of adult franchise, and put the winning party (which is bound to be all-Muslim) into power, there should really be no danger in the Cameroons precedent being followed.

However illogical the fears of the African Group on this point, it is none-the-less regrettable that the Asian and African groups should come into open conflict at the United Nations. It is extremely important to avoid a recurrence of this type; and for that purpose it is necessary that the Afro-Asian Group should be re-organised on a sufficiently workable basis to enable its Asian and African members to iron out their differences (if and when they arise) before going into the United Nations.



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Weekly Notes

Sudan's 'Second Coup'

THE Cabinet reshuffle in the Sudan has been commonly interpreted as something of a victory for the pro-Nasserites in that country; and it may well be that the two army commanders who have forced their way into the Supreme Military Council are, indeed, more pro-Egyptian in sentiment than the others. But there is little to support the belief that this so-called "second coup" in the Sudan had pro-Egyptianism as its conscious purpose. More likely, it is the outcome of just the sort of personal ambition which caused the first coup and displaced the Government of Abdullah Khalil.

General Aboud has so far been able to give no satisfactory explanation of last week's happenings in his Government and the army. He has said, simply, that two of the army commanders who had stayed out of the original Military Council "at their own request" had now been accommodated. But apparently it is easier to stay out by request than get in; for the commanders in question had actually to march their units to Khartoum and surround the city before their second request was considered. The Sudan is a vast country with poor communications, with the result that the various units of the army that are stationed in various parts of the country are, in practice, largely autonomous. In these circumstances it is dangerous that unit commanders should batter their way into the Cabinet by laying a siege of the capital. What the two commanders did last week, others with similar ambitions can easily do in the future. The effect of that can be terribly unsettling, and can make stable rule of any kind quite impossible in the Sudan.

It seems a little too early to say that the Government should tighten its administrative grip on the army to bring it under a better and more satisfactory system of central control, because the situation at the moment is extremely fluid and the Government itself is obviously in a state of considerable disorganisation. General Aboud, the virtual master of the first coup, seems now in an impossibly weak position. He

began by saying some weeks ago (when the first rumbles of revolt had become audible) that no one was challenging his authority; now he is reported to have already tendered his resignation and declared his willingness to leave the direction of the country "in the hands of younger officers". These are very familiar developments. It is clear that Aboud cannot stay on for long; and that even in the short term, he can only stay on as a puppet. When at last the situation does crystallise, and the new regime has stabilised itself, its first task should be to organise the army in such a way that one or two-man coups become impracticable in the future. It is bad enough that country should be ruled by soldiers, but it is infinitely worse that it should be ruled by different soldiers every quarter.

Turkey's Troubles

WITH the Baghdad Pact reduced to a joke after the quiet bowing out of Baghdad, it was but natural that the United States should have sought to conclude bilateral agreements with Turkey and Pakistan, the key members of the organisation. Iraq's inclusion in that Pact was a needless act of bad statesmanship, but this, Washington must now feel, has been corrected. That Washington relies heavily on Turkey to maintain the northern tier intact hardly needs reiteration. That Turkey relies equally heavily on Washington for its progress, however, is a sad commentary on Turkish leadership.

The trouble with Turkey, as it is currently with Pakistan, is that while a great deal of attention has been paid to military matters, little has been paid to domestic development. Under the disinterested advice of West German economists, Pakistan is taking it easy on the industrial front and is likely to give more thought to agricultural production. In Turkey, which is a deficit area, practically everything will have to be started from scratch. Turkey has no significant middle class and entrepreneurship is sadly lacking or in the hands of minority groups who live under the Damocles sword of Turkish ire. Literacy is low, communication difficult and

progress is stilted. Menderes would like to run, while he can barely walk, but to Opposition cries of "Yavash, yavash"—slowly, slowly—he has merely contempt. And yet Menderes has ambitions for his predominantly agrarian country. If he were not obsessed with the idea of accomplishing in five years what many European countries could not succeed in achieving in fifty, Turks would probably have occasion to rejoice. Today Turkey suffers from the twin dangers of corruption and inflation, both mainly resulting from unwise spending of too much in too quick a time. As in Pakistan, in Turkey, too, the high-handed methods of dictatorship have been tried to fight corruption, with failure in the long run. The bilateral agreement Turkey has signed with the United States will assure her continued aid, but whether this high degree of reliance on another state will prove advantageous to Turkey is another matter. Turkey knows the answer, but dares not face it.

Kerala Budget

From Our Trivandrum Correspondent

WHILE introducing his third budget, Shri Achutha Menon, the Finance Minister of Kerala reminded his critics that the economy of India was indivisible and requested them to examine the economy of Kerala as a constituent unit of the Indian economy. In other words, it was only under the larger background of the economy of the country as a whole that the peculiar problems of Kerala should be viewed and its progress assessed. One thing that has emerged in his review of the economic situation in the State is that the much publicised breakdown of law and order and the prevalence of general insecurity had hardly any adverse effect on the economy of the State. The production of the plantation crops was on the high side. The food situation continued to be precarious, not due to any fall in the local production, but due to difficulties in procuring the quantity required to cover the deficit, from outside. The prices of commodities in the State moved in sympathy with those elsewhere. The decline in the world market prices of ex-

port commodities like tea, lemon grass oil, ginger and coir products was reflected in the internal prices also. The prices of commodities which depended on internal market, remained almost steady, if not better.

By and large, the economic situation in the State was in no way better or worse in the Communist State of Kerala than that prevailing in other States. Like most other States, both revenue and expenditure show an upward trend. The estimated revenue for the year 1959-60 is Rs 38.47 crores as against the revised estimate of Rs 35.52 crores for the current year. It is significant that when the Communists came to power two years ago, the revenue of the State was only about Rs 28 crores. Though the Government was able to produce a surplus budget in its first year, much to the surprise of all, in the coming year a deficit of Rs 77.77 lakhs is left uncovered except for a small additional revenue of Rs 6 lakhs expected from the removal of exemption from sales tax on toddy. Government expects to cover up the deficit by vigorous collection of arrears accumulated to the extent of Rs 2.5 crores in the past. A good inheritance, if it could be collected, without writing off large amounts, as this accumulation is spread over a period of years.

There are two points in the Finance Minister's speech which are of considerable interest. In the last budget speech, there was a proposal to organise 50 collective farming societies on co-operative basis. A scheme was accordingly prepared and steps were taken to organise such societies. So far only about 25 societies have been organised. Even though under this scheme the cultivators need not surrender their ownership of their land, it was insisted that all agricultural operations should be done jointly and the crops divided on the basis of acreage. The Finance Minister now admits that the majority among the cultivators are not prepared to go so far. It is, therefore, proposed to evolve a new pattern by which cultivators would be required to pledge for introducing modern agricultural practices in their lands and work collectively for the purpose while each carries on agricultural activities on his own land as he likes. These societies will be known

as better farming societies, details of which are yet to be worked out.

The second significant observation relates to the location of industries. The provisions in the Industries (Development and Regulation) Act, Achutha Menon complained, were not sufficient to compel the private industrialist to establish industries in the undeveloped areas. Except in industrially advanced States like Bombay, Bengal and to some extent Madras, businessmen were reluctant to establish industries, unless direct and indirect concessions were extended to them by State Governments. It is not an exaggeration to say that States are compelled to stand at the doors of the private sector, a degrading situation in a country on the march towards socialism. This view is shared by most of the other States also. It is seldom realised that the political uncertainty which is attributed as a cause for the lack of interest on the part of business interests to establish industries in Kerala, is a direct result of economic backwardness. The same political uncertainty is bound to arise in other undeveloped areas also with the spread of literacy. This is a matter which requires the immediate attention of the Centre.

Oil Distribution in Public Sector

WHILE announcing at his last Press Conference that the distribution of petroleum products will

be taken up in the public sector, Pandit Nehru added two qualifications, first, that it will be done "in due course" and, second, that it will be done "with the consent of the oil companies concerned." Both these qualifications have, aroused considerable speculation. The first is more easily disposed of, for the refineries in the public sector will not go on stream before 1961, and the present intention of the Government may be interpreted as one of setting up the distribution organisation in time to enable it to handle the oil products as they flow out from the Government refineries. But does it mean that distribution will be confined to the area served by these refineries, and even if this is the idea, does the Government intend to take up the entire distribution over this area or concentrate at a few points, leaving the rest of the market to the existing agencies? Both from the points of view of organisation and capital investment, this will be a sizeable job, involving setting up of storage facilities.

Considering the nature of oil distribution, however, the inference appears to be warranted that the Government distribution will cover fully the area it marks out for itself and that it may, in that case, undertake to buy from the companies and distribute the products in which the Government refineries may be short while, on a quid pro

PROFESSOR M. N. SRINIVAS SOCIOLOGY SCHOLARSHIP FUND

DR. M. N. SRINIVAS, Professor of Sociology in the Faculty of Arts, M. S. University of Baroda, is appointed to the Chair of Sociology in the University of Delhi. He will soon leave Baroda for Delhi to take up his new appointment. Dr. Srinivas joined the University of Baroda in June 1951 as the first Professor and Head of the Department of Sociology. He devoted himself to the development of the Department and the Subject. In appreciation of his services to the subject and the Department of Sociology, and to perpetuate the memory of his association with the Department, his colleagues and some of his students and friends wish to institute a scholarship in the Department of Sociology in his name. It is proposed to collect a fund of about Rs. 2500/- and to declare a scholarship out of interest income of the Fund. Contributions from all are solicited.

I. P. Desai
I. S. Gulati
A. H. Somjee
B. Subbarao

V. Y. Kantak
B. J. Sandesara
B. G. Shah
A. M. Shah

N. B. Amin
S. Chaudhury
K. R. Unni
T. N. Sheth

N. B. :- Cheques, Money Orders etc. should be drawn in the name of Shri B. G. Shah c/o Faculty of Commerce, or Shri A. M. Shah c/o Department of Sociology, Faculty of Arts, Baroda.

quo basis, the Government refineries may hand over the surplus products in excess of the requirements of this area to the oil companies to be distributed through their sales organisation in other parts of the country.

It would indeed be a happy family but for a slight discord among the members over the question of distribution costs. For the Government's contention has been, and it has been repeated, that oil companies have too heavy distribution organisation accounting for almost 25 per cent of consumer costs which prevents them from reducing prices of petroleum products. Now in the Burmah-Shell Survey of Activities 1957, 26.31 per cent of the total receipts from the sale of oil products is shown as cost of distribution. In the breakdown of distribution costs, amounting to Rs 35 crores, however, importing and installation charges and packages account for some Rs 10 crores, internal freights take up some Rs 8 crores while administration takes up only Rs 5 crores. The balance, however, some Rs 12 to Rs 13 crores, are shown under the head "distribution and selling" whatever the latter might mean. On the question of high distribution costs and too heavy organisation, a Government Cost Accountant has been looking into the figures. Until the latter is able to throw some light on the question, the Government claim that oil products can be distributed at 10 per cent cost against oil companies' present cost of 25 per cent will continue to puzzle the consumer of oil and the public.

Raw Jute and Jute Goods

THOUGH the Government has reversed its policy and permitted, for the first time in many years, the export of raw jute, there is, naturally, considerable scepticism in market circles about the net effect of this decision. This is because export prospects exist only for quality jute in which we are still short. Curiously enough, though export through the State Trading Corporation is the only measure of assistance that is to be allowed to growers of raw jute, export duties on raw jute, a legacy from the past which bears no relation to current conditions, still remains on the statute book. Speculation at the moment, however, is not so much on the possibility of the removal of this duty, but on prospects of Government financial aid to jute mills to increase their



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raw stocks beyond what mills could be persuaded to hold in their own interest. How Shri Venkatappiah's visit to Calcutta for strengthening cooperative marketing of jute finally led to the expectations of financial aid to the jute mills passes understanding, but such is the politics of jute that the market has been visibly affected by it.

Since the prospects of raw jute exports are so slender, a correspondent suggests, instead, the adoption of a much bolder programme, namely, that of increased production of jute goods by the mills and stocking of these goods by the State Trading Corporation or some other State-sponsored agency. The correspondent writes:

"Instead of Government buying raw jute it should enter into an agreement with the jute industry and make the latter purchase raw jute and thus increase its jute goods output. The increased output of jute goods as a result of such purchase of raw jute by the industry should be bought over by the Government for the purpose of stocks. It should release jute goods from its stocks as and when the export market becomes favourable. Jute goods can be stored, while raw jute cannot be so stored.

A policy of jute goods purchases by the Government would have three advantages:

- (1) it would stabilise raw jute prices at a certain level;
- (2) it would enable the Government and the country to earn more foreign exchange than would otherwise be possible; and
- (3) it would result in some profits for the Government if it exports jute goods at a time when the jute industry cannot meet the export demand."

The only fly in the ointment is the ability of the State Trading Corporation to handle this job. Shri Lal Bahadur Shastri, who believes in the community of interests of the jute growers and jute mills, expects much from the Indian Jute Mills' Association, particularly since the jute mills, he said, were "reasonably well organised". There's the rub—they are, in fact, too well organised. Had the Minister for Commerce and Industry cared to examine their policies, he would have noticed that expansion of production is not and has never been their main concern. In fact, all talk of modernising their plants, intro-

duction of circular looms and the manufacture of these looms with the assistance of the NIDC, has been quietly dropped. True, jute mills have improved and modernised their spinning capacity, but in the weaving section, rationalisation has taken the form of a gradual reduction in labour force rather than modernisation of looms which could have strengthened the competitive position of sackings in export markets.

Small vs Big in Sugar Industry

KHANDSARI prices shot up by Rs 2½ a maund but sugar prices receded by a rupee, according to a market report on the effect of the budget proposals on the sugar market. The reason for the inverse correlation between the two prices is thus explained by the commentator: supply of cane to the sugar mills will improve to the extent that cane is diverted from the production of khandsari. The reasoning can be developed farther and even a plausible argument can be put up in favour of restricting, if not abolishing, khandsari production altogether, on the ground that low recovery of sugar from sugar cane in these inefficient units, uncompensated by any utilisation of bye-products, results in a net loss to the national economy.

The manufacturers of khandsari, however, take their stand on their labour intensive, albeit inefficient, method of production as somehow contributing to the national economy via re-distribution of the national product. The deputation of the khandsari sugar makers who waited on the Ministers of Finance and Food and Agriculture to protest against enhancement of excise duty, surely did not understate their case when they said that "The most important advantage of the khandsari industry is its employment potential. Worked out and checked up figures, would establish that the same unit of khandsari sugar would employ 23 times more workers than can be employed in the Vacuum Pan Factories. It needs hardly any emphasis that in a country like ours, it has no mean advantage."

This argument is clinched by claiming that the industry employs three million workers, half of whom would be thrown out of work if the proposed increase in excise duty was not removed. The distribution argument was further elaborated:

"its profits are evenly shared by all concerned, the cultivators, the labour, the manufacturer and many others, who are indirectly connected with it." In short, khandsari interests demanded that they should be treated as a cottage industry, that gur and khandsari, in fact, stand in the same relation to factory sugar as khadi and handloom stand in relation to the cotton mill industry. The bigger fish eat the smaller ones and these latter eat ones that are still smaller,—it is an endless chain. The real villain of the piece, according to the khandsari interests, are the sulphitation plants which parade as improved khandsari and 70 of these have come up in UP alone, with a production capacity of about 3½ lakh maunds. Annual production of khandsari is still below 2½ lakh tons and that was the figure estimated by the Indian Tariff Board as early as 1931-32. Presumably, the analogy with handlooms and mills can be pressed further and the interlopers, the sulphitation plants, may be likened unto power looms with this difference that khandsari producers refuse to have anything to do with the latter and do not accept that improvement in the technique of this important cottage industry could ever produce this ill-begotten hybrid!

Lapse Ratio Declines

THE critics of nationalisation, of Life Insurance Corporation, who have remained unimpressed by the record volume of new business done by the Life Insurance Corporation, have often suspected that the figures of new business were unduly inflated. What inflated the volume of new policies, was the issue of new policies at lower rates of premia for old policies which were being paid up. Besides they have also been critical of the quality of service under the new dispensation and inefficient servicing, they apprehended, would lead to a high lapse ratio. The data released by the Corporation, however, do not confirm these suppositions. Far from going up, the ratio of lapses was significantly lower in 1957, the latest year for which figures are now available, than in the three years preceding the reduction of premia rates in 1956. In that year, naturally, a lot of old policies were paid up and new ones taken out and the lapse ratio shot up very high.

The lapse ratio, i.e., the ratio of policies on which premia have not been received (and which have, therefore, lapsed) to the new business outstanding, fluctuated narrowly around 9 per cent from 1953 to 1955. In 1956, it shot up in the wake of nationalisation and reduction of life premia rates to more than 11 per cent, but in the following year there was a steep decline to 8.4 per cent, which is significantly lower than the levels before nationalisation and during the period of the rate-war that was initiated in 1954 by the privately-owned insurance companies.

This improvement has been emulated by the renewal expense ratio, i.e., the ratio of expenses incurred by the Corporation in renewing policies from year to year. This ratio stood at 17.3 per cent in 1955 but went up to 20.9 per cent during the eight months of 1956, when the companies were in the hands of Custodians prior to the setting up of the Corporation. During the sixteen months ended December 31, 1957, the ratio declined below the pre-nationalisation level to 15.9 per cent. These figures speak of public confidence in the Corporation as well as the efficacy of the administrative reforms that it has undertaken. Both the ratios are, however, still at a rather high level and the Corporation has done well to take measures to reduce them still further through training of field staff and better servicing of policies. Policyholders still complain, nevertheless, of non-receipt of premium notices and receipts, which is an indication of the extent to which there is room for improvement.

As on December 31, 1958, the Corporation's total investments totalled Rs 414 crores. Of these, Rs 256 crores were in Government securities and another Rs 39 crores in other approved securities, making a proportion of 71 per cent. Rs 75 crores were invested in private securities, Rs 13 crores in mortgages, a business from which the Corporation is retiring now, while the balance of Rs 21 crores were in land and house property.

Erratum

Record Life Insurance Business

The annual new business of the Life Insurance Corporation in 1958 reached a level of Rs 339 crores and not Rs 399 crores as wrongly printed in the Weekly Note in the last issue.

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Letter to the Editor

Resources for the Third Plan Rejoinder to Professor Raj

IN his article 'Resources for the Third Plan' in the Annual Number, Professor K N Raj has suggested the following additional taxes in the agricultural sector:

- a doubling of land tax on holdings above five acres;
- a tax on agricultural rent; and
- a surcharge on holdings above five acres under commercial crops and has estimated a total additional yield of about Rs 300 crores per year.

According to National Sample Survey estimates, about 30 per cent of the rural households hold land above 5 acres and manage 80 per cent of the total cropped area. The yield from land revenue is estimated to be about Rs 97 crores in 1958-59. Since land revenue is assessed 'per acre' in a manner so as to have no correlation to the total holding, it may be assumed that 80 per cent of it or about Rs 75 crores would be paid by those who hold land more than five acres. If Dr Raj's suggestion is implemented, this source is likely to yield an additional revenue of about Rs 75 crores.

It may be mentioned that on the average an acre of cultivated land yields a net income of about Rs 100 per annum. Further land revenue assessed per acre varies from about Rs 2 to Rs 4 per acre depending upon the nature of assessment and empiric factors like type of land, nearness to market, nature of crop etc. On the assumption that a rural household consists of five members a holding of five acres yields an annual income of less than Rs 100 per head, which is much less than the all-India average, and had the position of internal resources been better than what it is, should have been exempt from payment of any direct tax. Doubling of land revenue for the category of households holding about 5 acres of land cannot but be harsh. If households holding land from 5 to 10 acres are also exempted from this measure of additional taxation, another 20 per cent of the area would become exempt, thereby reducing the addi-

tional yield by about 20 crores to 55 crores. Exemption of another slab of 5 acres would bring about a reduction in the additional yield by about another 15 crores. Further, a quarter of the total cropped area is managed by households who hold land more than 30 acres. With the pace of land reform speeded up and generally 30 acres being the ceiling both for area owned and area cultivated, these holdings are likely to be split up, part of the land going into the formation of fresh holdings falling within the exemption limits. If this factor is taken into account and land revenue is doubled only on holdings exceeding 15 acres, the additional collections are not likely to exceed Rs 30 crores annually. On the other hand, even the doubling of land revenue from an average of 2 to 4 per cent to 4 to 8 per cent on holdings of 15 to 30 acres yielding, on the average, an annual net income of not more than Rs 1,500 to Rs 3,000 might prove to be too burdensome.

The second measure suggests the taxing of incomes received by non-cultivating proprietors from cultivating tenants. Professor Raj appreciates that with the execution of land reforms, there will be speedy reduction in the quantum of rental incomes. Nevertheless he has suggested that cultivating tenants (who will gradually become the proprietors) should transfer one-tenth of their gross produce to the Government by way of tax. This has been suggested without any reference to the income of the rent-receiver.

It may be observed that if the incidence of this tax is to fall on the rent receiver, the measure is similar to an agricultural income tax with a uniform tax rate of about 30 to 40 per cent (on the assumption that an acre of land yields a gross income of Rs 200 annually, 25 per cent of which is paid as rent) and exemption limit reduced to nil. As suggested by the Taxation Enquiry Committee and as already implemented by majority of States, at best what can be done with such incomes is to subject them to agricultural income tax, treating them

as unearned incomes and levying an additional surcharge, if the assessee's income from non-agricultural sources is large. There seems to be no justification for subjecting fractional incomes to the suggested new tax, especially, when the recipients have no other source of income. And for higher slabs of income, agricultural income tax comes into operation.

The third measure i.e., a surcharge on holdings above five acres under commercial crops will provide a strong disincentive to the cultivation of commercial crops the acreage of which might already have fallen as a result of rising food prices. It has been observed that gross area sown under any crop has a strong correlation to the prices received by the farmer in the preceding years. For example, the addition of about 23 million acres to the total gross area sown between 1951-52 to 1953-54 was absorbed by foodgrains on account of high prices of foodgrains prevailing in that period. After 1953-54, when prices of food articles fell, there was also a decline in the gross area sown under food crops. Therefore, in the context of prices of food which are likely to remain relatively high on account of developmental expenditure, any fresh disincentive to commercial crops would affect the economy adversely. Further, in future, more and more commercial crops will be required both to earn the much needed foreign exchange and also to feed the fast expanding industries. Also commercial crops not only pay higher land revenues and water rates, but are also subject to several other taxes like state excises (on tobacco) and cess (on sugarcane).

In view of the above, the measures suggested by Professor Raj do not seem to be workable and even if they can be partially implemented, the estimate of yield from these sources appears highly exaggerated.

S P Ahuja

Economic Division,
Ministry of Finance,
10, Parliament Street,
New Delhi.

The Week in Parliament

(From Our Correspondent)

LAST week, the two Houses of Parliament were engaged in somewhat unexciting debates on the Railway Budget and the General Budget—the former occupying most of the Lok Sabha time and the latter of the Rajya Sabha. The General Budget had on the whole a smooth time, except for the concern expressed by some Congress and other members at the pace of deficit financing and the menace of tax evasion.

But concern was not, generally speaking, accompanied by many worthwhile suggestions of how these undesirable, and at least in one case unavoidable, evils could be extirpated. It is easy to harp on the imperativeness of stern measures to eliminate tax evasion, but when harsh measures are really taken, there is no assurance that criticism would not be concentrated on the harshness of the measures.

With what has been said so far in Parliament about the Budget, Shri Morarji Desai has ample reason to feel gratified. Leaving out the not very vigorous attacks on some aspects of the indirect taxation proposed by him, particularly the one on khandasari, he received more kudos than some of his recent predecessors for his first effort at budgeting for a developing economy, in which there are so many pulls in opposite directions. I could not, however, miss—or ignore—the very obvious, (but what seemed not so obvious from what has been said so far in Parliament) feature of Morarji's budget, namely, the absence of any reference to the socialistic pattern, to which the Congress and the Government are (presumably) committed. With so much talk outside Parliament and from so many prominent personages, including, of course, the Prime Minister, who is the most vocal of them all, on the socialistic pattern and socialism, and with so little of it—at least so far—in Parliament, it strikes me as though all concern for that pattern is reserved only for the public platform and not for the forum of Parliament.

Perspective on Parliamentary Privilege

Has Parliament come to cultivate a perspective in respect of issues of privilege? This question (and con-

clusion) is relevant because of the gratifyingly proper perspective in which it considered the two matters relating to privilege, which were dealt with in reports presented during the current session. One of these related to the reflection which the Chief Minister of Kerala was alleged to have cast on some members of Parliament and the other related to the remarks which Shri M O Mathai, former Special Assistant to the Prime Minister, made in his resignation letter to the Prime Minister.

On both these, the Lok Sabha endorsed the view expressed by the Privileges Committee that there was no need to take further proceedings in the light of the unqualified apologies offered by the impugned individuals. The Rajya Sabha also accepted the view of its Privileges Committee to drop further proceedings against Shri Mathai, in view of his apology and his confession that he did not desire to cast any reflection on Parliament. These decisions indeed reveal a sense of perspective, for setting which the respective Privileges Committees deserve to be commended.

It may sound monotonously repetitive to state that Parliament (and parliamentarians) should be protected against slander, ridicule amounting to slander and insinuations amounting to character assassination and similar other things, prejudicing their functioning with freedom and independence. But it would not probably be monotonous to repeat that Parliament should not be unduly sensitive to—or vindictively censorious of—criticisms or statements which do not fall in any of the above mentioned categories. In Shri M O Mathai's case the Privileges Committee did find that his remarks amounted to a breach of privilege. But in both cases it laid down the salutary dictum that it was not consistent with the dignity of the House "to take note of every statement which might technically constitute a contempt (of the House)". It is good to note that Parliament, by implication, appreciated the consideration that freedom of speech guaranteed by the Constitution can, in some cases at least, be nullified by Parliament becoming censorious of

every technical breach of privilege despite its being (constitutionally) the most potent defender of those rights.

Massacre of Non-Official Bills

It is painful to watch, week after week, the "massacre" of non-official Bills and resolutions, into the sponsoring and formulation of which much effort must have gone. In some cases the non-official members are themselves responsible for the result, because they do not obviously consult (or consult with) the Ministers concerned to ascertain their reactions to a particular Bill or resolution before giving notice of it. Even more painful was it to notice last Friday that, when the Speaker put the motion that leave be granted for the introduction of a non-official Bill, even the sponsor of the Bill did not say "aye"—a fact on which the Speaker made a brief (and not very complimentary) comment. In another case, a Bill was sponsored on a subject which was not within the Central Government's purview, and it would have saved time and money if the member had ascertained in advance whether it would be in order. Non-official day in Parliament thus becomes (very largely) a day of infructuous effort to get a Bill through or a resolution accepted.

Only one Bill (that on payment of dowry, introduced by Shri Jugul Kishore in Rajya Sabha) shared a somewhat better fate. The Member had the satisfaction of evoking from the Law Minister the assurance that the Government would themselves be sponsoring a comprehensive legislation on the subject of dowries.

Legislative measures brought forward by private members have indeed little chance of getting on to the Statute Book in a parliamentary system functioning through political parties, unless they receive official blessings, directly by Government supporting it or indirectly by Government remaining neutral. There is, however, the question of the cost involved in getting a Bill printed and circulated and of the time involved in the negative process of either leave being refused for its introduction or of it its being withdrawn by the member concerned after some kind of assurance from the Government side.

From the London End

White Supremacy and African Awakening

IT was inevitable that the crucial and more basic issues in the Nyasaland 'disturbances' and the 'emergency' in other parts of the Central African Federation should be neatly by-passed in the British Commons, and for that matter in discussion in Britain. The fate of the British Labour M P, Mr Stonehouse and the legal position of British immigrants in the Federation, which have become the principal point of controversy in Britain as also the question of 'White supremacy'—all these have been effectively scotched by the unverified 'plot' which the British Colonial Secretary, in strict accordance with tradition, found in his arsenal of ready replies to difficult questions.

Demarcating Black and White

The basic question in Central and South Africa is the future of White settler power in an area with a preponderant indigenous African population. Soon after the Accra Conference it was reported that Sir Roy Welensky, Prime Minister of the Federation, was engaged in certain discussions with South Africa. It was clear from press despatches then that the South African all-White Government of Dr Verwoerd was strongly aware of the changed balance of racial power on the African continent and was becoming particularly anxious about its own security in this new balance.

It was in this situation that Sir Roy Welensky was taken into confidence by South Africa on a line of action which had the ultimate aim of partitioning the African continent into areas of pure Black and White power respectively, with the Belgian Congo and Portuguese Angola as effective colonial buffers between these two broad areas. When Sir Roy Welensky visited London early this year this scheme of things was certainly outlined to the British Authorities, and from the current attitude of the Colonial Office to the declaration of a state of emergency in Nyasaland, it is clear that the Macmillan Government has acceded to this scheme for Africa.

Freedom: West to East

The essential lines of the policy of the South and Central African nexus arise from the following

considerations. Ghana has been established. Next year the Nigerian Federation—a considerably more powerful African complex of 35 million—will come into existence. The Cameroons, both the British and French trust territories, will inevitably join Nigeria. In French Equatorial Africa, in spite of the equivocal form which the 'French African Community' is taking, the path of independent political development is equally inevitable.

To the East, the ever-present eye of the U N Trusteeship Council is making inevitable the growth of an independent Black African Tanganyika; and so too in the Horn of Africa where a large independent Somaliland is now on the agenda. These developments change considerably the complexion of Africa and impart a strong feeling of insecurity to the regimes in the South whose policies of White supremacy have up to now been sustained by a non-political indigenous African population at home and by colonial power to the north.

Ensuring Nyasa Labour Supply

In retrospect the creation of the Central African Federation way back in 1953 appears to have been motivated by considerations of partitioning the African Continent along racial lines so as to secure, permanently, White supremacy in the South. One seeming incongruity was the inclusion of Nyasaland in the Federation. The British Colonial Office then argued that Nyasaland was not economically viable by itself and had much to gain by being associated with the Rhodesias. However, Nyasaland African opinion argued that they had more in common with Tanganyika than with Southern Rhodesia but the British authorities refused to listen. Instead they pushed ahead their plans for integrating Nyasaland into the Federation which, as events have proved, was designed to secure for the White settlers a system of constitutional power similar to that of the Union of South Africa.

The inclusion of Nyasaland in this Federal arrangement was motivated more by two other factors, one economic and the other political. Nyasaland has always been a source of cheap migratory labour for the gold mines of South Africa

and for employment in unskilled occupations in the Rhodesias. This was to be continued, and hence Nyasaland's place in the Federation. Politically, the inclusion of Nyasaland in the Federation strengthened the buffer between pure Black African power in West and Equatorial Africa and pure White power in the South.

'Partnership' Unworkable

The present onslaught, with the full connivance of the British Government, on African opinion in the Federation, and in particular on the Nyasaland African Congress involving arrests and killings must, therefore, be seen as a stage in the conspiracy to partition the African continent and secure White power on a permanent basis in Central and South Africa. This conspiracy involved the final changes in the Federation's Constitution which Sir Roy Welensky so successfully canvassed in London early this year. Of course, there is much glib talk of 'racial partnership' in the Federation, but events since 1953 show the cynical unconcern of the White settlers for African opinion and the hypocrisy of their professions.

What in fact the White settlers and with them the British authorities have not understood or had not bargained for, is the sudden emergence of political consciousness among the indigenous African population and the striking new ability of the African people to undertake political organisation and action which now makes impossible the complete realisation of final White hegemony in Southern and Central Africa. This certainly is the lesson in Nyasaland and although the British authorities remain committed to establish the Federation, there can be no certainty as to its actual realisation now.

Savage Repression

The crisis for the policy of White supremacy is nowhere more decisive than in South Africa. There the White electorate, comprising one-fifth of the population, gave in May 1958 another overwhelming mandate for a policy of White domination and for a more savage repression of the African people. This indeed is the content of Apartheid. Not satisfied with the vast and compli-

cated network of racial and oppressive legislation, adopted and implemented since 1948, the Verwoerd Government has now announced its intention of withdrawing the paltry representation of Africans in Parliament (3 Whites have represented 11 million Africans against 159 representatives for 2½ million Whites in the Legislative Assembly). Simultaneously the plan for a subordinate African education by barring admission of African students in the two remaining non-racial universities in the country is being implemented.

What prompts the South African Government to pursue with such relentless force and vigour a policy which will only hasten the inevitable collapse of that policy and with it the whole system of race oppression and White supremacy? Indeed, long before the party of Dr Verwoerd came to power, a sufficiently all-embracing system of race segregation was created, assuring the permanent entry of the non-White peoples into the cheap labour pool to satisfy the requirements of the gold mining monopolies and the White farmers. And yet the considerably more oppressive policy of Apartheid was devised and applied with increasing vigour. Here, are three answers to the question, all of which apply with equal force in the Central African Federation.

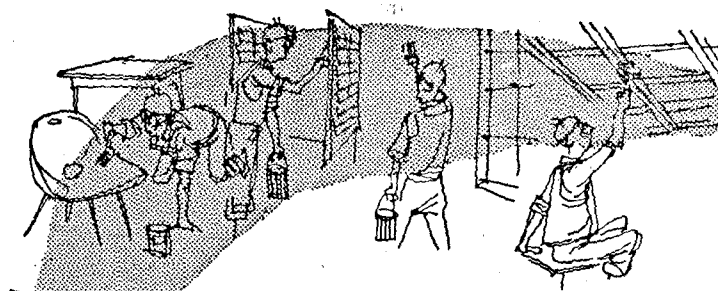
Growing Political Consciousness

In the first place, there has been an immense growth in the political consciousness of the non-White peoples and in the influence of the African National Congress. Thus in South Africa there is no argument as to the fact that the political opposition to the Verwoerd Government is the Congress movement and not any other party in Parliament. The Treason Trial has been a trial of the Congress and its leaders for having formulated the only alternative to the ruling policy of Apartheid. Next, there has been the visible growth of a fully integrated African working class, urbanised and with a growing trade union consciousness demanding a political place in the rapidly changing climate of industrialisation. Finally, the growth of national liberation movements and attainment of political independence in the rest of Black Africa have decisively weakened the relative position of the South African regime.

All these factors drive the now

desperate White minority into acts of violence and oppression. This is the essence of the conspiracy which takes such brutal forms in Nyasaland and which takes its inexorable course towards a climax regardless of life and liberty to the African people. But the surest guarantee that this conspiracy will not reach full realisation is the growth of determined African political consciousness. And the events in the Belgian Congo, in Nyasaland as well as the Treason Trials in South Africa reflect this political awakening.

ZAMBIA CONGRESS BANNED
THE Government of Northern Rhodesia banned the Zambia National Congress and arrested all its leaders on March 12. A state of emergency was, however, not declared. Announcing the ban Governor Benson said that the Congress was like the notorious U. S. racketeer organisation, 'Murder Incorporated'. He said it terrorised law abiding Africans to stop them from using their vote in the election due on March 20. The Governor alleged that the Congress used witchcraft to achieve its aims.



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The Size of the Third Plan

Dhires Bhattacharyya

NOW that discussions regarding the most desirable magnitude of the Third Plan are going on among economists and public men, the following considerations, largely derived from past experience may be advanced for what they are worth. It is hardly disputed that the country requires a bigger Plan to cope with the problems of poverty and unemployment. At the same time the capacity of the economy to undertake investment of the required magnitude is in doubt, both because domestic financial resources are limited and because most types of useful investment will involve foreign exchange expenditure. We shall try to explore in some measure both what is desirable and what is practicable, given the institutional limitations in which the economy has to operate.

I

We start with the most desirable size of the Plan from the point of view of employment. In the first Five Year Plan, a total investment expenditure of Rs 3,100 crores (public and private) was found to have been associated with new employment for some 4.5 million workers. Dividing out, the per capita investment necessary for employment turns out to be about Rs 7,000. For the Second Five Year Plan also it was estimated that an investment of Rs 6,200 crores would result in the creation of employment for nearly 9 million workers. It will not, therefore, be far wrong to assume that investment to the extent of Rs 7,000 will be necessary to create suitable employment for one worker. Taking the number of workers to be provided employment in the next five years to be 20 million, on a rough estimate, the total investment necessary and desirable would amount to Rs 14,000 crores.

In the First Five Year Plan the realised investment-income ratio was nearly 2:1. This is unlikely to be repeated and working on the basis of a higher ratio, say 3:1, we may expect this much of investment to add to national income by Rs 4,700 crores. This will imply an almost 40 per cent increase over the initial level of the national income by the end of the Third Five Year Plan.

We can hope to open the Third Five Year Plan with a national income of about Rs 12,000 crores of which Rs 1,000 crores will be in the form of net investment. The increase in national income from Rs 12,000 crores to Rs 16,700 crores at the end of the Third Plan, as suggested above, may follow various courses. We shall suppose, for simplicity, that the increase occurs at a constant arithmetical rate, in other words, that every year the national income rises by Rs 940 crores.

It is now possible to conjecture the course of domestic saving on various alternative assumptions. As we are presently concerned only with what is desirable, we shall take as our basic assumption the constancy of per capita consumption expenditure over the five-year period. In other words, we put, as it were, a ceiling upon consumption at the present level, allowing only for such increase in aggregate consumption expenditure as is called for by the increase in population. Scheme I will then typify the process of growth over the five-year period.

Scheme I (Rs crores)			
Period	National Income	Consumption	Population (crores)
0	12,000	11,000	41
I	12,940	11,161	41.6
II	13,880	11,322	42.2
III	14,820	11,483	42.8
IV	15,760	11,644	43.4
V	16,700	11,805	44.0
Total: (I to V)	74,100	57,415	

Summing up, over the five-year period aggregate domestic savings will then amount to Rs 16,685 crores, which is larger than the amount of investment previously considered as necessary and desirable from the point of view of employment.

II

The snags in the above scheme will be quite easy to detect. As we see it, there are two problems to be solved. The first is to bring about the initial spurt in income with domestic savings at a rather low

level in the initial period. The second is to pin down consumption to an admittedly low level in spite of an increase in income. Again, confining ourselves to what is desirable, the first problem is not incapable of solution provided that the initial doses of investment are sufficiently large. This, of course, requires the inflow of foreign capital on a sufficiently big scale in the initial years.

Returning to our scheme of growth, between period 'O' and period 'I', the national income is supposed to rise by Rs 940 crores (a rate of 7 per cent in a year), while domestic savings in period 'O' amount at most to only Rs 1,000 crores. With an investment-income ratio of 3:1, we require foreign investment to an extent of about Rs 1,800 crores in period 'O' (assuming a one-year time lag), so that the national income can expand in the most desirable manner. (We ignore, for simplicity, the problem of absorption of the foreign capital.) Similarly, between periods I and II, we require net foreign investment of about Rs 1,000 crores and between periods II and III of only about Rs 264 crores. After period III we should not only dispense with foreign aid but be in a position to repay outstanding foreign loans. (We assume that the pattern of investment is chosen with an eye to future foreign exchange requirements.) In all, therefore, a total foreign investment of Rs 3,100 crores or so will be needed over a five-year period for putting the economy on the road to expansion.

All this, of course, pre-supposes the realisation of the second condition that the whole of the national income, except the part necessary for maintaining the larger population at an unchanged over-all standard of living, goes into investment. Without committing ourselves to the view that foreign investment on the above scale is likely to occur, it is still possible to say that our second problem is much more difficult of solution than the first. For the realisation of the second condition, marginal rates of saving from income have to be fantastically high. The proportion of saving to income is to rise from 8 per cent in the initial period to nearly 30 per cent



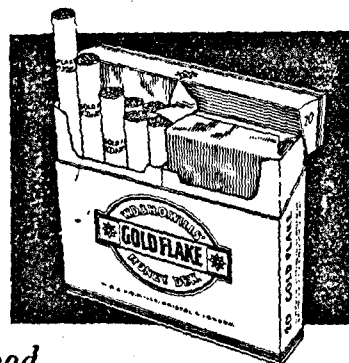
Folk art forms of Andhra indicate a distinct individual culture of her own. The painted toys of Kondapalle

—simple yet arresting in form and colour ;

the wayside puppet show with leather dolls, the bidriware of Hyderabad and the fine cotton prints of Masulipatnam—all these crafts show a creative skill which is born out of a long cultural tradition. The same trend is also evident in the works of the great poets and composers and the traditional theatre emanating from the 'Street Play.' Even the rich musical language of Andhra—'Telugu'—is named after the original Telingana Empire of medieval India.

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over the span of the Plan. This must involve fiscal operations on a scale which has never been attempted in any capitalist economy and may be impossible of attainment even in totalitarian countries. In fact, there may lurk an incompatibility between accelerating saving at this rate and the growth of national income at the desirable rate because of the adverse effect of such high savings on the human factor, which must, after all, enter into the determination of the so-called investment-income ratio.

III

Let us now return to earth and consider what is practicable in the light of past achievements. Here we have to take things in the reverse order and the very first question will, therefore, relate to the likely rate of growth of domestic savings. During the First Five Year Plan, domestic savings increased from about 5 per cent to about 6.5 per cent of the national income. The marginal rate was only 20 per cent (an increase in national income in the last year of the First Plan by nearly Rs 1,500 crores caused domestic savings to expand by Rs 300 crores or so). Considering how difficult it is to raise the propensity to save at a low income level, we are inclined to take the view that this rate can hardly be raised above, say, 25 per cent within the existing institutional frame-work. In what follows we shall proceed on the assumption that the marginal rate of saving will remain constant at 25 per cent throughout the Third Plan period.

As before, we start from an initial income level of Rs 12,000 crores. We also assume (i) an initial investment level of Rs 1,000 crores matched entirely by domestic savings plus (ii) Rs 300 crores of inflow of

Scheme II (Rs crores)			
Period	National Income	Domestic Savings	Foreign Capital inflow
0	12,000	1,000	300
I	12,433	1,108	300
II	12,902	1,225	300
III	13,410	1,352	300
IV	13,961	1,490	300
V	14,558	1,640	300
Total: (I to V)	—	6,815	1,500

foreign capital in the initial year and in each of the succeeding years of the Plan. We can then expect the course of development along the lines shown in Scheme II.

If this scheme operates smoothly, the national income at the end of the Third Plan should be 21 per cent higher than at the beginning, the per capita income should rise by about 13 per cent, and the per capita consumption should go up from about Rs 268 at the beginning of the Plan to about Rs 294 at the end. The proportion of saving to income has to rise to nearly 11 per cent from the assumed initial level of about 8 per cent.

The aggregate amount of investment contemplated in this scheme—Rs 8,315 crores—can on our earlier assumption, provide employment for nearly 12 million workers. This means that at the end of the Third Plan nearly 8 million workers will still have to be in the queue waiting for employment opportunities.

We have described the above scheme as a practicable one. It is practicable only in the sense that a reasonable amount of foreign investment and a moderate increase in domestic effort are all that is necessary for implementing it. It has to be admitted, however, that Rs 1,500 crores of foreign investment in five years is unlikely to be forthcoming unless a radical change occurs in the climate of foreign investment. The only justification for including this in our present scheme is that the Second Plan itself is now based on this anticipation.

Another minor point that may trouble the reader is the assumption of a one-year time lag between investment and income. This is really unimportant because the only effect of a longer lag can be to delay the realisation of the income targets and not to inhibit the process of growth. We believe, however, that the time lag can be considerably shortened by suitable modifications in technology and by organisational innovations.

IV

If the aggregate investment in the Third Five Year Plan period can be permitted to rise to Rs 8,300 crores, the size of the Plan should be determined with reference to (a) the division of this investment between the public and the private sectors and (b) the non-investment expenditure that is likely to be in-

curred as a part of the Plan. On both these questions there can be room for differences in judgment. The public sector, in its existing state of organisation, need not, we think, aim at more than 60 per cent of the total investment but should by all means try to induce the private sector to make up for the rest. This gives us a public investment figure of nearly Rs 5,000 crores. To this we have to add our allowance for the non-investment type of development expenditure.

In the First Plan, the proportion of such non-investment expenditure to public investment expenditure was nearly 1:3, while the Second Plan envisaged that it should be brought down to nearly 1:4. We are inclined in favour of choosing the higher ratio, partly because the resources involved in non-investment expenditure should be more easily procurable and partly because the higher ratio seems to us to be nearer the optimum. We thus finally arrive at the most reasonable size for the Third Plan, namely, Rs 6,700 crores (public investment—Rs 5,000 crores, and other development expenditure—Rs 1,700 crores).

The above scheme contains an allowance of Rs 3,300 crores of investment in the private sector. If, however, the public authorities feel that they are capable of looking after a larger part of the total investment, they can decide to increase the size of the Plan to a corresponding extent. But whatever the division between the public and the private sectors, a continuous watch has to be maintained to hold private investment in check lest the aggregate investment should exceed the limit of what is practicable. The

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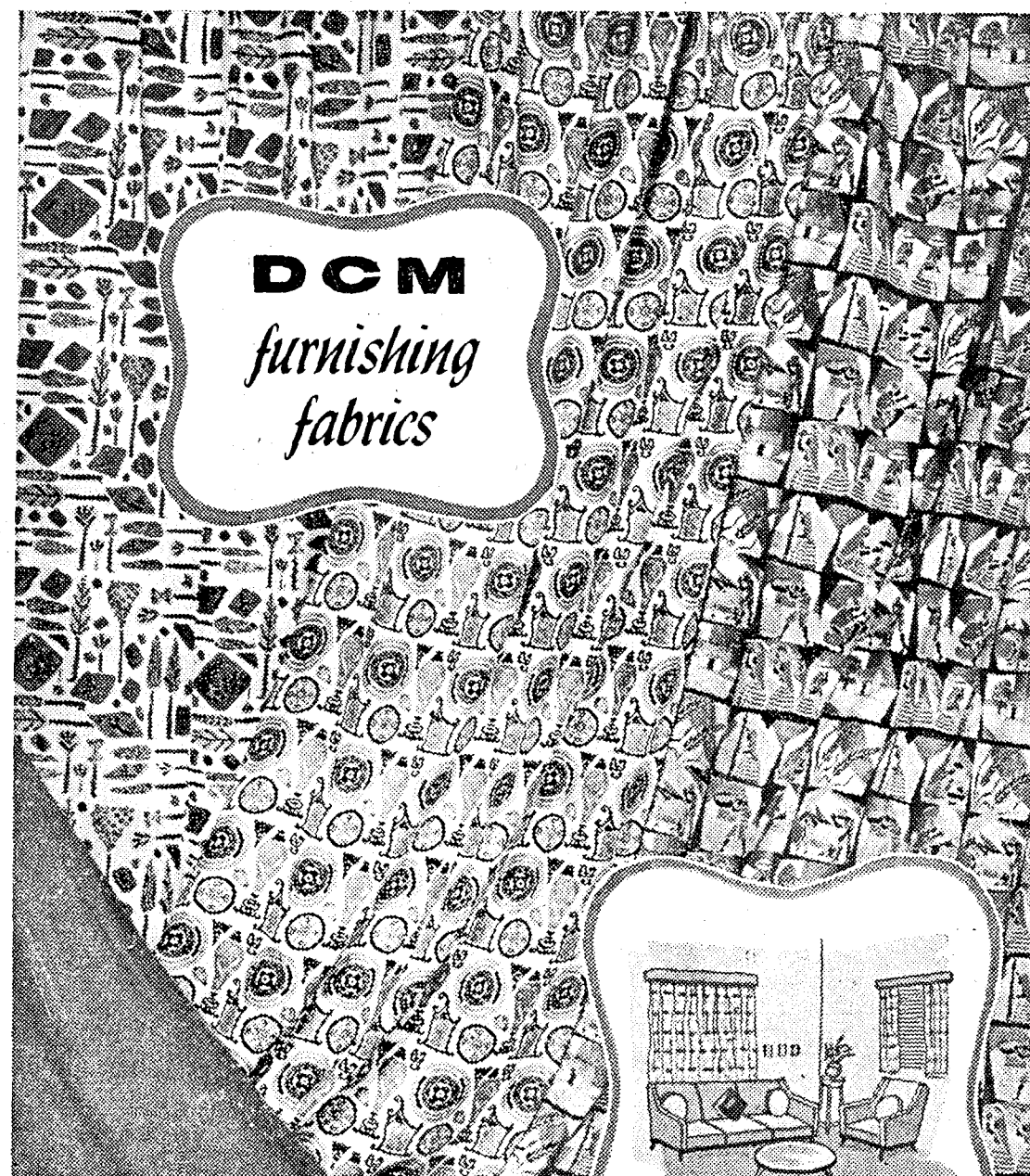
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outer limit of a reasonable plan, if private investment can be held at its current level, (nearly Rs 400 crores a year), may be something like Rs 8,400 crores (public investment—Rs 6,300 crores, and other development expenditure—Rs 2,100 crores; private investment—Rs 2,000 crores).

Our conclusion, then, is this: any size of the Third Plan between Rs 6,700 crores and Rs 8,400 crores can be said to be reasonable, provided that certain reasonable expectations are granted (mainly by foreigners) and certain reasonably larger sacrifices can be imposed (the latter, unfortunately, only on our own

nationals). But one may still find it hard to accept that either the foreigner or the man-in-the-street can be so easily cajoled as we have supposed him to be.*

*The views expressed in this paper are the author's own, and must not be connected with his official position.



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Land Reforms in Delhi

Balraj Puri

LAND reforms in Delhi, which is a Union territory, deserve a special study in view of the highly critical attitude of the Central Ministers about the performance of the State Governments in this field. "I am not satisfied with the progress of the implementation of land reforms", said the Union Food Minister in the course of his reply to a debate on food in Parliament last year. While regretting the delay, he expressed the helplessness of the Centre. "We can only draw the attention of the State Governments, we can press them and we can request them but ultimately the decisions have to be taken by them", he added. The Minister went to the length of welcoming the suggestion of a member, interrupting him, to change the constitution "so that there may be quicker implementation."

Lag in Implementation

The Central Government could, thus, legislate and implement in Delhi what it could not force the State Governments to do. In fact in proportion to the size of the territory, the amount of legislation passed is not small. Various legislative measures enacted in Delhi in recent years include abolition of intermediaries, tenancy reform, establishment of Gaon Sabhas and panchayats, disposal of Bhoodan land, simplification of revenue laws and of a system of records and measures like consolidation of holdings.

Carved out of the Punjab as a separate unit in 1911, to which another sixty five villages were added from the U P in 1915, the territory of Delhi comprises an area of 573 sq miles. Out of its 357 villages some 51, forming part of the urban area of the Corporation, were excluded from the application of the Delhi Land Reforms Act, 1954. Of the remaining 306 villages, there are still more than one third of them where the Act has not been implemented after more than five years of its enactment.

Bhumidar and Asami

The Land Reforms Committee, which prepared the original draft, was set up in 1952. For about a year the bill moved from one Ministry to the other. It was passed

by the then State Assembly in October 1953 and could receive the assent of the President only in July 1954. The Delhi Land Reforms Act, 1954 has only 192 sections which repeal all the 264 sections of the Agra Tenancy Act, 1901 and 112 sections of the Punjab Tenancy Act, 1887. The aim of the Act, according to its preamble, is to provide for modification of Zamindari system so as to create a uniform body of peasant proprietors without intermediaries, for the unification of the Punjab and Agra systems of tenancy laws in force in the State of Delhi and to make provisions for other matters connected therewith.

Before the enactment of the above Act, Delhi had a variety of rights in land such as self cultivating peasants, occupancy tenants, non-occupancy tenants, tenants of Sir, tenants at will, lease holders, dholidars, takhat ul Malkiat etc. The Act simplifies these varieties of tenure. Section 4 (i) of the Act states, "there shall be only one class of tenure holders, that is to say, 'Bhumidar' and one class of sub-tenure holder, that is to say, 'Asami'."

Leasing Forbidden

Sub section (2) defines the tenure holder as a person who holds land directly under and is liable to pay land revenue for that land to the state, and sub-tenure holder as a person who holds land from a tenure holder or a Gaon Sabha and is liable to pay rent therefore to the tenure holder or the Gaon Sabha. Every person belonging to any of the existing following classes shall be a Bhumidar:

- Peasant proprietors in respect of their Sir or Khudkasht land not sublet and their groves;
- Occupancy tenants who pay rent at revenue rates and the perpetual lease holders both of whom enjoy rights of inheritance and sale;
- All other classes of tenants, ex-proprietory, rent-free and all non-occupancy tenants including tenants of Sir; and
- The sub-tenants of occupancy and ex-proprietory tenants on the land sublet to them.

In order to avoid re-emergence of landlordism, Bhumidars are forbidden to lease their land except when they happen to be minors, lunatics, physically disable, students, detenues, members of the armed forces or unmarried or divorced women or widows. The Bhumidars, who hold less than an economic holding—equivalent to 3 standard acres—are also permitted to lease their land to Asamis. The remaining class of Asamis will be sub-tenants of tenants' grove, lessees of Gaon Sabhas, pasture lands or singhara cultivators or cultivators in the bed of rivers. An Asami cannot transfer his rights nor can he bequeath them by will whereas a Bhumidar can do it.

Gaon Sabha, referred to above and consisting of the entire adult population of a village, represents the third type of a right in land. All rights of proprietors in waste lands, grazing or collection of forest produce, fisheries, lands of common utility etc shall vest in the Gaon Sabhas which shall also have powers to take into possession lands where interests of Bhumidars or Asamis have been extinguished.

Compensation Not Paid Yet

It has been estimated that as a result of the implementation of the Land Reforms Act, about 76,600 persons will acquire Bhumidari rights and about 2,28,700 acres of land will be passed on to them. They are likely to dispossess about 16,600 persons including proprietors and occupancy tenants.

The amount of compensation payable by tenants admitted to or acquiring Bhumidari rights shall vary from 4 to 20 multiples of land revenue depending upon the type of their tenancy. Government shall also have to pay compensation equal to 4 times the land revenue to the proprietors for vesting their waste land etc in the Gaon Sabhas. So far no compensation has been paid nor has any estimate of the compensation to be paid by tenants been worked out. The amount of compensation payable by the Government to the proprietors has, however, been estimated at Rs 6.5 lakhs.

The rates of land revenue payable by the Bhumidars shall not be

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uniform and shall vary in the following manner:

- (1) The original proprietor shall pay land revenue as before in respect of the Sir or Khudkasht land.
- (2) Non-occupancy tenants acquiring Bhumidari rights shall pay land revenue equal to one half of the amount of rent payable for the fasli year, immediately preceding the commencement of the Act provided that the new land revenue is not to be more than double or less than the former land revenue.
- (3) Asamis admitted as Bhumidars by the Gaon Sabha shall pay 50 per cent of the rent calculated at the village rate.

As a result of the enforcement of the new rates, the land revenue of Delhi is likely to increase roughly by 25 per cent, i.e., from Rs 3,28,000 in the year immediately preceding the passage of the Act, to Rs 4,10,000.

The above rates of land revenue are evidently provisional. A new settlement is long overdue as the last was held as far back as fifty years. The Act empowers the Chief Commissioner to "direct a settlement at any time after its commencement". The assessment of land revenue shall be according to "a graduated scale being largest on holdings with the highest surplus produce and smallest on holdings with lowest surplus produce."

Every person, declared as Bhumidar under the Act shall cease to pay rent of the land. An Asami shall be liable to pay rent to his landholder or the Gaon Sabha which shall not exceed one fifth of the produce of the land.

Ceiling on Future Acquisitions

An important provision of the Act is that of ceiling on future acquisitions. No Bhumidar shall be entitled, through purchase or gift, to hold land together with the members of his family which in aggregate exceeds 30 standard acres. No transfers shall be permitted, if as a result the transferor is left with an uneconomic holding, i.e., one of less than eight standard acres in the State. In suits for partition, if the court finds that the aggregate area of the holding or holdings to be partitioned does not exceed eight standard acres, the

court shall instead of proceeding to divide the holding or holdings, direct the sale of the same and distribution of the proceeds.

To encourage the elimination of uneconomic holdings the Act empowers the Deputy Commissioner to order that a cooperative, consisting of all the land in the uneconomic holdings in a Gaon Sabha area, be established. But there is a proviso that not less than two thirds of the total number of persons holding Bhumidari rights in uneconomic holdings, or holding between them not less than two thirds of the aggregate area comprised in all uneconomic holdings in the area, should apply jointly to establish a cooperative farm. The Act also proposes to give substantial inducements for the formation of cooperative farm.

Badly Drafted

The Delhi Land Reforms Act would thus appear to be a comprehensive measure for solving the land problems of the Union Territory.

Immediately after the passage of the Act, however, its weaknesses began to be revealed, which partly explain the inordinate delay in its implementation. The drafting of the Act, on which a long time was spent by experts of various ministries, turned out to be one of its main weaknesses.

Some of the conspicuous anomalies in the Act are as follows:

Section 10 (2) of the Act specifies eight categories of landholders (minors, infirm etc) whose tenants shall not be entitled to Bhumidari rights. Section 11 (2) on the other hand adds one condition to such landholders, viz, that they hold the land as Khudkasht. As minors, infirms, women detainees etc cannot ordinarily be Khudkasht, the two sections seem to contradict each other. More than two thousand cases were filed in the Revenue Court on this issue.

Unauthorised Occupancy

Again, though tenants-at-will are being given Bhumidari rights, doubts are being expressed, if a literal interpretation of the Act would provide for it. For, though Section 13(e) is supposed to confer this right on them, it is subject to Section 10 which includes only tenants of Sir and sub-tenants with a right of transfer by sale.

Another source of confusion in the Act is that while there is pro-

vision in it for ejectment of persons occupying land without title, the period of limitation is two years from the commencement of the Act or from the first of July, following the date of occupation. Now, the Act came into force more than four years ago and most of the unauthorised occupancies are already more than two years old. By the time the Bhumidari rights are transferred, the period of limitation will be over and the new Bhumidar may find it difficult to get the possession from unauthorised occupants.

Conflicting Provisions

There is also an ambiguity regarding exemption for the uncultivated areas while vesting waste lands etc in Gaon Sabha. The amendment Act of 1956 fails to fully reconcile the seemingly conflicting sections in this regard.

Finally, there is a conflict between the provisions of the Delhi Land Reforms Act and the Hindu Succession Act on devolution of holdings. The two Acts are again found to be in conflict with the local conventions. Successions have taken place in all the three patterns which will take a final form only after some cases receive authentic judgments at high judicial level.

While some amount of litigation and authoritative interpretation by the courts of what constitutes the real intention of the Act might remove the present confusion, its other inadequacies would still remain. The amendment Act with 18 sections and numerous clauses did not affect any material change in the contents of the original Act, but was confined to making a number of constructional changes only. This is, incidentally, again a reflection on the quality of the original drafting.

No Ceiling Yet

The inadequacies of the Act may be studied with reference to the objectives of land reforms set out in the First and the Second Plans in general and to the needs of rural Delhi in particular. "A policy for land", declares the First Plan, "must be considered adequate in the measure in which, now and in the coming years, it reduces disparities in wealth and income... etc." It categorically accepted the principle that there should be an absolute limit to the amount of land which an individual might hold.

Significantly in the case of Delhi, it was the centre that advised the dropping of the provision on ceiling in the original bill. Presumably the provision was meant to be held over till the census of land holdings was completed. A number of years have already passed since the completion of the census but the long awaited bill to provide for ceiling has yet to come in Parliament, though Delhi State claimed, as early as in 1955, in its administration report for the year, that the Land Holdings Bill, fixing the ceiling, was under contemplation.

There is no specific provision in the Act for landless labourers, estimated to number about 13,000, or roughly equal to one-sixth of the total number of persons likely to acquire Bhumidari rights in the entire territory of Delhi. On this subject the Second Plan clearly says: "the distinction within the village community between those who have land and those who are landless must disappear".

There is another class of persons, rather larger in number, who cultivate lands not belonging to them nor have any legal interest in them. Most of the big landlords get their lands cultivated on batai system, i.e., sharing half of the produce with the cultivators and appointing them on year to year basis. These lands are recorded as Khudkasht. Drawing the attention of the States specifically to this problem, the Second Plan advises that existing legislation should be re-examined in terms of the definition of 'personal cultivation' and suitable action taken to confer tenancy rights on individuals who have in the past been treated merely as labourers or as partners in cultivation.

Violating this advice the Act while defining a lease significantly adds: "any arrangement whereby a person is entitled to a right merely to share in the produce grown on land in consideration of such person assisting or participating with the tenure holder in the actual performance of agricultural operations is not a lease". Probably it is this type of definition of 'personal cultivation', which the Planning Commission refers to as defective and because of which, "in a number of States crop sharing arrangements which have all the characteristics of tenancy are not regarded as such and crop sharers are denied rights allowed to tenants."

Big Landlords Dodge Reforms

A number of big landlords foresaw the introduction of land reforms in Delhi; although they were getting their lands cultivated on batai system, they did not allow their tenants to be recorded. These big landlords have not been much affected by the land reforms in Delhi whereas a large number of small and middle landholders, lacking in foresight or influence, have had to part with their holdings. The latter category of landholders, finding income from their land inadequate, have sought avenues in towns to supplement their income and have leased their land to the tenants. Some of these landholders are working on petty jobs as peons or clerks. The economic circumstances of small owners, the Second Plan suggests, are not so different from those of tenants that tenancy legislation should operate to their disadvantage.

The sense of frustration of small landholders becomes more acute when they find bigger landholders in a more advantageous position. If big and small landholders are to be discriminated, the discrimination should have been exercised in favour of the latter. An obvious way of doing it would have been to vary the rates of compensation. Though, according to the Act, the rates do vary for various types of tenancy, they are uniform for all sizes of holdings.

Transfers Not Prevented

What is more surprising is that a number of landlords not only subdivided their holdings but were also able to sell them, defeating the provisions of the Act. While the implementation of the Act was stayed under an order of the High Court, the transfers were not stayed. The Registration office had no instructions to stop registering transfers of land even after the implementation started. Many lands, which according to the Act should belong to the tenants as Bhumidars, were sold off by the landlords and have changed hands repeatedly. On some of them, purchased by the colonisers, residential buildings have been constructed. Administratively alone it would not be an easy job to demolish these constructions and put the new Bhumidar in possession of such lands.

Inexperienced and inadequate staff, indifferently kept records and ignorance of the tenants have add-

ed their contribution to the confusion caused by the faulty legislation and slow implementation. The confusion was worse confounded due to holding up of all the revenue activities since the day the Land Reforms Act came into force. Thus the collection of land revenues, periodical entries into and the revision of the records, work of consolidation of holdings, reorganisation of panchayats etc remained suspended for over five years which in turn has added further difficulties in the implementation of the Reforms Act itself. Non-completion of consolidation work and non-implementation of land reforms, for instance, are being used as a justification for each other. It has now been decided that till the consolidation work which was left incomplete in some of the villages is completed, further implementation of the Land Reforms Act should be held up. But why was the consolidation work in those villages held up so long?

That more than ten thousand cases have been filed in various courts under the Land Reforms Act is a sufficient commentary on its drafting and implementation. About 460 cases against unauthorised occupation of lands of public utility, for instance, could perhaps have been avoided if the announcement of the list of public utility lands was not delayed upto October 1957. Again, there are about 750 cases filed for ejectment of persons occupying land without title because Gaon Sabhas, which, under the Act, are supposed to own the land, have so far not been established.

Here is an opportunity for the Central Government to build up the villages of Delhi as models for the rest of the country. Whatever be the complexities of the problems of land system in Delhi, they are worth attending to with full vigour. Quantitatively, at least, it is not too big a task. For, it concerns less than 10 per cent of the population of the Delhi territory and is, after all, a problem of just three hundred and odd villages. Further, out of about three lakhs of persons living in these villages not more than 52 per cent have agriculture as their occupation. Reduced to this proportion, it should not be beyond the resourcefulness of the Union Government to work out the land reforms in Delhi speedily, efficiently and equitably.

From the Chair

Indian Sugar Mills Association Presidential Address of Mr P Hadfield

IN his presidential address at 26th Annual General Meeting of the Indian Sugar Mills Association, held at New Delhi on the 9th March, 1959, Mr P Hadfield, President of the Association, said:—

The best way of creating the warmer atmosphere in which even a cold war cannot thrive, must surely be freedom from controls and interferences in the widest sense possible. Control came to this industry or rather to those units thereof situated in the U.P., Punjab, and North Bihar, in July last. Its introduction has, unfortunately, become linked with the idea of sugar exports and both attract to themselves unpopularity from the other. I, for one, do not believe that the announcement of Government's intention to export 50,000 tons of sugar could have had any appreciable effect on prices. On the contrary, I believe that a higher figure was anticipated, so that the results of the announcement should have been to depress prices.

Price Control

Control was introduced following a voluntary agreement which failed to have the desired effects during a period when markets were upset by international events. It followed the up-heavals in Iraq. Sugar prices in India rose, but so did the prices in London and New York, and to greater measure, but, there they were allowed to find their own levels. It followed that delay in the usual monthly release which the market had expected during the first few days of July, which would have been in consonance with the previous pattern. The reasons for the delay of that release in July are not known to me, but the delay, coupled with other factors, profoundly affected the price of sugar. Control was introduced in the sugar industry when prices had risen from Rs. 37.07 at the time of our agreement to Rs 37.41 in the third week of July. By 30th July—the day when control was introduced—these prices had gone down considerably and were round about the agreed levels. Even wider fluctuations in the vanaspati industry

did not occasion control, and yet the similarity between the pattern of the two industries is apparent.

The control as introduced suffers from a very serious defect. It fixes a maximum price on factories. It guarantees them no minimum price. It fixes the maximum price at which factories can sell, but it does little to ensure that the price to the public, to the consumer is allied to these factory prices.

Output Lower

Whatever may be said about the control prices fixed in July, and in due course the Tariff Commission will say it, there is the fact that, due to the shorter duration of the present season and the lower recovery, the cost of manufacture in West U.P. is Rs 2/- per maund higher than was the case last year. Control was brought in hastily, and why it should not be adjusted with equal despatch in order to relieve an apparent and damaging hardship, is something I do not understand.

Earlier, I mentioned progress, but it is with regret that I have to report a reverse in the output trend of sugar production. Compared with 20.26 lakh tons in 1956/57, the industry achieved only 19.75 lakh tons in 1957/58, despite the commissioning of additional capacity to the extent of 1,40,000 tons due to the completion of expansion in certain established units and the setting up of 10 new factories. Increases were recorded in Bombay, Mysore, and the Punjab, but these were more than offset by decreases of 1,31,000 tons in West U.P. and 37,000 tons in Bihar. Production in the new units amounted to 72,000 tons, which means that the drop in production in those factories which were working in 1956/57 Season was from 20.26 lakhs to 19.03 lakhs. This is a significant and worrying drop. As regards this year's production, though the season has not finally closed, the latest estimates available with the Association show that production is likely to come down further to about 18.5 lakhs tons, and I must deal with the reasons which caused this at some length.

Diversion of Cane Supply

An industry dependent directly on an agricultural produce for its raw material must expect fluctuations from year to year. They are relatively unimportant so long as the general trend is towards development. Unfortunately, the set back in 1957/58 cannot be attributed solely to any such fluctuation. But for the loss of cane from reserve areas to khandsaris, the 1956/57 figure would have been equalled, if not exceeded. Few of us who heard Shri Balmokand Shah Sawhney's address last year could have realised how right he was to sound a note of warning. Our friends in the Press have accused us of complaining too early and too much. Here, surely, is rather a case of too little, too late.

Let us examine this development. During the six-year period between 1951/52 and 1956/57 the estimated production (there are no reliable figures) was under 100,000 tons. During the 1957/58 season its production rose to something of the order of 2½ lakh tons, and this year in the U.P. the number of crushers are estimated at fifty per cent more than last year. Not less than 3,75,000 tons and possibly 4,50,000 tons will be the final figure of khandsari output for 1958-59.

Competition from Khandasari

At this level khandasari presents a two-pronged threat to the sugar industry. It takes away cane and reduces the amount of white sugar made. It offers a substitute product to white sugar, and in a year of surplus production could seriously affect prices obtainable in the home market. Government and the Association may well have divergent views on the pros and cons of such a situation, but it is a matter to which I shall revert when I speak about exports later. The difficulties encountered by the Textile industry as a result of the favourable circumstances artificially created for handloom products are well known. A similar situation must inevitably develop in the case of the sugar industry if timely and appropriate steps are not taken.

I have said the industry is not opposed to the expansion of khand-sari provided it leaves cane in the factory areas alone. I now say that we have no objection to the expansion of khand-sari if it is to be purely a cottage industry. True it is, however, that the tax exemption in the last two years has given rise to the open pan manufacture of sugar in a manner that could not be classified as a cottage industry. I quote Shri C. V. Subba Rao, Director, Gur and Khand-sari, Khadi & Village Industries Commission, who drew attention to this development in the following words: "But in this context it will not be out of place to mention that private businessmen have set up a number of baby mills in order to obtain the advantage of exemption from excise duty which khand-sari enjoys today. Adequate attention is to be paid to this aspect of the problem."

Differential Still Wide

It is against this back ground that members of this Association view the new tax imposed on khand-sari. In that it is what we have been pressing for, I welcome it unfeignedly, but, whether it goes far enough is something that has yet to be seen. Rather less than two years ago when excise duty on sugar was Rs. 4 As. 2 per Md. the differential was Rs. 4 As. 2, for there was no duty on khand-sari. Today the difference is Rs. 6-07, nearly 50% more than was the case. I repeat that we are very grateful for this step that has been taken and we shall watch the future confident that our further recommendations, if made of necessity, will be received with sympathy.

I believe that what has happened to the sugar industry vis a vis Khand-sari will serve as a note of warning to State Governments particularly to those of Uttar Pradesh and Bihar, where the sugar industry was built up to serve the needs of the whole country. There was a time when it could be regimented and taxed without any particular ill effects. Today, its traditional markets in Bombay and South India are themselves self-sufficient, and, with the bringing into being of the twelve new factories—eleven of them in the co-operative sector, which will be manufactured by two sugar consortiums for delivery during the next two or three years—will become surplus. Where, then, will these States sell the surplus sugar?

Low Recovery

The adverse effects of khand-sari and gur manufacture on sugar production are not the only matters that require attention if we are to obtain the maximum production of sugar so necessary to the country's growing needs for home consumption and for export.

It is, however, the ever recurring problem of cane development which bedevils the attainment of the planned programme. The annual target fixed under the Second Plan is 7.8 crores tons, against which production last year was only 6.4 crores tons. The estimates for 1958/59 are not yet available, but can we expect much improvement so long as the tonnage per acre or the recovery in North India and the recovery in the Southern States remain so low? The position has not shown any substantial change over the last six years, and the yield throughout the country in terms of gur per acre has, in fact, dropped from 1.28 tons in 1953-54 to 1.26 tons in 1956-57. The position in the East U.P. and Bihar is particularly serious. 61 factories, against the All-India figure of 158 with an installed capacity of 60,800 tons, against the All-India figure of 1,72,000 tons, crushed 6 million tons of cane; not much better than 80% of their capacity.

Growth of Co-op Factories

Of the last 24 new units that have been commissioned in this country, not less than 16 have been co-operatives. In criticizing co-operatives in any way I realise that I am on very dangerous ground, but I would be failing in my duty to Joint Stock operators in the sugar industry who represent 94% of the membership of this Association, if I failed to draw attention to the inequalities that exist. A co-operative which can be brought into existence by the collection of as small a sum as Rs 10 lakhs, the balance of the finance needed being available from the Industrial Finance Corporation, State Bank and Government loans, enjoy complete exemption from income tax and other corporate taxation. In this manner they enjoy 100% of the profits they earn where as a Joint Stock Company faces 51.5% income tax and Supertax, and a further sum which may well exceed 5% of any year's income goes to meet the demands of Wealth tax and Dividend tax. Here I would like to mention that in the United Kingdom, the home of co-

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operation, co-operative societies are exempt from tax only on that portion of the profits which they distribute as discount to their constituents. I submit for consideration that this is a fair method of assessment, and the prosperity of Co-operatives in the United Kingdom is evidence of the fact that it does not restrict them. So long as co-operative factories are repaying the loan capital that has been raised, they do not constitute any particular threat to the other units, but what will be the position in five or 6 years' time when these loans have been repaid? Are the co-operatives going to accumulate 10 to 12% of their profits each year as reserves? If this goes on, they will have enormous sums at their command. Are they going to sell on equal terms with Joint Stock owned factories, or are they going to undersell them, leaving them with an inadequate margin of profit to serve as their capital?

Last year our President warned us of what to expect from competition from khand-saris and as I have mentioned elsewhere we now see how right he was. This year I warn members and I warn Government that the continued development of co-operatives must ultimately create similar problems, leaving the Joint Stock Companies with inadequate margins and the Government without the tax which they contribute out of normal profits. Bear in mind that the consortium of manufacturers of sugar plant is expected to produce as many as 8 new units a year. I believe that the future programme of the consortium, once it has executed orders for units currently licensed, will be more and more devoted to the fabrication of plant for co-operative ventures, but even without this, the capacity of co-operatives will represent 15% of the whole when the present programme is completed.

Home Prices and Exports

This time last year we were completing a programme of profitable exports which earned the country about 12 crores of foreign exchange. The gilt, even then, was off the gingerbread, and world prices had dropped to near the pre-Suez level. Indian Sugar could only be sold abroad at a loss of approximately Rs. 270/- per ton. In June last the Association was asked to export sugar. Our advice was that 50,000

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tons could be exported safely and without danger to the country's needs. 1,00,000 tons was a possible target but anything over 1,00,000 tons could be exported only if the country would submit to rationing. I am glad to say that the 50,000 tons target was accepted and fellow members will share in the satisfaction I feel in the fact that it has been shipped. For 1959 we are asked to ship 1,00,000 tons, out of which 50,000 tons has been released.

The Association's views on exports are clear: in an expanding economy, supply and demand can hardly keep exactly in line; when there is surplus, export it, do not hoard it. Earn the exchange needed to buy other commodities. We do not have surplus sugar at the moment, but, since the general view is that there will be considerable surplus for disposal in a year or two or three, give us the advantage of keeping Indian sugar on world markets so that it is known and can be sold when it must. It is in respect of the necessity to cover the losses on export by slightly increasing the internal price that khand-sari represents a serious problem. At the current rate of the development, there will be so much khand-sari in the future that it, rather than white sugar, may well control internal prices and make it impossible to recover the losses made on export from sales within the country. Khand-sari prices cannot be controlled by an Order as can sugar prices.

Cane Price

I believe that no one at all can benefit from such indulgences as cane strikes. Let us remember that, firstly, Government has fixed and factories have paid a price which has over the years resulted in more and more cane being grown; secondly, with effect from 1st November, 1958, Government declared its intention that growers should be given a share in sugar realisation. Details of this formula are not available, but the question has been referred to the Tariff Commission.

Let me add only that the industry asks for a margin that will permit of the payment of a 6¼% dividend and to have funds to set a sum equal to two-thirds of the dividend aside for general reserves as also to make provision for a spe-

cial fund from which may be found the cash to provide for the very necessary rehabilitation of plant and machinery. Surely these are not exorbitant demands?

Modernisation

Mention of reserves brings me to the industry's pressing need, namely, the modernisation of plant and machinery, for much of that in use today is not only past its prime—it is almost past praying for. It has been written down or depreciated, but, having written off a plant costing Rs. 18,00,000/-, only is no where near having available the resources to replace it at today's costs. Added to that, there is the highly inflated requirement of working capital. Twenty-eight years ago sugar cost about Rs 8/- per maund, banks demanded 25% margin which required only Rs 2/- per maund. A factory of an average capacity then could reasonably work with a working capital of Rs. 3 lakhs as calculated by the Tariff Board in 1931. Again, in 1938, the average working capital was calculated by the Tariff Board at Rs. 4.50 lakhs. At present sugar costs Rs. 25/- per maund, a margin of 25% is demanded, i.e. Rs. 6.25 per maund; factories

are required to carry minimum stock of 25% of the production. The working capital required is now-a-days Rs. 50 lakhs for a factory of 1,000 tons capacity, which represents an increase of 1000% over 1938 figures. Scheduled Banks could help by reducing the margin money.

I hope this is a plea that will not fall on deaf ears. Regardless of this important relief, sugar factories in common with all industrial units in the country must have funds to put aside as reserves if the industry as a whole is to thrive, and let me remind you that a thriving industry is the only industry that can attract capital from outside.

The Nagpur Resolution of the A.I.C.C. on the question of land ceilings has caused us some concern, and we hope that Parliament will bear in mind the value of well integrated farms run by industrial undertakings for the purpose of supply of raw material which serve as models of correct methods of husbandry to the large mass of cane growers. To lose what little has been achieved in this direction, to stifle all future possible developments on these lines, would be a great tragedy.

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Dalal Street Is Buoyant

Thursday, Morning

MARKETS had a very exciting time last week. Gold made news by striking a new all-time peak. Cotton prices recorded further handsome gains and the May contract established a new high for the season. Oilseeds also showed remarkable strength and groundnut futures were up again very close to their season's best touched on January 29.

And the performance of the stock market was in no way less impressive. It was in a buoyant mood throughout the week. Occasional profit-taking, although quite heavy at times, was well-absorbed and the market pushed its way up into new high ground. Gains were large and widespread and the volume of business was heavy. Activity was no longer merely professional. Interest broadened appreciably. Indeed the rise was more marked in cash shares than in the speculators' favourites. Stock-brokers reported a marked improvement in investment inquiry and the popular low-priced shares were difficult to obtain.

Experts had not changed their mind about the adverse repercussions on the shareholders' fortunes of the proposed changes in company taxation. Several representations have also been made to the Finance Minister on that point. But equity prices were bid up despite the experts' warnings that the tax changes weighed heavily against the shareholders which merely reflected the market's firm belief that Shri Morarji Desai would live up to his word. He had pointed out in his Budget speech that he had only simplified the tax system and that the overall tax rates hitherto will be so fixed that the yield will be equal to the present annual gross yield less the annual tax credit now given to the shareholders.

Removal of Anomalies

Illustrations given by the Central Board of Revenue had failed to convince the tax experts that the position of the company and the shareholder would not be substantially altered by the proposed changes. But the stock market's confidence in the Finance Minister had not been

misplaced. On Tuesday Shri Morarji Desai told the Rajya Sabha that he was prepared to examine the new system of company taxation and remove the anomalies if any provided such an examination did not result in the sacrifice of revenues to the exchequer. This is all that the market wants. It will be more than satisfied if the tax system is simplified and all the anomalies removed even if it does not bring the slightest change in the tax burden.

Stock exchange operators are not unaware that the incidence of wealth tax and excess dividend tax has been absorbed in the new scheme of taxation but they are happy that these taxes have been abolished. The alterations in corporate taxation may not involve any material change but their psychological value is immense. This explains the recent buoyancy on the stock exchange even though the overall effective incidence of taxation on the corporate sector is to remain unchanged. Now that the Finance Minister has assured the removal of anomalies in the revised scheme of taxation the stock market can hope that dividends paid out of accumulated reserves which have already borne the tax will not be taxed again and further that the issue of taxing tax-free Preference dividends will also be satisfactorily solved.

It is possible to argue that in the absence of any positive relief in the tax burden the stock market's recent buoyancy is uncalled for. But the market is not unjustified in taking its cue from the Finance Minister's decision to fall back on large deficit financing for carrying on with the programme of investment of the fourth year of the Plan. The volume of investible funds will continue to grow with the economic tempo and these funds will continue to find their way to the stock market, although mainly through institutional investors.

There are many factors which influence the investment outlook such as fiscal and monetary trends, growth of the economy and the general market psychology. Have not equity prices kept declining for

quite a long time even when the companies concerned were growing from strength to strength? Had not Indian Iron been bid up to beyond Rs 70 on the basis of one rupee dividend?

Oilseeds

Needed: Re-thinking on Export Policy

GROUNDNUT futures are now quoted only a rupee per candy below the season's record high of Rs 185.50 touched on January 29. Technical considerations, margin on delivery contracts, stern warning by the Forward Markets Commission and the Reserve Bank's curb on advances did no more than push down the quotation for groundnut futures to 175.12 (February 13). The market has been rising since then and on March 11 the rate touched Rs 184.75.

Will the Forward Markets Commission watch and despair now that groundnuts are up again around the season's best. Kasganj which made news in January is not much heard of in the recent flare up. The Commission cannot easily blame the speculator because the futures market has been very anaemic all this while. And yet not withstanding the tight supply position of the commodity it is widely thought that the remarkable strength in groundnuts is in no small measure due to accumulation of huge positions, both in ready and hedge contract where margin is no more than a mere eye-wash. Big names are being mentioned in market circles in this connection. They also include vanaspati interests.

It is interesting to note that while spot groundnuts continue to enjoy a sizable premium on futures, ready oil is quoted at an equally big discount. This would seem to suggest that the overall supply position of groundnuts and groundnut oil is not as uncomfortable as is generally made out. Of course the marked expansion in the crushing capacity over the past two years mainly through the setting up of baby expellers in upcountry producing areas has also affected the relationship between seeds and oil and the relative movements in their prices in Bombay and upcountry

areas. The decline in arrivals of groundnuts in Bombay from up-country centres has created a problem for the big crushing units but this change is of a structural type.

Export houses did not report any important business in HPS groundnut or oilcakes. Stray lots of HPS sold to the U.K. and Continent sold now and then did not add up to more than 500 tons. Interest in oilcakes was limited even though foreign prices showed a hardening tendency, with extractions March shipment up from around £29-10 to £30-10. Overseas demand for cakes is bound to remain poor because of the start of the grazing season. New Delhi has yet to make up its mind on raising the quota for expellers under the incentive scheme for oil. But with the supply position of groundnuts tight, it is arguable that the export of oil and expellers had better be discontinued.

Instead, an export incentive scheme may be devised for selling castor oil for which the country has little use and which has been making a poor show all this time. Indian prices have remained out of world parity for long and but for the smaller crop in 1957-58 and large buying by the Communist bloc the stocks of castor seeds might have become really burdensome.

While the recent strength in castor futures is attributable to hopes of revival of export business in castor oil with the U.S., the main reason for the current high prices of castor seeds is the huge premium enjoyed by groundnuts. With groundnut quoted at around Rs 184, castor look attractive around Rs 158. It matters little whether on the basis of present prices Indian castor oil is quoted about 0.75 cents per pound below the Brazilian parity in the U.S. market.

Trade Fails to Meet Challenge

The abolition of export duties has not been of much avail. Indian oils continue to be out of world parity and the incentive scheme for groundnut oil has also yielded very poor results. The mechanism of the free market can no longer meet the challenge of the time. The need for earning foreign exchange is pressing. The problem of boosting exports in increasingly competitive markets is more than that of merely providing certain incentives the benefit of which is quickly grabbed by speculators.

A change is needed in the organisational set up of the trade. The view is widely shared that the closure of forward markets will considerably check the speculative rise in prices and help the cause of the export trade. Of course that alone will not be enough. Exports will have to be canalised. If the private trade cannot organise itself to market the exportable surpluses, the Government must step in. The task is difficult but not impracticable. Other countries have done it and they are doing it.

Linseeds followed the up and down movements in groundnuts and castor. Export houses did not report any fresh business in linseed oil or in linseed cake. Domestic prices are being sustained purely by local influences. Cottonseeds were remarkably firm because of the continued bull grip.

Following were the important fluctuations in oilseeds futures last week upto Wednesday:

Castor May: Rs 155.37, 156, 159.75, 157.75, 159.75, 158.37;

Groundnut May: Rs 179.87, 181, 184.50, 183.37, 184.75, 184.25;

Cottonseed May: Rs 126, 126.25, 125.25, 129.25, 127.50, 128.25;

Linseed May (per cwt.): Rs 32.31, 32.50, 33.06, 32.75, 32.81.

Cotton

Further Rise

COTTON prices recorded further improvement last week. Moglai Jarilla May which had risen from Rs 653.25 to Rs 668 per candy in the preceding week advanced to Rs 681.75, a new high in its career. This is only six points below the season's best at Rs 688 touched by the March contract on February 6. Corrective profit-taking brought down the rate on March 11 to Rs 675.50. The performance of the spot market was no less encouraging than that of futures.

The market strength in cotton reflects the trade's ideas about the crop which have now been revised down to around 48.50 lakh bales. And there are not a few who consider even this estimate to be on the optimistic side. Vijay and Digvijay are again at around the ceiling and not many superior varieties can be had much below the ceiling rates.

While crop estimates have been revised down, consumption continues to be at a high level. This is like-

ly to be maintained because of the improved trend in cloth production which indicates a change in industry's outlook. On the basis of present reckoning the carry-over of Indian cotton at the end of the season is expected to be lower by about 50,000 bales at 19.95 lakh bales against the opening balance of 20.45 lakh bales.

Exports are still on the low side but they are not very disappointing. Japan continues to be mentioned as a buyer of Bengals which, however, are not easy to get. Recently, export houses have also reported some inquiries from Liverpool for Wagad cotton. Total sales registered out of the five lakh bales quota up to March 2 are placed at 1,04,081 bales. The quantity passed for shipment totals 76,162 bales. To this has to be added 40,303 bales out of the 50,000 bales quota of 25/32" cotton from 1957-58 and earlier crops.

Cotton imports during the first six months of the season are placed at 1.27 lakh bales and the figure for the remaining half year is mentioned at around 2.73 lakh bales. It is said that about 30,000 bales of Egyptian cotton might soon come under a special deal which has already been concluded between the Government of India and the Egyptian Government. The whole quantity is to be imported under a net discount of 27-3/4 per cent against the previous discount of 15 per cent. While imports of long staple cotton are welcome the trade is critical of the preferential treatment given to Egypt. Despite the large discount, Sudan cotton is said to be much cheaper than Egyptian and there is a danger that this preferential treatment to Egypt might affect the cloth off-take by Sudan, a very important customer of our cloth. Apparently, the intention of the Indian Government is to help fill the wide gap of adverse trade balance which Egypt is running with us.

Money & Bullion

Gold at All-Time High

THE treasury bill rate is further up from 2.625 per cent to 2.680 per cent and the total amount offered was merely equal to the tender amount of Rs two crores. This is not the least surprising, considering the seasonal tightness in the short-term money market. But tight money has not affected the temper of the gilt-edged market which

continues to hold remarkably steady even though interest is selective. State Loans continue to be in good demand and business is limited only by the availability of stocks.

Scheduled banks deposits hit a new all-time peak of 1610.01 crores in the week to February 27. So is the total note issue at a record high of Rs 1696.91 in the week to March 6. Bank advances continue to rise because of the seasonal pressure on demand for funds.

By rising to Rs 118.87 on March 9 gold established a new all-time high. This compares with the Korea war peak of Rs 118-10. Has the rise in gold something to do with the further increase in the wealth tax on individuals? May be. But by and large the amazing strength in gold reflects the steady decline in floating stocks because of

Company Notes

TATAS have reversed their previous policy of avoiding trading activity which they had pursued since the disastrous slump of the early twenties. More than four years ago, they took over most of the business of Volkart Brothers as a going concern and renamed it as Voltas, a public limited company, in which the public has now come to hold a substantial interest. Only a few months back, in fact, public interest in the company's shares was recognised by the Bombay Stock Exchange when it included these shares in the forward list. At the end of this month, Voltas is due to become an entirely Indian-managed company with the retirement of its Swiss managing director, and his substitution by Shri S. K. Handoo who had been the first Indian Managing Director of the Imperial Bank, and who joined Voltas as Joint managing Director after his resignation from the State Bank.

The trading business of Volkarts inherited by Voltas continues to flourish under the new management. Though still principally concerned with imports, the company's sales of indigenous products have risen from 9 per cent to 16 per cent of total billings in the year ended August 31, 1958. Total sales and service revenue declined during the year by nearly Rs 1 crore to Rs

the reduced smuggling activity and absence of any supplies of Mysore gold.

The market has been deprived of the supply of Mysore gold for the last many months and the sale of this gold is unlikely to be revived. The revised estimates of 1958-59 Budget contain a provision of Rs 245.59 lakhs for the purchase of Kolar and Hutti gold. The figure for 1959-60 is placed at Rs 290.69 lakhs. The entire gold output in India in 1957 amounted to 179,000 ounces. This is worth about Rs 3 crores on the basis of Rs 62.50 per tola, the price at which the Government of India is acquiring Mysore gold as stated in the Budgetary memorandum. The figure of Rs 290.69 lakhs for 1959-60 shows that the entire output will be taken up by the Government at the world official price of 35 dollars an ounce.

Voltas Repeats

19.66 crores, but a shift from large orders at low margins to more remunerative business enabled gross profit to remain practically unchanged at slightly more than Rs 75 lakhs. The gross profit margin in the latest year is 3.8 percent against 3.7 percent last year. Lower tax liability has enabled net profits to rise to Rs 28.75 lakhs from Rs 25.51 lakhs, giving a net earning of Rs 11.3 per ordinary share. Distribution on the enlarged capital has been maintained at Rs 9. Reserves now stand at Rs 16.76 lakhs against Rs 12.37 lakhs; of these, shareholders' reserves come to Rs 14.50 lakhs against Rs 11.05 lakhs. The share capital, all of which consists of equity, is Rs 2.55 crores.

At the current price of around Rs 134 ex dividend, Voltas yield 6.7 percent tax free.

Central India

THE accounts of Central India, which owns the Empress Mills at Nagpur, continue to be in the red, as a result of the textile crisis and the heavy financial burden of modernisation. The management had, in the thirties, committed the mistake of increasing the labour complement in the mills' weaving department when other mills were in fact moving up to higher levels of labour deployment. Central India has paid dearly in recent years for

Mysore gold will no longer feed the local market. This is as it should be when the pressing need is to unearth even the hoarded wealth. If smuggling activity remains under check, normal demand might push up the price of gold still higher. Little wonder therefore that bulls have a firm hold on the market. The small setback from Rs 118.87 to Rs 118.19 near the week-end is essentially technical.

Silver also showed marked strength last week because of the continued good off-take and poor arrivals of "kutchra" metal. The quotation for Phagan delivery improved from Rs 195.56 to Rs 197.87 and the Chaitra delivery was quoted at a discount of 56 nP near the week-end which underlines the shortage of floating stocks. Very little has been heard of late about the import of Tibetan coins.

this mistake and has also had to bear the burden of heavy arrears in rehabilitation and replacement. In the latest year ended June 30, 1958, the trading loss has amounted to nearly Rs 47 lakhs against Rs 21 lakhs in the previous year. Dividends on equity and preference shares have been skipped this year as well. More than half the share capital consists of preference shares, to which is now added the additional load of a loan of Rs 75 lakhs from the NIDC, given on condition that the company should raise an equivalent amount on its own.

The company's total loan liability aggregates Rs 3.22 crores against Rs 1.30 crores last year. This is to be compared with total owned capital of Rs 1.08 crores this year and Rs 1.14 crores in the previous year.

Total sales declined during the year to Rs 3.12 crores from Rs 3.15 crores, but stocks were also reduced from Rs 1.83 crores to Rs 1.43 crores, mostly under raw cotton. The extent of modernisation is, however, indicated by the rise in net block including capital works in progress from Rs 1.30 crores to Rs 2.69 crores.

Company Finances 1956-57

THOUGH public limited companies increased their investments and a larger share of it went into fixed assets in the year 1956-57, for

which an analysis has now been published in the Reserve Bank Bulletin for February, they relied much more on external sources and the proportionate contribution of capital and reserves including the depreciation funds and cash balances to the gross capital formation in the year was appreciably smaller than in the previous year. This is probably an indication for the practical exhaustion of the accumulated reserves in the earlier expansionary phase.

The study covers 765 companies instead of the 1001 companies covered in the previous year, but as all these were included in the latter, the degree of comparability between these sets of data does not suffer much.

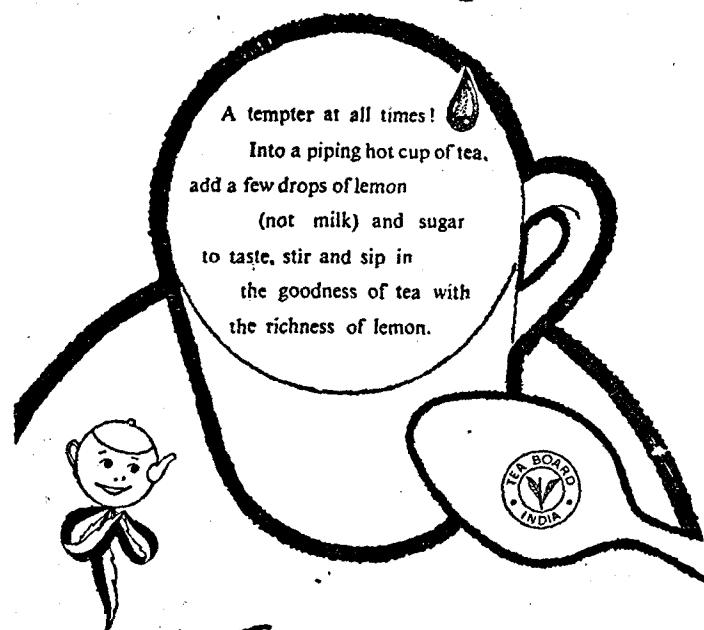
Corporate investment continued to grow at a satisfactory rate during the year and the gross capital formation in these 765 companies during 1956-57 amounted to Rs 199 crores against Rs 222 crores for 1001 companies in the earlier year. Fixed assets accounted for 75 per cent of this investment against only 60 per cent in the previous year. The relatively high level of investment and the larger share in it of fixed assets, together with the setback to the capital market towards the end of 1956, perhaps, account for the greater reliance on external sources in 1956-57. The share of internal funds, i.e., capital, reserves, depreciation and cash balances, which had financed more than 56 per cent of gross capital formation in 1955-56, declined to less than 45 per cent in 1956-57, in spite of the larger reliance on capital and depreciation funds. Most of the decline occurred under reserves, which had provided 23 per cent of total finance in 1955-56. The share declined to 6.5 per cent in 1956-57. Since the increase of corporate taxation in the TTK budget took effect only after the end of that year, heavy taxation cannot explain drying up of this source of finance. A more plausible explanation is the practical exhaustion of reserves in the earlier expansionary phase.

Considerable changes have occurred in the pattern of borrowing as well. Bank loans seem to have lost their preponderant importance. Their share in total borrowing by the sample companies fell from nearly 33 per cent in 1955-56 to less than 19 per cent in 1956-57. Even

the absolute amount of bank loans seems to have declined fairly steeply, notwithstanding any allowance that may be made for the smaller coverage in the later year. The importance of debenture capital as a source of new finance, which has incidentally been nominal, declined in both years. The share of other mortgages, which cover IBRD loans mostly, increased their share from 6 per cent to 23 per cent, reflecting the great interest which the IBRD has been showing recently in the finance of corporate investment in this country. An interesting change in is the sudden leap in 'trade dues and current liabilities' (net of receivables) from less than 1 per cent of total finance in 1955-56 to 10 per cent in 1956-57. As IBRD loans have gone only to IISCO and the Tata steel and electric com-

panies, one might have expected that companies which could not aspire to such assistance alone would be falling back on trade dues for finance for expansion. Strangely enough, more than half of the rise under this head took place in the steel and engineering industries! Proportionately, however, the largest increases occurred in land & estate and sugar. The importance of this unreliable source for companies other than those which have received assistance from the IBRD must be even greater than appears from the aggregate figure. This reveals the unsatisfactory situation in the greater part of the corporate sector, brings out the poor performance of the industrial finance corporations, which provided only 0.8 per cent of the total finance in 1956-57 and 1.4 per cent in 1955-56.

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CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores	Latest Week	Week Ago	Month Ago	Year Ago
1. Note circulation	1688.58	1654.64	1653.09	1578.67	
2. Rupee Coin	129.70	132.65	132.17	127.59	
3. Deposits					
Central					
Government's	52.04	56.78	50.44	53.46	
Other					
Governments'	18.32	24.42	21.79	9.85	
Banks'	65.67	76.55	67.95	75.40	
Others'	115.85	115.66	115.70	113.28	
4. Foreign Securities	178.01	178.01	164.68	245.54	
5. Balances held abroad	32.86	32.95	26.01	33.48	
6. Rupee Securities	1271.45	1251.45	1254.78	1096.76	
7. Investments	255.72	261.37	253.56	229.58	
8. Loans and advances to Governments	23.40	22.49	27.90	43.91	
9. Other loans and advances	90.05	86.13	90.31	74.30	
Scheduled Banks					
1. Demand liabilities (net)	712.10	705.78	698.58	714.47	
2. Time Liabilities (net)	897.93	901.17	886.39	709.39	
3. Cash	113.71	111.20	111.93	111.35	
4. Borrowings from Reserve Bank of which against Usance Bills	31.23	28.57	39.56	28.86	
5. Advances & Bills (inland & foreign) discounted of which State Bank's	959.09	952.63	920.34	930.67	
6. Invest. in Govt. Sec. of which State Bank's	613.29	614.77	635.27	433.44	
Cheque Clearance	181.28	180.86	179.57	188.45	

For Reserve Bank and Cheque Clearance week ended 6-3-59 Scheduled Banks week ended 27-2-59

Bombay Money Rates

	(per cent per annum)	27-2-59	20-2-59	30-1-59	28-2-58
Call Money					
From banks	3½	3½	3½	3-4½	
From public	4	4	4	3½-4½	
Three Months	1½-4½	1½-4½	1½-4½	3-4½	
Six Months	2-4½	2-4½	2-4½	2-4½	

Bombay Bullion	(In Rupees and nP)	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	118.75	119.34	117.37	112.33
Forward	118.31	118.16	117.37	112.53
Silver (per 100 tolas)				
Spot	197.06	195.37	194.47	192.44
Forward	197.06	195.56	194.97	193.69

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)				
Group and Sub-Group	WEEK		ENDED	
	21-2-59	14-2-59	24-1-59	22-2-58
Food Articles	114.9	116.6	115.1	101.5
Cereals	104.4	105.9	105.7	94.5
Pulses	117.3	126.0	121.3	75.5
Fruits & Veg.	117.2	115.9	113.1	97.1
Milk and Ghee	103.6	107.2	102.1	101.6
Edible Oils	121.0	120.6	121.0	117.1
Fish, Eggs & Meat	104.5	104.2	109.0	103.9
Sugar & Gur	127.0	125.7	128.8	108.0
Others	157.3	157.7	151.7	129.9
Liquor and Tobacco	103.7	105.0	105.5	96.7
Tobacco	102.6	104.0	104.5	95.2
Fuel, Power, Light & Lubricants	115.2	115.2	114.9	114.4
Industrial Raw Materials	114.8	115.6	115.7	110.9
Fibres	107.0	107.1	107.2	110.1
Oilseeds	125.1	127.0	127.5	112.3
Minerals	102.5	103.6	107.3	108.2
Others	111.0	111.1	110.4	110.0
Manufactures	108.4	108.4	108.5	107.5
Intermediate Products	110.9	110.8	110.6	106.4
Finished Products	108.1	108.0	108.1	107.7
Textiles	101.8	101.6	101.8	106.1
Cotton	111.2	111.2	110.6	117.1
Jute	81.6	81.7	84.3	86.4
Woollen	105.9	105.9	105.9	103.0
Silk & Rayon	93.2	91.5	91.1	89.9
Metal Products	143.8	143.3	143.1	143.4
Chemicals	111.1	111.1	111.4	99.2
Oilcakes	147.7	148.0	147.8	110.5
Machinery and Trans Equipment	104.7	104.7	104.5	102.5
Others	113.5	113.7	114.1	111.8
All Commodities	112.8	113.8	113.1	105.0

COAL PRODUCTION AND DISTRIBUTION

	(Monthly Average or Calendar Months) ('000 tons)	Raisings	Despatches	Stock at Pit heads*
1955		3,185	2,745	3,617
1956		3,286	2,913	2,766
1957		3,625	3,140	3,279
1957: Jan		3,627	3,136	2,780
Feb		3,518	2,851	3,029
Mar		3,653	3,249	3,000
April		3,726	3,184	3,087
May		3,794	3,187	3,245
June		3,330	2,915	3,252
July		3,296	3,045	3,065
Aug		3,376	3,239	2,780
Sept		3,647	3,227	2,755
Oct		3,555	3,323	2,539
Nov		3,929	3,164	2,834
Dec		4,050	3,164	3,279
1958: Jan		3,947	3,326	3,418
Feb		3,712	3,063	3,655
Mar		3,701	3,354	3,522
April		3,802	3,432	3,422
May		3,893	3,380	3,464
June		3,563	3,115	3,452
July		3,749	3,368	3,357
Aug		3,539	3,478	2,921
Sept		3,848	3,475	2,907
Oct		3,747	3,474	2,682
Nov		3,677	3,364	—
Dec		4,131	3,486	—

* At or about the end of each period. — = not available. Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

INDUSTRIAL PRODUCTION

(Monthly Average or Calendar Months)

	Cotton cloth (mn yds)	Woolen & worsted fabrics (mn yds)	Veg oil products (000 tons)	Matches (000 cases)	Soap (000 tons)	Razor blades (lakhs)	Sewing machines (000)	Hurricane lanterns (000)	Electric lamps (mn)	Electric fans (000)	Radio receivers (000)	Domestic refrigerators (nos)	Thermos flasks (000 doz)	Type-writers (nos)
1955	424.5	1.2	21.7	51.3	8.2	145.5	8.5	457.3	2.0	23.5	6.8	44	3.6	772
1956	442.2	1.4	21.3	51.3	9.2	221.0	10.9	431.6	2.6	28.2	12.6	63	4.0	1,118
1957	443.1	1.3	25.1	48.2	9.3	280.4	13.9	382.1	2.8	43.7	15.9	79	4.5	1,283
1958:														
Apr	407.8	1.4	26.1	47.9	9.3	313.3	17.3	265.6	2.3	52.9	17.4	94	5.0	1,013
May	421.3	1.5	27.9	58.9	9.7	287.8	18.5	330.0	2.7	56.7	15.4	91	6.3	1,351
June	388.3	1.5	24.5	53.0	9.8	166.9	17.0	281.8	2.4	48.4	17.8	106	5.0	1,418
July	419.4	1.3	25.2	58.4	11.7	326.6	18.9	326.7	2.7	55.0	18.1	125	5.6	1,213
Aug	407.9	2.5	20.8	55.5	10.2	340.8	18.5	282.0	2.5	50.1	15.8	140	6.0	1,295
Sept	411.3	2.5	23.4	53.5	10.3	333.3	17.4	281.4	2.5	50.7	16.1	150	6.3	1,143
Oct	421.5	1.5	20.5	—	—	—	—	—	2.5	—	—	—	—	—
Nov	377.4	1.2	19.8	—	—	—	17.0	—	2.5	56.4	—	498	—	—

	Cement (000 tons)	Asbestos cement sheets (000 tons)	Coal (000 tons)	Java mfgs (000 tons)	Cotton yarns (mn lbs)	Paper & paper board (000 tons)	Paints & varnishes (000 tons)	Sulphuric acid (000 tons)	Soda ash (000 tons)	Caustic soda (000 tons)	Chlorine liquid (000 tons)	Power alcohol (000 bulk gals)	Rectified spirit (000 bulk gals)	Denatured spirit (000 bulk gals)
1955	373.9	8.7	3,184	85.6	135.9	15.4	3.3	13.8	6.4	2.9	1.0	869.4	429.7	249.1
1956	410.7	10.0	3,286	91.1	139.3	16.1	3.5	13.8	7.0	3.3	1.3	855.9	350.8	281.9
1957	466.8	13.2	3,625	85.8	148.3	17.5	3.5	16.3	7.7	3.6	1.3	844.8	424.6	289.2
1958:														
Apr	539.5	14.5	3,802	88.0	134.1	19.9	3.9	16.2	7.0	4.4	1.3	746.8	489.0	315.5
May	533.0	15.2	3,884	94.9	138.7	21.7	5.3	19.0	7.3	4.6	1.4	797.8	456.2	374.6
June	499.1	14.7	3,554	82.4	126.0	19.2	4.2	17.6	6.3	4.9	1.5	741.1	386.4	303.7
July	477.7	15.9	3,749	89.8	145.0	21.7	3.8	19.9	4.7	5.2	1.7	607.4	505.5	274.6
Aug	477.4	15.9	3,539	85.2	140.4	21.5	3.5	20.3	5.0	5.2	1.6	525.1	485.5	260.5
Sept	483.1	16.3	3,848	87.3	143.5	22.0	3.6	20.4	8.9	5.1	1.7	543.2	364.1	262.1
Oct	411.3	16.1	3,747	81.8	147.4	—	—	—	9.1	5.2	2.7	—	—	—
Nov	456.2	14.9	3,688	87.0	134.2	—	—	—	6.6	4.8	—	—	—	—

	Blanching powder (tons)	Bichromates (tons)	Supraphosphates (000 tons)	Ammonium sulphate (000 tons)	Copper sulphate (tons)	Sodium sulphide (tons)	Zinc oxide (tons)	Phenol formaldehyde powder (000 lbs)	Liver extract (lakhs C C)	Liver extract (oral) (000 lbs)	Vat dyes (com strength) (000 lbs)	Stabilised azoics (000 lbs)	Solubilised vats (000 lbs)	Calcium carbide (tons)
1955	225	244	6.2	32.8	87	236	531	133.4	20.20	24.5	—	54.0	7.7	269
1956	388	272	6.8	32.4	165	255	426	183.8	20.47	23.3	70.4	54.9	8.1	241
1957	445	306	11.8	31.6	157	272	454	219.3	23.45	20.6	22.0	46.3	8.7	300
1958:														
Apr	539	304	12.2	31.5	166	239	433	235.2	32.20	24.8	36.1	50.1	11.3	302
May	498	343	14.7	30.2	152	330	509	246.3	29.78	22.9	29.4	45.8	12.4	312
June	304	218	13.8	28.5	149	315	480	234.0	31.43	17.4	36.7	45.0	12.7	296
July	594	315	17.2	30.2	191	365	364	235.0	36.67	22.8	34.9	42.4	10.3	329
Aug	494	296	16.9	30.3	222	337	294	248.6	24.68	20.1	29.9	46.5	11.1	338
Sept	569	326	15.3	30.2	196	350	461	256.0	—	11.0	49.0	51.2	12.0	338
Oct	695	—	—	—	—	—	700	288.9	—	—	46.9	51.7	13.8	312
Nov	642	—	—	—	—	—	710	249.6	—	—	36.3	—	—	295

	Rayon viscose yarn (tons)	Rayon staple fibre (tons)	Rayon acetate yarn (tons)	Naphthols (000 lbs)	Aluminium (virginia) (tons)	Aluminium (sheets & circles) (tons)	Antimony (virginia) (tons)	Copper (virginia) (tons)	Lead (virginia) (tons)	Brass sheets & circles (tons)	Pig iron (000 tons)	Steel ingots and metal for castings (000 tons)	Semi-finished steel (000 tons)	Finished steel (000 tons)
1955	478	476	87	—	603	806	42	607	186	1,087	146.4	142.0	121.4	105.0
1956	608	659	118	26.9	542	874	49	636	208	1,132	150.6	144.8	123.7	111.5
1957	784	667	134	106.9	649	910	42	654	264	1,482	149.6	142.9	120.0	112.2
1958:														
Apr	993	1,116	156	107.5	663	1,009	36	682	162	1,593	168.4	157.1	125.2	111.2
May	1,087	1,162	155	79.9	711	1,194	54	696	156	1,832	128.7	100.4	85.7	87.8
June	1,168	1,147	145	37.7	662	1,086	56	665	198	1,831	155.0	134.7	117.0	97.2
July	977	1,152	159	49.9	693	1,189	45	692	288	1,830	178.3	157.6	127.8	111.0
Aug	1,197	1,243	173	64.3	707	1,274	54	680	306	1,836	176.3	176.3	142.1	109.2
Sept	1,127	1,199	129	92.8	690	1,153	40	685	362	1,800	170.4	149.1	131.6	109.7
Oct	1,186	1,348	166	83.3	—	—	—	700	141	—	—	—	—	—
Nov	1,169	1,371	175	105.9	—	—	40	670	332	—	—	—	—	—

	Diesel engines (vehicular) (nos)	Diesel engines (stationary) (nos)	Power driven pumps (000)	Machine tools (Rs lakhs)	Twist drills (000)	Calico looms (nos)	Ring frames (nos)	Carding engines (nos)	Arc welding electrodes (lakhs ft)	Machine screws (000 gross)	Grinding wheels (000)	Ball bearings (000)	Storage batteries (000)
1955	323	852	2.9	6.20	64.9	228	72	50	100.8	53.4	119.9	67.2	19.6
1956	282	1,001	3.9	10.02	129.1	239	93	61	156.3	106.5	207.6	86.7	26.2
1957	278	1,387	5.3	20.90	183.1	239	114	85	177.3	116.8	271.1	131.4	27.0
1958:													
Apr	313	1,731	6.8	25.63	110.2	206	70	84	191.1	175.0	212.6	204.3	28.4
May	550	2,077	7.3	24.79	93.8	239	66	100	226.2	19.4	236.7	209.7	29.3
June	419	1,848	6.1	26.78	119.8	180	56	105	223.2	18.6	202.9	230.2	29.7
July	311	2,311	6.9	27.90	137.1	299	66	87	201.5	20.7	241.0	198.2	28.7
Aug	294	2,070	6.9	27.35	85.5	274	67	89	205.9	20.6	221.9	149.4	28.6
Sept	333	2,421	7.1	29.84	100.7	298	62	57	189.4	22.1	228.7	123.8	32.1
Oct	344	2,348	—	—	100.6	279	71	89	—	—	—	—	28.0
Nov	385	2,265	—	—	77.5	316	88	75	—	—	—	—	31.9

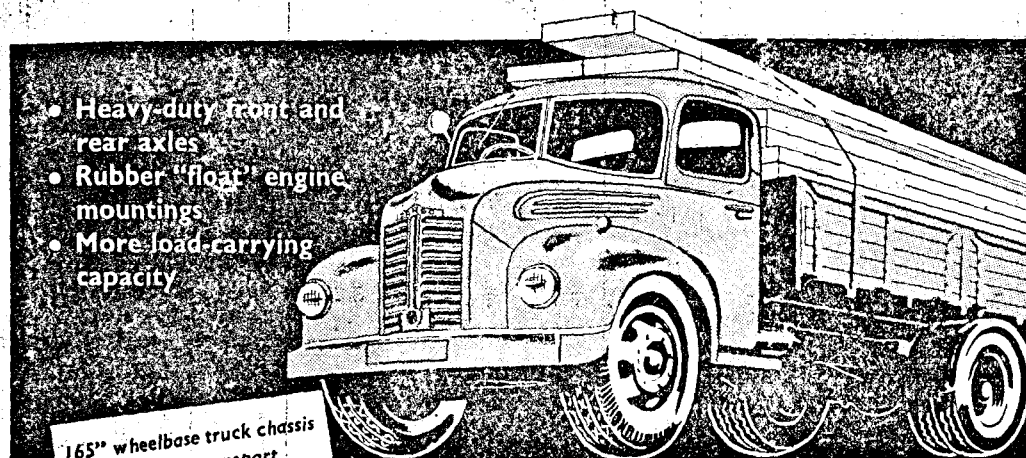
	Dry cells (lakhs)	Electric motors (000 H.P.)	Power transformers (000 KVA)	Automobiles (total) (nos)	Trucks (petrol & diesel) (nos)	Buses (petrol & diesel) (nos)	Bicycles (000)	Motor wagons (nos)	Tyres (auto) (000)	Tyres (cycle) (000)	Tyres (tractor) (nos)	Tubes (auto) (000)	Tubes (cycle) (000)	Tubes (tractor) (nos)
1955	134.2	21.0	47.1	1,924	538	253	40.9	1,274	73.5	479.0	2,044	65.5	466.1	1,926
1956	151.2	29.9	76.6	2,678	910	284	55.3	1,335	78.2	526.7	2,564	76.5	531.1	2,560
1957	138.8	39.1	101.6	2,661	991	313	65.9	1,413	82.5	596.0	3,950	78.0	585.6	3,779
1958:														
Apr	127.8	49.5	97.0	1,816	658	264	75.7	1,124	78.1	704.0	2,193	80.9	618.3	2,378
May	140.6	50.7	82.8	1,593	748	215	85.7	1,206	85.5	763.0	2,014	81.0	689.9	2,197
June	149.1	48.9	78.4	1,744	631	223	72.2	1,187	77.3	695.1	2,014	82.1	652.2	2,188
July	147.0	63.7	100.7	1,763	474	230	60.3	758	91.7	779.1	2,262	89.1	744.5	2,392
Aug	144.8	53.3	97.7	2,550	836	372	67.8	870	85.3	712.7	2,592	87.3	711.5	2,645
Sept	146.5	57.0	95.7	2,471	722	442	72.1	975	93.8	712.0	2,355	82.8	709.8	2,381
Oct	135.1	—	—	2,704	1,150	328	—	—	72.9	476.2	1,327	62.8	461.7	1,015
Nov	151.2	48.0	—	2,020	1,038	304	—	—	23.6	364.9	2,457	19.5	615.9	1,604

— = not available

Source: Directorate of Industrial Statistics

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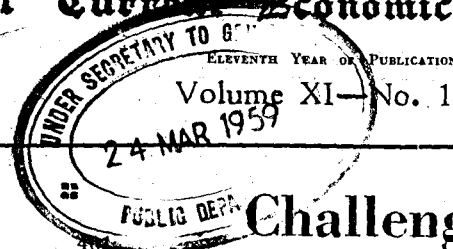
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Challenge of the Summit

THERE is some gratification to be derived, no doubt, from the qualified support that Mr Eisenhower has given this week to the idea of a Summit conference. This means that as far as the Americans are concerned, the Summit is now at least a possibility, if no more. The condition the President has laid down is, though somewhat ambiguous, not particularly discouraging. He insists that, as a first step, the Foreign Ministers' conference in May should "pave the way" for the settlement of the Berlin and the German issues. Mr Khrushchev has already been persuaded by Mr Macmillan to agree to a Foreign Ministers' conference. That part of the U S President's condition has, therefore, been met in advance. Whether the conference itself is successful in paving the way for a German settlement would, however, depend as much (if not more) on the West as on Russia. For it seems, at this stage, that the Western allies have by no means made up their collective mind as to what precise concessions they should make in May.

Russia's own position on this point seems reasonably clear. Mr Khrushchev has made his tentative suggestions:

- East Germany must be recognised;
- all foreign troops must pull out of both Germanys;
- Berlin may be made an international city, governed by the Berliners themselves under a U N guarantee endorsed by all the great powers; and
- if a further guarantee is thought necessary by the West, a small U N force is to be permanently established in the city to make it safe from external aggressions.

The West will have to make up its mind between now and the May conference as to which of these terms it can concede, and what alternatives it can propose for the rest. In doing so, it would be well for Mr Eisenhower to remember that it is the West that would stand most to lose from a failure of the Foreign Ministers' conference; for in that event Russia knows precisely what to do (and will in all probability do it) while the West doesn't. Mr Khrushchev has made his intentions plain. He would conclude a peace treaty of his own with East Germany, forcing the West into a position that would progressively become more awkward and dangerous.

This sums up the task which lies ahead of the British Prime Minister in Washington. Although, by announcing in advance of his visit the possibility of a Summit, President Eisenhower has robbed Mr Macmillan's visit of some of its drama and purpose, the visit itself remains important—particularly as it is being made against the background of the British triumph in having got the Russians to agree to a Foreign Ministers' conference as a preparation for the Summit. It would be unrealistic to expect that Mr Macmillan would either be willing to, or be able to, sell the entire Khrushchev plan, as it now stands, to the Americans. His task would be the more modest one, but not for that reason the less important one, of softening the attitude of the State Department and of opening up some of the closed minds there.

On one point, however, he will have to seek a concrete concession, either right away or at some later stage between now and May: He will have to get the United States to agree to a Western recognition of East Germany. The task is, not perhaps as impossible, from the purely

American side, as it may seem. Mr Dulles has already referred on a recent occasion to East Germany being a fact of life. That makes the ground a little promising for Mr Macmillan. But the main outcry will come, of course, from Dr Adenauer. On that point, the West will have to decide sooner or later, as to how far are the susceptibilities of the West German Chancellor to be allowed to stand in the way of a settlement. On the immediate question of the recognition of East Germany, his objections might perhaps be partly met by making the recognition de facto rather than de jure; but later his intransigence may have to be more firmly curbed. That would particularly be the case if there is any truth in the British reports that a loose confederation of the two Germanys might be suggested by the West as a possible compromise to the Russians. In any case, if not that, it would have to be some other concession, equally major. Or else, the Foreign Ministers might as well cancel their rendezvous in May.

Agitation against Betterment Levy

A BETTERMENT Levy, properly devised and sensibly administered, should be one of the most reasonable forms of taxation that human ingenuity could possibly devise. Taxing unearned increment in land values, arising out of the provision of irrigation at public cost, has long been accepted in principle. Acts authorising such a levy have also been on the Statute Book of most of the States. The methods of imposing the levy are also usually unexceptionable and these are clearly laid down in the enactments on the subject. The principal features of such levies are that the charge should form only a part of the increase in land value resulting from the provision of irrigation, that it should be collected in easy instalments spread over a number of years and that a rebate should be allowed if the payment is made in a lump sum.

However fair and just in principle, needless to say, no imposition on the agriculturists in this country is ever popular, for it means, in effect, a burden on the poor peasant. Since similar increases in land values, e.g. in new townships, new capitals or the new steel towns are not gene-

President Eisenhower's conditions for an acceptance of the Summit are, thus, dependent as much on himself as anyone else for fulfilment. But even a conditional acceptance of the Summit is, at least, an acceptance. What inhibits one from welcoming it as warmly as one would like to, however, is the lack of enthusiasm with which the acceptance has been made. Reputable British observers in Washington still report absolutely "no enthusiasm" for the Summit.

This attitude springs, it is explained, from a "bottomless distrust" of Russia and extreme pessimism about the outcome of such a conference. We must remember that President Eisenhower has been repeatedly pleading, and has very recently reiterated, that "a feeling of pessimism, and in a way hopelessness, I think, would be increased if you entered such a meeting and then nothing really came out of it". But the irony is that precisely this lack of confidence and optimism on the part of the West may end up by bringing about the

THE ECONOMIC WEEKLY

very failure "and hopelessness" which Mr Eisenhower fears.

The Summit must not only be approached, but approached with a certain amount of enthusiasm and hope—and, indeed, with the readiness and determination (which can only be born of such realistic optimism) to make concessions that would be sufficiently important to draw concessions of comparable importance from the other side. But though the pessimism of the State Department is regrettable, and might in the event prove ruinous to the success of the Summit, it is not inexplicable. It is the direct and inevitable result of a complete absence of any positive and realistic policy in the West. There is virtually nothing on which to found hope and optimism, leave alone enthusiasm. It is this disastrous vacuum that Mr Macmillan will have to try and fill as best as he can. If he fails, the West would merely be going to the Summit to listen passively to Mr Khrushchev's prolific ideas and reacting to them with profitless suspicion.

rally taxed in the same way, the argument of social justice is somewhat weakened. That is why there is hesitation on the part of the Governments, which have to have an eye on the vote, to press any charges exclusively directed against the peasantry. There is a just case for increasing irrigation rates in many of the States and for imposing such rates where they have not yet been introduced. But in the case of betterment levy, the hesitation seems to be even greater, for, according to the Appraisal of the Planning Commission, May 1958, almost all the States have lagged far behind in raising revenue from this source. The States were to collect Rs 16 crores of additional revenue from betterment levy under the Second Plan—this was the original target—but in the first three years of the Plan, the total collections under this head were not expected to exceed Rs 80 lakhs and the yield expected in the five-year period from the measures adopted in the first three years of the Plan was estimated in the Appraisal at the modest figure of Rs 2.2 crores.

The reasons why the betterment levy, however just in principle, is

so unpopular are not difficult to imagine. Apart from the resentment of the peasantry against it, which can be organised into a popular movement almost anywhere, the manner in which the Punjab Government set about realising betterment charges was certainly an invitation to the Opposition to help itself. Though the Act has been on the Punjab Statute Book for a number of years, an Ordinance was promulgated early in January to realise betterment charges with effect from the kharif harvest which was then still being harvested, at the following rates:

Areas which will ultimately receive perennial irrigation: Rs 10 per matured acre.

Areas which will ultimately receive non-perennial irrigation: Rs 5 per matured acre.

Areas which will ultimately receive restricted perennial irrigation: Rs 7.50 per matured acre.

Areas where water allowance has been increased: Rs 2.50 per matured acre.

Areas where non-perennial irrigation has been converted into perennial: Rs 5 per matured acre.

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Curiously enough, the Ordinance on so controversial a matter was issued only four days after the adjournment of the Assembly after the special session which had been called to amend the Gurudwara Act.

Since Punjab has long been used to irrigation, knows its benefits and has profited by it, it could be supposed that there would be less reluctance to pay for irrigation than in areas or among people who are not used to it and do not profit from it to the same extent, at least, not until a number of years has passed during which they can familiarise themselves with and adopt successfully the techniques of cultivation with irrigated water. An old tax, it is said, is no tax, but paradoxically enough, betterment levy in the newly irrigated areas where it is being freshly imposed meets with even greater opposition for the very reason that it is not unknown to Punjab. The cultivators who are now being asked to pay point to others who had long enjoyed the benefits of irrigation and had also paid for betterment, but paid at rates which were so much lower. This is because the rates actually charged have to cover the cost of irrigation projects and costs being so much higher, naturally the present rates, even though they may be fair enough on the basis of current costs, compare very unfavourably with the rates others had paid before.

Then consider not only the manner of its introduction, through an Ordinance instead of the normal channel of the Legislature where the disputed issues could have been thrashed out, but also the timing of it, just when the cultivators had gathered their harvest and had nothing much on their hands until they get busy with their Rabi crop. An interval between the two crops, at this time of the year, is ideally suited for launching a peasant agitation and this the Kisan Sabha has very successfully done.

The Kairon Ministry is not too popular and it is no secret that like the present Ministry in U P, it has been kept going by the support it gets from the Congress High Command. Its handling of the movement against the betterment levy resulting in thousands of arrests and a number of unfortunate deaths by police firing is not exactly a model of democratic methods of settling a dispute. It has so far been actuated

solely by a desire to present a firm front under the mistaken notion that any attempt to discuss the matter until the agitation is called off would be interpreted as a sign of weakness. Neither has the Ministry been operating from a position of strength. It has already its hands full in the dispute with Tara

Singh for which it had at least the Legislature behind it. Why not seek a more sensible solution by conceding that, however just in abstract principle, the actual administration of a betterment levy has to deal with a number of knotty points which cannot be disposed of summarily by executive fiat?



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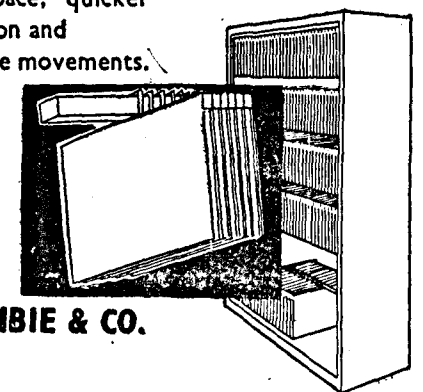
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March 21, 1959
24 MAR 1959
PUBLIC IMPORTS OF CYCLE COMPONENTS

Weekly Notes

India Private Ltd has been granted a loan of Rs 20 lakhs by the Industrial Credit and Investment Corporation of India Ltd.

Arab Rupture

THE Iraqi-Egypt rupture is replete with paradox. Brigadier Kassim, says President Nasser, is nothing but a Communist stooge, lacking any following of the masses. But that is not the evidence of the Mosul revolt, from which the Kassim regime has emerged with convincing success. President Nasser, says Kassim, is a fascist dictator intent on incorporating Iraq into the United Arab Republic. But the dictatorship of Nasser is no worse than Kassim's; and there is no real evidence at all that Cairo wants to swallow Baghdad. Indeed, there is a good deal of evidence to the contrary. Nasser was reluctant to accept the incorporation of Syria; and there is little doubt that he is now more than ever reluctant to take on the burdens of Iraq.

Yet another paradox is that Nasser, still quite fresh from Khrushchev's embrace, should denounce Communism in Baghdad and wilfully refuse to see that far from going red, Iraq is struggling to achieve precisely that brand of Arab neutralism and Iraqi nationalism which Cairo, one would think, admires. The fact is that, although it has not followed Nasser's example and clamped the communists in jail, Iraq's present regime has by no means become a pet of the Kremlin. All that has happened is that Brigadier Kassim has had to lean a good deal on the Left in order to crush the recent revolt.

Kassim, on his side, labours under an error. It is not Nasser but his well-meaning but embarrassing friends in Iraq and Syria who are anxious to bring Baghdad in the fold of Cairo. The revolt was not inspired or directed by Nasser, but by the neo-Nasserites in the UAR and Iraq.

The crowning paradox of all is that the Nasser-Kassim rupture, if not healed soon enough, will sound the knell of precisely that unity of the Arab peoples which is so dear to the heart of the UAR leader. In spite of the Kassim victory in the last revolt, there is a considerable amount of disaffection and division in Iraq; at any rate, the disaffection is great enough to allow itself to be exploited by the

Nasserites, if not by Nasser himself. Nasser has used unfortunate language in threatening that the crushed revolt will not be the last. That could be the cue for a further ganging up of the Iraqi disaffected elements against Kassim, who himself is not without a large following in his country. What might be intended as a revolt would quickly turn into a civil war, making complete nonsense of the ideal of Arab unity.

Second Rescue Operation

THE second rescue operation at Washington sponsored by the World Bank to pull India out from her foreign exchange difficulties has not belied expectations. It met under a slight handicap in that the senior member, the US Administration, was in no position to make a commitment without Congressional approval, having nearly exhausted the Development Fund which had been allocated by the Congress earlier. Therefore the amount of assistance, reported in the press, is to be taken, as mentioned, as the minimum and presumably excludes America's contribution at the moment. The World Bank, which convened this conference, as also the earlier one, summed up the results as an assurance to India that in the coming year "India can reasonably expect to maintain the momentum of its development programme and meet essential maintenance needs of the economy without throwing undue strain upon its external reserves." Though the communique is politely silent on the point, Washington reports add that India has announced that she will "continue every effort to maintain monetary stability through responsible fiscal policy." The significance of the Washington conference and the results achieved have, therefore, to be judged and assessed in the light of our foreign exchange needs and the economic policies and programmes for the fulfilment of which foreign resources are needed.

In the Reappraisal by the Planning Commission in September last, the balance of foreign exchange needed for implementing the hard core of the Plan and for meeting the maintenance requirements of the economy were re-estimated at about Rs 560 crores. This was on the assumption that any imports of foodgrains in excess of normal marketing obligations in respect of

wheat and those arising from the rice agreement with Burma could be obtained under P L 480 and that the sterling balances would be maintained at the level of Rs 200 crores. Out of this, India obtained foreign assistance as a result of the last Washington conference of about Rs 170 crores. Deducting this, and making a slight adjustment for the improvement since achieved in the sterling reserves, the balance of foreign exchange required for completing the Plan could be taken at around Rs 350 crores. This appears to have been the basis of discussion at Washington, the amount mentioned, \$650 million, being slightly lower, to which another \$50 million was added as India's contribution to the International Monetary Fund after the increase in her quota. This will be needed in the current and the next financial year. If the amount promised for the current year is Rs 125 crores, as the latest press reports suggest, there would be left some Rs 250 crores of foreign exchange to be covered in the last year of the Plan.

These figures, however, throw no light on the order of foreign exchange, likely to be available for the Third Plan, nor do they provide any sort of basis for determining what should be the reasonable magnitude of the foreign exchange component of our next Plan. On the contrary, since the assistance now offered, or likely to be forthcoming, is partly to be in the form of export credits or deferred payment arrangements, it will restrain rather than help India's capacity to negotiate for foreign loans or assistance in the coming years.

What Price Foreign Aid?

WHAT are India's commitments in the matter of internal policies and character of planning which have evoked such ready response from her creditors and this group of helpers? True, there has been no specific undertaking given or anything of that sort. The communique merely mentions: "It was understood by the meeting that the Government of India would continue to pursue the economic and financial policies which had been discussed at the August meeting." What are these financial policies? That the policy has to be responsible, goes as mentioned earlier, without saying. Which Government in the world would ever say that, it

AFTER the confident and optimistic offer made by the President of the Cycle Manufacturers' Association of India that the industry was prepared to double its production, provided it was "assured of the supply of requisite machinery and regular flow of raw materials"—which meant import licences—it was somewhat unsporting of Shri Manubhai Shah, the Minister for Industry, to ask the cycle manufacturers, in effect, to do without any imports at all! The Minister was blunt enough to tell the Cycle Manufacturers' Association that Government might totally ban the import of cycle components by the end of the year.

Complimenting the industry for the progress it has made—he called it the 'best industry of the year'—the Minister of Industry called upon the cycle manufacturers to try to produce all components indigenously in course of the coming year. This was the next stage of development, he said, to which they should address themselves now. They must join together, he added, and plan the production.

There is a catch, however, in the Minister's threat of totally banning the imports of components by the end of the year—it is the finished components, obviously, which may be banned or are intended to be banned. What about the other imports which some of the leading and largest units in the industry cannot do without? Some of them have to have their forgings made abroad, their factories do only the machining; most of them need special steels which have to be imported; and so on. Now none of these come under the definition of components in the technical sense in which Manubhai must have used the term when he threatened a total ban. Those manufacturers, who have foreign collaboration, appear to be helpless. Their agreements stand in their way of attempting self-sufficiency and ending their dependence on imports.

Leaving out this group of manufacturers, who between them must account for a substantial part of the total production of cycles in the country, the rest of the industry has made spectacular progress in increasing the production of completed cycles and even greater pro-

gress, perhaps, in steadily bringing down the import content of the cycles turned out by them. While production has doubled from less than 5 lakhs in 1955 to nearly or more than 10 lakhs in 1958 (about 9 lakhs by large-scale manufacturers and 1½ lakhs by the small-scale sector), imports of components have been progressively scaled down from Rs 80 per cycle to only Rs 5. This is, to repeat, in respect of finished components and does not, presumably, cover the other import requirements of the units of the industry which have foreign collaboration.

The new slant being on exports and some form of assisted-subsidised-compulsory export being in the air, naturally Shri A M M Murugappa Chettiar aroused considerable curiosity when he said that the Association had formed an export pool to assist the trade to export and that a target of 10,000 cycles has been set for the current year. But he was apparently in no hurry to satisfy public curiosity as to how was this export to be effected? That manufacturers with foreign collaboration have definite territorial limitations in marketing their products is, of course, nothing new. But how are the others, who have the handicap of higher cost and lack the advantage of established brands, to perform this feat?

From Baby Powders

—To Surgical Requisites

THE new factory which Johnson & Johnson are building on the Bombay-Agra Road, and the Mahurat ceremony of which is to be performed next week, is going to be one of the most modern, well-planned, and completely hygienic factories in the world. Here, under most exacting conditions, will be manufactured sutures and surgical requisites, gynecic therapeutic products, baby and adult powders, baby creams, baby oils, prickly-heat powders, toothbrushes, orthopaedic plaster of Paris bandages and pressure-sensitive tapes. The list includes, it should be noted, not only all the things that babies need but also materials for family planning.

Johnson & Johnson do not make only baby powders, they are also the world's largest manufacturers of surgical dressings. In the United

States, they have captured the bulk of the trade in baby products, which, by the way, is very big business indeed, considering that every new baby consumes about Rs 450 worth of drug store products during the first year, that four million babies are born in the U S every year, and that for American babies, only the best is good enough. The firm has 34 ultra-modern plants, besides many subsidiaries scattered all over United States and other countries.

It is not only because of the high quality of the drugs turned out and the ultra-modern techniques to be introduced which makes the Johnson & Johnson of India Private Ltd a notable venture. As an example of Indo-American collaboration in the field of private investment, it has some very striking features. For example, the collaboration is between one of the leading American manufacturing firms and the top Indian financial house of Premchand Roychand, and it preceded Tata-CEAT in waiving the 51:49 ratio between the Indian and foreign partners in the ownership of capital. This was, by the way, only a rule and not a statutory provision at any stage. The venture is also outstanding as being one of the earliest, if not the first, to take advantage of the agreement signed between the Government of U S A and India on September 19, 1957 which guarantees the American investor full convertibility into dollars of the returns on his investment. (This agreement, as is well known, unlike those concluded by U S with many other countries, does not cover the risk of nationalisation or confiscation.) As if all these were not enough, a further proof of the absolute soundness of the investment is that Johnson & Johnson of

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would pursue an irresponsible fiscal policy? Does monetary stability, which is also mentioned, mean 'no deficit financing'?"

The fact is, and we better face it, that foreign aid has exerted pressures on us and has influenced our domestic policies, in spite of what Pandit Nehru may say. True, Pandit Nehru may not be aware of it, but it is no secret that those who are in charge of aid negotiations abroad often give quite a distressing interpretation of our domestic policies to create a favourable climate to ask for more aid. Why we insist on planning and why we want an expanding public sector, such inconvenient questions are either brushed aside or dismissed as concessions to politics. We, too, have our politicians, that sort of thing goes down very well with Americans. Double talk seems to be justified, if it gets us the dollars.

Double Taxation Relief

THIS attitude of getting assistance any how is demoralising in another way also. It tends to put getting foreign assistance above the plan and diverts attention from the domestic efforts that are necessary for implementing the plan. Diplomatic finesse and ability to gain external assistance thus becomes the index of success, and not our ability to realise our plan targets. Not unconnected with it—in fact, stemming from it—is the other attitude of looking upon private foreign investments as the solution to our foreign exchange problems. It is suggested from several quarters that we should offer tax inducements to get adequate foreign capital. The President of the Federation of Indian Chamber of Commerce and Industry as well as the Vice-President of the Bombay Chamber of Commerce and Industry have reiterated their faith in this panacea for our problems. That this faith in private foreign capital completely disregards the history of private foreign capital and the motives which are behind the flow of such capital may be overlooked. After all things may change. But it is not so easy to overlook that this oft-repeated prescription also disregards the needs of planned development to which India has solemnly committed itself; often its advocacy amounts, literally, to incitement to scrap such planning!

The fact is that private foreign capital is generally attracted

towards those enterprises in the under-developed countries which are not very important from the development point of view. Nor is taxation in the capital-receiving country important among the factors that govern the decisions of United States Corporations to invest abroad. Moreover, foreign investment tends to grow by ploughing back of profits, adding thereby to the foreign exchange liability of the capital-receiving country much more than what would result from straightforward foreign loans.

The foreign exchange liability in this case arises not from interest payments and repayment of the original capital only, as in the case of a foreign loan, but also from appreciation of capital and ploughing back of profits as well as from profit remittances. What private foreign capital does to the capital receiving country by uprooting culturally its intelligent young men whom it employs has also to be counted in the reckoning. Knowing all these, if Indian industrialists still ask vociferously for inducements to be given to such capital, they must have some other motive.

This is not to suggest that we should not try to make whatever incentives we do give at present more effective for private foreign investment. For example, some of the tax incentives which India provides to private investment do not become effective in the case of United States private capital in India, because of the tax provisions in the United States. United States gives credit to an U S investor in India only for such taxes paid in India as are prevalent in the United States. Since the Indian tax incentives are not part of the United States tax system, the U S Government would not take account of them, while fixing the tax-liability of an U S concern in India.

Therefore, to make Indian tax-incentives effective for United States capital in India, an agreement for the avoidance of double taxation, with a provision that an U S concern paying taxes in India would not be liable to any tax in the United States seems to be eminently desirable. It is good that India is negotiating such an agreement with U S. In fact such agreements should also be negotiated with other countries like Western Germany, United Kingdom, Canada, etc.

Catalysts & Co

THE expectation of big changes in the Board of Directors of the ICICI and the hope that the Board would be more broad-based and represent a wider range of interests, which were expressed in these columns when Shri G L Mehta took over, have not yet been realised. The changes may well be in the offing, but they have not been notified in the Annual Report which has been just released. In the statement by the Chairman, circulated with the Directors' Report, there are indications, however, that the ICICI would like to be more active in initiating industrial development in the private sector than it has been so far. True, not much initiative is required for a financial institution to under-write the issue of new capital by Indian Oxygen or Dunlops. These one does not even find mentioned in the Balance Sheet, for both issues were so successful that the under-writers had not to carry any with them and they naturally do not figure in the schedule of investments on hand at the end of the year.

The spirit of enterprise has to be inferred, rather, from what the Chairman says. First, that the Corporation intends to work closely with other institutions in financing enterprises. Besides the LIC, with which it has conducted joint operations, the International Investment Corporation and the Commonwealth Development Investment Company are mentioned as prospective collaborators. Second, that for widening its field of activities, the Corporation "invite and welcome discussions" for the promotion of new industries or expansion of existing ones and that its doors are always open to anyone who had a considered proposal, worked out sufficiently to permit detailed technical and financial discussion". One need not even present a formal application. On the contrary, the Corporation welcomes informal discussion so that it can give advice and assistance at an early stage, thereby saving time and effort on both sides.

Now one may cavil at the offer of 'technical' assistance, since the Corporation has not built up a technical wing, nor does it appear to be keen on it. This is the one respect in which the Corporation has not lived upto its promise. But one need not feel unsure of the

Corporation's ability to expand its activities. The more encouraging developments in the capital market certainly indicate better scope for its activity as a catalyst though they may not hold out better prospects of raising capital from the market to augment its own funds. As an agency for channelling funds to the most productive uses in the private sector it can confidently count on continued support both from the World Bank and on the rupee counterpart funds.

Lead for Batteries

REFERRING to the imports of lead, the principal raw material in the manufacture of batteries, Shri R D Char, speaking at the annual meeting of Standard Batteries Ltd, made a surpris-

Letters to the Editor

I HAVE read with great interest the series of articles on 'China's Economic Growth' by Charles Bettelheim in your issues of November 22, 29 and December 6 and 13. These articles, however much we may disagree with some of the author's conclusions, are of the utmost importance.

The present position in China seems to be that a movement has occurred which has led to a remarkable increase in agricultural production and consequently, to an increase in the standard of life of the peasant classes in China. Now a similar increase in the production in India is what we are all anxious to reach, but so far the stimulus which has produced the remarkable increase in China seems to be missing. The stimulus on which the leading authorities seem to rely in India is co-operation, but though in certain areas this seems to have led to the increase in agricultural production which is required, this is not generally the case, in spite of vigorous propaganda and the enthusiasm of some of the finest men of the generation. It is evident, in fact, it seems to me, that if we are to depend on cooperation to give the stimulus to increased production that is needed, we shall have to wait a very long time.

I know that the increase in agricultural production is partly and

ing revelation of the high regard that the Commerce Ministry seems to have for the new zamindari it has conferred on the established importers. As bona fide users of lead, the company used to get licences for the import of the virgin metal, but, then, something happened. To quote Shri Char:

"I do not know what high policy dictated the sudden shift to discontinue granting import licences to actual users of this important raw material. Large consumers like us were asked to obtain our requirements from established importers. Your Company, during this period, had to go through considerable difficulties in obtaining lead and were thrown at the mercy of the few importers. We were faced with a situation wherein we had to pay

even upto a price of nearly 80 per cent over the imported cost. For, lead which we could import at Rs 52/-, if we had the import licence, had to be bought at between Rs 75/- to Rs 96/- during this period."

This naturally upset all cost calculations on which production had been planned and also put an end to the company's export efforts. Those who are naive enough to think that more imports cannot be channelled to actual users only because of irremediable administrative and organisational difficulties will now have to revise their opinion. True, import control eventually saw reason or was made to see reason, because the Chairman of the Standard Batteries was in a position to approach the higher-ups, but what made it do such a silly thing?

Agricultural Production Stimulus Needed

even very largely a technical matter, in which the utilisation of improvements and discoveries is a vital matter. The experience with the Japanese methods of growing paddy, with the use on an ever expanding scale of artificial fertilisers for sugar cane and even for other irrigated crops, or the general adoption of improved strains of wheat or cotton, among many other adaptations, show what can be done, but the extent to which these improvements have been generally adopted is far less than would have been expected. All my friends now in India tell me that the general adoption of such improvements is very partial and find a tremendous amount of apathy among the mass of the agricultural population.

I would ask, therefore, whether some stimulus towards the increase in agricultural production cannot be found which will inspire the bulk of Indian peasantry with a similar concentration in increasing the production of the land to that which has been so effective in China.

My own connection with Western India is now long outdated, and, for the time being, I do not venture to suggest what that stimulus might be. But the matter is urgent. This year's crops have shown that even the modest progress of the last few years is not a certain progress, and,

in the meantime, the population is rising much faster than the agricultural production. I look on the China experience with envy.

Harold H Mann

Bivia, Woodside,
Aspley Guise,
Bletchley,
England,
March 12.

"The Middle Class"—And Dr Punekar

THERE seems to be quite a bit of confusion in Dr Punekar's interpretation of Indian Middle Class to-day (Issue of February 28). In a way it reflects the prevailing confused thinking on such problems.

Karl Marx and Max Weber, both spoke of the 'social' middle class, and not middle income-group which would interest only the budget-maker perhaps. Marx refers to the lower strata of this middle class, which has an ambition to rise to the upper strata of middle class, but in the working out of economic process, this strata is likely to sink, slip back into the lowest masses. This is a slip-back in the social sense, again,—occupations might remain apparently the same.

Punekar's 'middle class' is neither a Marxian, nor a Weberian concept but a hybrid, arising out of a confused picture of our society. We like to rank people specially high because

of social distinctions, e.g. literacy, culture, urbanity, white-collar, high-caste etc. But within that 'cultured' group, the economic rise dazzles us and Dr Punekar describes a strictly economic apex of society—"at the top, a 5% stratum of rich"—above his "sizable upper middle class". This apex, as a strictly economic category in Dr Punekar's schema, has in this class, "unfortunately",—"the sudden rich, the black marketeers, hoarders, bootleggers, unscrupulous politicians, and many others who have been allowed to amass wealth..." etc. This was not the concept of the top vis-a-vis middle in any image. It is not the income-group which is synonymous with top and middle class in Marxian schema. Marx had a pure social content rather than the economic pyramid in mind. He put the aristocracy (with its style of life) in that reserved-top-compartment; others, whatever their income and property, could never claim anything beyond the "middle-class" status.

In his hybrid concept of the middle class (e.g. "the middle class man is in the middle, both in the economic and social aspects") Dr Punekar applies non-economic criteria, when thinking of the other boundary—separating middle from the bottom. He tends to keep off "the artisan and the peasant", considering "such factors as caste, lineage, family-upbringing, and social circumstances". In short, income and property—equal or even higher than "middle", sometimes—would not earn a right of entry into this self-styled middle class. The semi-literate, semi-sanskritised, semi-westernised, and particularly, the upcoming low castes, are kept out of the middle class in the name of social stratification of Max Weber. And yet, our middle class has little consciousness of its positive social role and consequent self-respect, associated with Max Weber's middle class.

In Marxian schema, the lower strata of the middle class, in view of its economic pressures, and hence impending transfer into the bottom masses, has two alternatives, two possible tendencies:

- (1) to fight the battle of the upper strata, against the uprising from the bottom—as "a tool of the reactionaries",—or some times,
- (2) to fight, in some situations, the battle of the lowest—the proletariat.

In Max Weber's schema, the middle class has a positive social content, conscious roles and goals, and above all, a sense of self-respect as the 'non-feudal' (not to say, anti-feudal) torch-bearers of the new ethos, reformation and all that.

But, with Dr Punekar, this hybrid class, standing on the economic ladder alone, feels slighted as well as elated in economic, i.e. income terms; and yet the members of this class think of the great social role of the self-styled middle class for compensating their frequent negative feelings towards themselves. Worse than that, they try vehemently to secure individual positions, and thus frustrate the solidarity of the necessary action from beneath. In fact they refuse to face the fact that they have no positive ground for keeping apart from what they call a social bottom.

Consequently, in India at present, they behave like an absurd social group, for they show "a desire to rise up in the scale by emulating the social values of the 'upper income groups and disregard, if not hatred, of the values of the lower strata of population." This is exactly what psychologists would expect in such a situation.

In India, to the extent that the 'social' label, i.e. compensatory self-hypnotisation, makes the middle

class (its lower strata, in strict Marxian jargon), just escape from the impending transfer into the proletariat, the chances are all the more of this "scum" becoming reactionary, or at least bewildered by a confused self-image. To lose one's positive role, and to behave as an absurd group is extinction.

The economic misfortunes of this class deserve sympathy, of course and require an analysis, and a diagnosis that first of all, it must shake off self-pity. The label of a great 'role' that had once excited the admiration of social philosophers might be a doubtful medicine at the present stage.

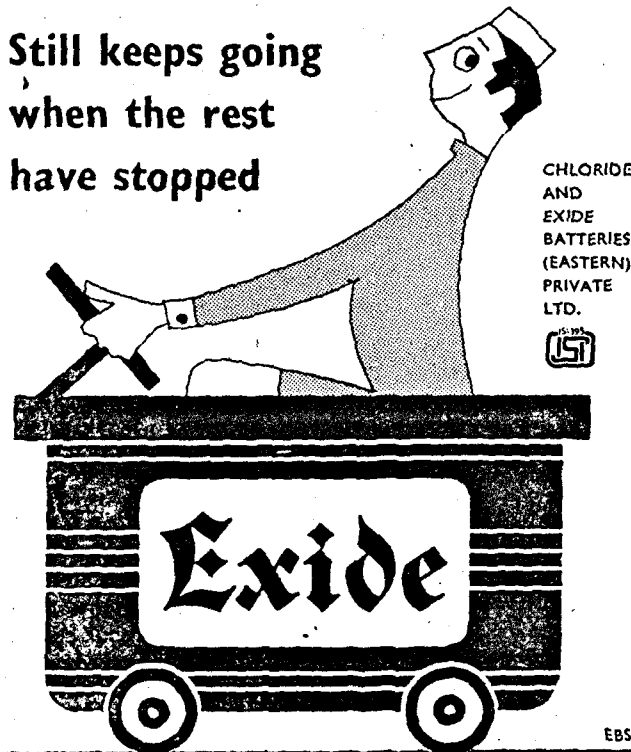
Ahmedabad D P Pandit
March 11.

Resources for the Third Plan

WITH reference to my communication 'Resources for the Third Plan' which you were kind enough to publish in these columns in the issue of March 14, I should like to make it clear that the views expressed are my own and that the communication has no connection with the work I am doing in the Economic Division of the Finance Ministry.

New Delhi S P Ahuja
Economic Division,
Ministry of Finance,
March 17.

Still keeps going
when the rest
have stopped



EBSC-37

From the London End

THE weakness of the dollar is possibly one of the most important recent developments in international finance. This weakness has exhibited itself not only in the exchange rates between the U S dollar and most West European currencies, but, more significantly, in the movement that is now evident for some liquidation of foreign-held short-term dollar assets into gold. In 1958 this movement was partly responsible for the loss of about \$2,300 million worth of gold by the U S Treasury and this is reflected in the rapid accumulation of gold and, in more recent months, in a simultaneous disinvestment in short-term dollar assets by European countries. In a word, the present position exhibits all the symptoms of a crisis of confidence in the dollar.

Growing Distrust

In the main West European markets, there are indications of a growing distrust of the dollar. There is a widespread belief that strong possibilities exist for an increase in the dollar price of gold. British newspapers prominently feature the tendency of West European central banks to switch their dollar assets into gold or to hold new earnings in foreign exchange or in gold rather than in dollar balances.

By contrast the major currencies of West Europe have continued to remain firm in relation to the dollar ever since the convertibility operation of last December. The improvements in European exchange rates and in European gold holdings have taken place in spite of any important or significant improvement in the foreign trade of West Europe as a whole. The accumulation of gold in West Europe therefore appears to be a consequence of the operation of two factors. First, the terms of trade continue to be favourable. Secondly, the capital and non-trade flow of dollar funds into West Europe continue at substantial levels now, than, say, a year ago, accounting for the rather rapid U S loss of gold.

Higher U S Investment Abroad
The background to the increased reserves liquidity of West Europe

Future of the Dollar

In 1958 is as follows:	
Sept 1957—Sept 1958 (\$ million)	
Decline in reserves of:	
United States	1830
Primary producing countries	1320
	3150
Increase in reserves of:	
Continental West Europe	1885
United Kingdom	1265
	3150

The character and reasons for U S loss of gold in 1958 arises from the rather peculiar developments of U S balance of payments. On purely trade items the current account of the U S balance of payments reflected a continuing surplus in spite of a relatively unchanged level of imports and a fairly substantial fall in exports between 1957 and 1958. What in fact created the outflow of gold and dollars was the continued level of foreign investments, particularly in West Europe, and the considerable foreign military and political expenditures disbursed abroad by the U S Government.

In the table below U S balance of payments has been recalculated to show the significance of capital exports and of military and political expenditures abroad to the international supply of U S dollars and gold. There was a surplus on current account but it was nowhere near enough to finance the international extra-economic commitments of the U S Government which in 1958 took a rising dimension compared to the previous year.

On balance, the U S provided some \$ 5,150 million to the rest of the world in the first nine months of 1958 compared to \$ 2,382 in the same period of 1957. According to a recent issue of the U S 'Survey of Current Business' the outflow of gold and dollars resulting from U S transactions almost wholly went to the countries of Western Europe.

Scaling Down Investments

It is clear from the table that it is the large-scale military and political expenditures of the U S Government that is the decisive factor which, in the past two years and in many of the years since 1950, has contributed to the net supply of gold and dollars to the rest of the world. Since there appears now little prospect of any major change in the U S posture in the cold war, this source of gold and dollars is likely to continue.

There are, however, some indications that the position of the dollar in the world's markets may be influencing, to an extent, the direction of U S policy. In President Eisenhower's budget proposals some scaling down of the cost in the cold war is attempted:

U S Budget Expenditure (\$ million)

	1958-59	1959-60
Foreign military assistance	2,300	1,800
Economic aid and grants	1,570	1,650
Total	3,870	3,450

U S Balance of Payments (\$ million)

	Jan—Sept 1957	1958
Commercial and Capital Balance		
Export of Goods and Services	19,745	16,819
Import of Goods and Services	13,197	12,871
Surplus on Current Account	+ 6,458	+ 3,948
U S Capital Exports (net)	— 2,817	— 2,660
	+ 3,731	+ 1,288
Military and Political Payments Balance		
Military Expenditure Abroad	— 2,418	— 2,490
U S Govt Military and Other Aid	— 3,105	— 3,157
U S Government Loans	— 590	— 799
	— 6,113	— 6,446
Net Balance	— 2,382	— 5,158

The 1959/60 budget proposals reduce the size of military expenditures on foreign military assistance by some \$500 million or by more than 20 per cent. This is significant in itself although in size it cannot alter to any important extent the supply of dollars and gold to the rest of the world from this source.

Outflow of Short Term Funds Rise

There has been a fall in the volume of U S private capital exports between 1957 and 1958. The size of such exports nevertheless remains large in absolute terms. There is, however, one important feature of U S capital outflow which requires some note. In 1958 the outflow of dollars from the US on short-term account was inordinantly large. In the first nine months of 1957 the outflow of short-term funds amounted to \$194 million. In the same period of 1958 the outflow almost doubled to about \$340 million. The reasons for the sharp increase in dollars on short-term account are certainly complex and involve a medley of considerations such as interest rate differentials in various financial centres and psychological factors of confidence.

In the first nine months of 1958 the international pattern of interest rates was certainly such as to make London and other West European centres relatively more profitable for short-term funds than New York, but it is equally certain that the severity of the US recession and the absence of a sufficiently rapid recovery influenced many holders of short-term capital away from the dollar. One important consideration which appears to have influenced the activities of short-term holders of dollars (including US residents) has been the tendency for US prices to continue to rise in spite of the relative decline in the earnings of industry. This co-existence of inflation and recession in the American economy has necessarily influenced the size of the outflow of short-term funds.

Largescale Gold Sales

On March 6th the U S Treasury announced that its gold stocks stood at \$20,443 million, the lowest level in 12 years. In the week ending March 6th alone, the US Treasury sold some \$35 million of gold to various European central banks. It is understood that the principal buyers were the Bank of

England and the Bank of France. In January, the Japanese Government was a prominent buyer of US gold against their holdings of short-term dollar balances. The West German Bundesbank sharply reduced its short-term dollar holdings in January and increased its gold holdings. The Swiss National Bank did the same.

The U S Government appears to be fully alive to the growing European distrust of the dollar and this is indicated by recent trends in US economic policy. The administration of President Eisenhower appears to be considerably more concerned with scotching the domestic inflationary tendency than undertaking positive policies to enlarge production and remove the problem of unemployment. The budget is to be balanced and money made more dear. The Federal Reserve System have increased the official discount rate and it is now announced that the Treasury intends making a very substantial short-term loan from the money market, at relatively higher interest rates, so as to reduce quickly and sharply the degree of liquidity in the US banking system. In a word, the US Government are operating an indirect "credit squeeze" in spite of the fact that much of American industry continues to operate at below capacity.

Competition in Exports

Internationally, the most important problem for the US Government is the relative cost and the competitiveness of American exports. It is generally recognised in Europe that the US is no longer a serious competitor in manufactured exports and that even if West European countries remove the remains of quantitative controls over imports of dollar goods, West European imports of US manufactured products will not rise significantly. In this regard the statement by the President of the New York Federal Reserve Bank needs to be noted: "If the large gold outflow of 1958 brought any benefits to this country, perhaps the greatest was to impress upon American business the fact that foreign competition is growing apace and that we can no longer conduct our affairs without regard to the international balance of payments".

It is not easy to see how far and how quickly American costs can be reduced so as to make American exports more competi-

tive. There can, however, be no doubt that under the sponsorship of the US Government American business will thrust itself more forcefully in international trade with a view to increasing exports. Already certain major firms in the motor industry have announced the production of smaller cars, not only to reduce the import demand of foreign made cars in the US, but also to export these in large quantities in various markets.

Dependence on US

The most important fact, however, remains: the large-scale American supplies of dollars on short-term capital account and expenditures conditioned by the cold war. Here some reference to the experiences of 1931 would not be out of place. To a large extent then the German economy and for that matter much of the European economy was propped up by US credits. With the turn towards recession and slump in the U S there was a rapid withdrawal of American credit and short-term funds from West Europe which proved to be disastrous, first for Germany and then in rapid succession for every other West European country. The important question now is whether a repetition of that experience may occur.

The convertibility of sterling and other West European currencies have been undertaken, it is now clear, on the basis of an American balance of payments burdened by the cost of the cold war, and of American preparedness to participate in the provision of capital, particularly of the short-term type. This is surely an extremely doubtful basis on which to operate convertible currencies, and should the weakness in the US dollar continue, in spite of current American measures, then the dangers of a more aggressive American policy towards European currencies will become inevitable. Failing this there appears to be no alternative but the ultimate devaluation of the US dollar. The whole ideology of American economic policy however appears to make such a devaluation unlikely. The alternative then must be either a policy which sharpens the US recession so as to bring about a system of prices and costs which will remedy the present large-scale deficit in the U S balance of payments or to abandon the cold war. The latter is however unlikely.

Book Review

No Conceptual Framework Yet

Ajit Das Gupta

The Economics of Underdevelopment. Edited by A N Agarwala and S P Singh. Oxford University Press, 1958. Pp 510. Price Rs 17.50.

MANKIND, it has been said, sets itself in any epoch only those problems which it can solve. Ultimately, the rationale of the current boom in the literature on underdeveloped economies—to which the present book is a welcome addition—must be sought in the fact that large sections of the world's population are trying—and trying successfully—to put an end to underdevelopment and all that it implies. Perhaps the discussion would even gain in realism and relevance if the link between growth economics and development efforts were more consciously grasped by economists themselves.

The present collection of essays—most of them are reprints from various economic journals—is divided into six sections. The first is entitled "Approaches to the Problem of Underdevelopment" and mainly discusses the definition and symptoms of underdevelopment. The brief second section is on "The Historical Context". Both the third section "The Theoretical Context" and the sixth "Models of Development" discuss theoretical models of economic growth. The fourth and the fifth sections contain essays on specific problems of "External Economies and Balanced Growth" and "Unemployment and Factor Disequilibrium" respectively. Among the contributors are such well-known economists as Jacob Viner, Colin Clark, Paul Baran, Simon Kuznets, Ragnar Nurkse, P N Rosenstein-Rodan, Tibor Scitovsky and W Arthur Lewis.

As the editors rather disarmingly point out, it is all too easy to criticise a selection of this nature. More topics might have been included. Other articles might have been chosen. The arrangement might have been different from what it is. (The reviewer for one, admits his inability to demarcate the first section in the present volume from the second or the third from the sixth.) Yet, in the present instance at least, criticism on this level would perhaps be a little ungracious. For one thing, the present volume is intended as the first of a series. The edi-

tors tell us that they propose, if this volume is well-received, to prepare two further volumes containing contributions "on the remaining aspects of the subject." A more important reason is that, granted the inevitable element of arbitrariness in any selection the present work does seem fairly representative of the current trend of writing on the subject. That this is not altogether an unmixed blessing, is hardly the responsibility of the editors.

Quite in keeping with current fashions, for example, is the rather fastidious preoccupation with the definition of underdevelopment which takes up the better part of the first two sections. Professor Viner successively considers and rejects various criteria of underdevelopment—a low proportion of industrial to total output is rejected on the dubious ground that industrialization is often a consequence rather than a cause of the level of prosperity—and finally seizes on "good potential prospects of raising per capita incomes." But in this sense, are not all countries underdeveloped? Dr Hla Myint draws a distinction between underdevelopment of natural resources and the backwardness of the people which, he applies mainly to the case of a country whose primary producing export industries are thriving thanks to foreign investment without, however, the inhabitants (the backward people) participating in the process. Yet, surely, what this case illustrates is rather the futility of unbalanced growth. It is precisely here that the Allyn Young-Rosenstein-Rodan emphasis on the simultaneous expansion of a wide range of industries as crucial to growth becomes relevant. Again, Dr Myint identifies the subjective feeling of maladjustment and discontent in economic life as the predominant characteristic of a backward people. Even if, economic maladjustment were separable, it is likely that on such a criterion the U S A might (according at least to the evidence of such contemporary writers as Fromm and Riesman)

rank as more underdeveloped than, say, the West Indies.

It is a relief to turn to the clarity of Professor Kuznets who takes us back to the commonsense definition of underdevelopment in terms of "material misery for most of the population." With his neat array of figures he shows not only that the current incomes at constant prices of the 'underdeveloped regions' are distressingly low both absolutely and relatively to advanced countries, but also that the disparity in per capita incomes is secularly rising. For, many of the problems that actually arise, this is likely to be the aspect of underdevelopment that is most relevant. There are plenty of differences, of course, between the various underdeveloped countries (in the above sense) and it is perfectly legitimate to use other definitions in order to focus attention on specific problems. It would help clearer thinking, however, if economists stated both the context and the operational significance of adopting a particular definition. The controversy about a single general definition of underdevelopment turns out to be yet another 'empty economic box'.

While methodological confusion is by no means lacking in the discussion on the obstacles to economic development, many valuable points are nevertheless made. The familiar thesis that a high rate of growth of population is the real bottleneck on development is effectively debunked by Kuznets who shows that for over the last century and a half, the rate of growth of population in most of the older underdeveloped countries was appreciably lower than in countries which are the more developed today, and by Clark who points out the secular deceleration of the rate of population growth in countries such as India and Ceylon. As regards the limitations on the size of the supply of savings, attention is drawn by several contributors to the importance of the distribution of income between various classes in society and in particular the share of pro-

fit in national income. That in most underdeveloped countries (such as India) a relatively low proportion of profits is also ploughed back into industry escapes attention—except for a passing reference by Baran.

One contributor finds the real bottleneck in the failure of the credit agencies to mobilise existing savings: the fact that the arrangement of credit itself is the result of the socio-economic set-up as a whole (as any rural credit survey in an underdeveloped country will bring out) is neglected. The availability of foreign investment is mentioned as an important determinant of the effective supply of savings; and from this standpoint the decline as compared to the 19th century in international investment is deplored. More realistically, Meier points out not only that no positive correlation can be shown between the amount of capital inflow and the extent of development but also that under some circumstances the correlation tends to be negative.

A clearer theoretical analysis of the retarding role of foreign investment in underdeveloped economies would seem to require, however, discussion of such essential motivating factors of foreign investment as the desire for secure profits (which leads to an analysis in terms of monopoly) and the desire to anticipate other investing or potentially investing nations (which underlines the ubiquity of the theory of games situation.) Legal, social, political and religious factors are sometimes mentioned though rather perfunctorily. Meier's casual enumeration ("the restrictive character of semi-feudal institutions, weak government, lack of social legislation, absence of incentives, inadequate education and poor health") is typical. The role of imperialism in retarded development tends to be neglected, though Lewis refers to its stagnating influence on agricultural and mining techniques, and Kuznets draws attention to the fact that the Industrial Revolution occurred in countries which had long enjoyed political independence.

On the whole, though many of the factors cited are no doubt relevant, their mutual relationships do not clearly emerge. So long as the discussion remains on a taxonomic level, this does not very much matter. It is in assigning causal prior-

ities that the weakness comes out: too many contributors fall back on a simple hen-or-egg approach. One cannot help feeling that a wider conceptual frame work paying attention not merely to a few simple behaviour equations but also to the context in which they operate, would help in making the analysis less eclectic and more fruitful.

Theoretical problems of economic growth are discussed in a number of essays. In an interesting revival of classical theory, Professor Lewis examines the role of unlimited supplies of labour in economic development. Mr Henry C Wallich has less success in working out a theory of "Derived Development," based on a somewhat anaemic version of the Schumpeterian scheme. Mr Henry J Bruton applies the Harrod-Domar Model to the problems of an underdeveloped country with an open economy. The survey is useful in its way and a wide range of topics is covered. Certain comments seem, however, to be called for. First, distinctive features of problems of growth in underdeveloped and in advanced economies tend to be ignored. Partly no doubt this is due to the tendency already noted to see economic growth *per se* rather than in terms of the mutual interaction of men, their social framework and their productive apparatus. Secondly, the relevance of growth models to economic planning in the underdeveloped countries is rarely discussed.

Thirdly, while it is refreshing to find some contributors raising the classical questions and even making the classical assumptions (which surely belies the editorial statement that serious study of the economics of growth began in the 1940's), careless formulations of the classical positions are not always avoided. Take, for example, the following passage from Professor Lewis's article:

"Of the classical economists only Adam Smith saw clearly that capital accumulation would eventually (emphasis ours) create a shortage of labour, and raise wages above the subsistence level Wages are no longer tied to a subsistence level. Adam Smith thought that they would then depend on the degree of monopoly" (p 435).

In other words, Adam Smith is stated to have believed in a general

law of capital accumulation ultimately overtaking the growth of population. It is further implied that in such a situation he fell back on monopoly on the employers' side as the determinant of the wage-level.

Actually, as regards the first proposition, Smith believed rather that a high rate of increase in 'revenue and stock', provided it was continuously maintained, would tend to raise the wage-level. The following passage is relevant, "It deserves to be remarked, perhaps, that it is in the progressive state, while the society is advancing to the further acquisition, rather than when it has acquired its full complement of riches that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable." ("The Wealth of Nations", Everyman's Library, Vol 1, p 72.) As regards the second proposition, Smith held that it was precisely in conditions of labour scarcity that the degree of monopoly would cease to operate: "The scarcity of hands occasions a competition among masters, who bid against one another in order to get workmen, and thus voluntarily break through the natural combination of masters not to raise wages." (ibid, p 61)

One final comment. The value of a book such as this lies mainly in making available to a large body of Indian readers, articles published elsewhere; Rs 17-50 nP seems in such circumstances rather a high price. Will some budding econometrician take up the study of the price-effects of import substitution in the book trade?

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Turkey Today

M V Kamath

TURKEY, the proverbial Sick Man of Europe of the nineteen twenties, is still sorely sick and Turkish leaders are the first to admit the fact. This sickness stems from three factors peculiar only to Turkey: its fear psychosis, its "East-West" complex and its sense of disinheritedness.

Its fear psychosis has driven it into the arms of the West; the psychosis, rightly or wrongly, arises from Turkish belief that the country is surrounded on all sides by "hostile" elements—most notably the Communist countries led by the Soviet Union. A good look at the map will make this evident. Turkey shares a long land frontier with the Soviet Union. To the south is Syria, part of the United Arab Republic and there is little love lost between them. Between the Soviet Union and other communist countries in the north, and a distinctly suspicious United Arab Republic in the south, Turkey may well have reason to feel uncomfortable. This, it may be said, is one reason why Turkey has been overanxious to find allies in the West.

The second factor in Turkey's "illness" is its inability to strike a happy balance between its inborn eastern characteristics and its desperate desire to be "European" or "Western". Japan, in the Far East is a happy example of a people who have successfully grafted western techniques and ways of living to their own culture. Turkey is still dangling between two worlds, one not yet dead, and the other struggling desperately to be born. Turkish leaders, in their moments of self-analysis readily admit that while their men and women dress and disport themselves as westerners, in their thinking and attitudes they still retain their "orientalism". This inner struggle amongst most Turks, many thinking intellectuals deplore, but they can do nothing about it.

Arrested Midway

The plain fact is that the revolution that the Attaturk tried to set in motion has been arrested midway by his followers. Very rightly, the Popular Republican Party leaders, in opposition, accuse the Government of the Democratic

Party of trying to pander to the backwardness of the villagers; of seeking to introduce the teaching of the Koran in educational curricula. To this, the Government answer is that while they respect the Attaturk—whose statues and pictures are still to be seen everywhere and are adored—they consider that he went too far in trying to demote religion in society, thus unconsciously destroying the very moral fabric of a people. Teaching of the Koran, according to Government, therefore, becomes necessary, if the fabric of society is not to be torn to pieces. So, what began as a modern secular state is now no longer modern or secular. Despite claims to the secular nature of the State, the Turkish minorities like the Greeks, the Armenians and the Christians do not have any appoint-the Greeks, the Armenians and the Administration.

The Disinherited

Whether the state is indeed secular is not a big question in a country of whose 27 million citizens hardly three per cent are non-Muslim; more important is Turkey's incapability in defining its soul. This is its basic dilemma. Take literacy, for instance. Turkey's literacy percentage is very low—one of the lowest in Europe and even among the literate, communication is not easy for the older people still speak the highly Persianised Turkish while the younger generation speaks the new Turkish from which Persian and other influences have been more or less successfully sought to be removed. This dualism has brought its own problems, not the least being the happy mental integration of society. And finally, Turks, it may be said, suffer from a sense of disinheritedness, of being deprived of many parts of their old Ottoman Empire, an empire which probably lasted longer than any other empire in history.

Old Mistakes and New Ones

When Turkish leaders are asked what their contemporary problems are, they say they are those of old mistakes needing correction and new ones needing clarification. Attaturk's wholesale secularisation might have destroyed the social structure of the twenties. Certainly,

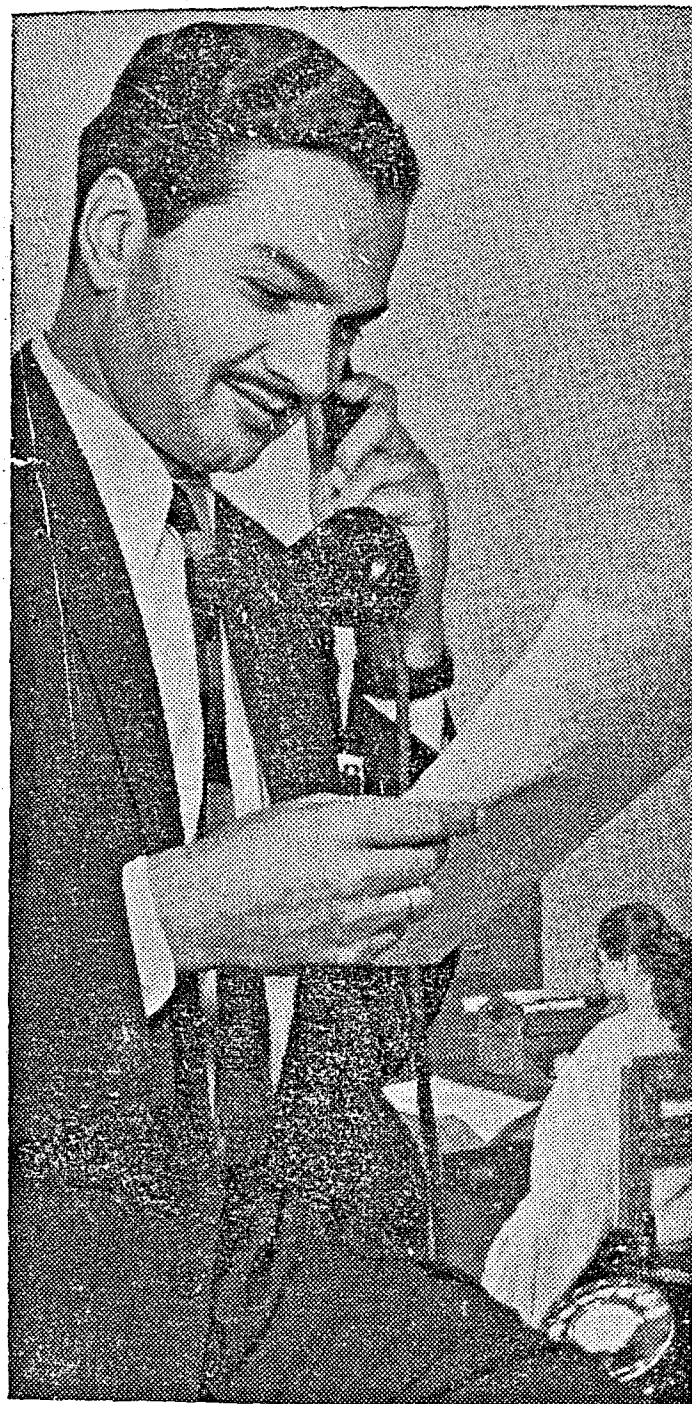
the divorce rate in Turkey is the highest in Asia and possibly in the world. This is a topic of earnest conversation in the coffee houses of Istanbul. But what the Attaturk sought to do in the social field—and with just reasons—Adnan Menderes, the present Prime Minister, is trying to do in the economic field—and with disastrous results.

It is said among the intellectuals of Istanbul that Menderes wants to achieve in the economic field in five years what many European countries took fifty more to achieve. The result is untold privation for the people and chaos in administration. Opposition leaders—like the sharp-minded Kassim Gulek—blame the Prime Minister for setting up sugar factories where neither sugarcane or beetroot grew and setting up steel factories in areas where neither iron nor coal deposits were available. It is admitted that there is some truth in statements like these, even among the bureaucracy. Officials will start an interview with: "But please don't quote me" and then continue with a discussion of Turkish problems that seem to be piling one over the other.

Mounting Inflation

And meanwhile, inflation is mounting. Though Turkey has received upward of \$ 2,000 million in the past ten years by way of U S aid, this has merely made matters worse. The Turkish lira has been unofficially devalued to one third its value. There is an active and ever-present blackmarket in dollars and pounds. And prices keep shooting up. Markets are stagnant and goods are not available. The most frequently heard word in Turkey, one commentator stated recently, is "Yok" which means "nothing" or "there isn't anything left". In Turkey, Turkish coffee is a luxury. A pair of shoes costs 60 to 80 liras, a poor quality shirt around 125 liras. Coffee itself might cost at the old exchange rate about \$ 15 per pound which makes it one of the costliest items in the country.

Consumer goods are practically unavailable. Import of cars is wisely banned; even cycles or spare parts are hard to get and it is to the credit of the Turks that they



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Please see announcement opposite

can get ancient Fords—of 1932 vintage—going; to watch them negotiate the steeply inclined Istanbul streets is to gasp in fear.

There is scarcity of practically everything in Turkey and when one considers the fact that the average salary of a school master is around 400 liras a month, while a two or three room flat would cost 350 liras, the standard of living might well be imagined. Anything, howsoever old or shabby has a ready sale in Turkey. A pair of old discarded trousers would easily fetch 60 to 80 liras and the purchaser would be only too glad at the sale. The Government's slogan is that hardships are inevitable during times of national reconstruction and that one must learn to put up with them. To the Opposition's cry of "yavash, yavash"—slowly, slowly—Menderes has only contempt—and stronger laws.

Bureau of Denials

Any opposition, vocal or written, is met with severe reprisals. A University professor is quoted by a foreign writer as saying that "to maintain minimum standards of intellectual honesty one has to be prepared to face discrimination or even prison". The Ministry of Information has an official Bureau of Denials. If a newspaper publishes a report that the administration does not like, it is forced to publish an official denial in the same page and same column in the same manner of display as the original story. One Ankara paper, a few months ago, was forced to publish a full page of official denials—and that was the Front Page, too!

It is not always that editors get away with such light punishment. Some times they are forced to close down their papers and oftener they find themselves arrested and in prison. Reporters call the cells assigned to political prisoners the "hiltens" after the posh hotel built by the Hilton chain of hotels by the lovely Bosphorus. "Going Hilton" in Turkey, therefore, has a special meaning—and is as popular and frequent among the new Turkish idealists as doing similar duty was for many years to nationalists in India.

Dishonest?—No

The Government case, of course, is that, barring a few honourable exceptions, the Turkish press is irresponsible and scurrilous and that semi-literate and underpaid

writers mistake violence for forcefulness. It is possible to agree with this thesis. The Turkish press, by and large, is certainly not a model to be copied. But the blame must rest, at least in part, on the Turkish Government also.

There is one thing, however, to be said in favour of Menderes: not even the severest critic of the Prime Minister will accuse him of being a dishonest man; unwise, yes; dishonest, no. Instances galore are cited by critics of the wastage of monies. In an effort to help the villagers—Turkey is 80 per cent or more agrarian—the administration evidently gave heavy credits to the peasants. The simple farmers, who had never handled so much money before, happily spent the amounts so well-intentionally doled out to them—with little to show by way of production. It is an admitted fact that Turkey has more than 40,000 tractors for its population of 29 million; hardly ten per cent of these are in use or even in good repair. The rest, in the words of Opposition Leader Kassim Gulek, are in "tractor graveyards".

Huge American Aid

Government reasoning is: "But everybody makes mistakes: things will turn out fine in the long run"; to some extent this is true. In a country that did not have—in the words of Turkey's Finance Minister himself—"even a rudimentary drinking water system", giant dams are being built or have completed construction. Grain storage capacity—insurance against times of famine—has been raised from 411,000 tons to 1,559,300 tons. The number of primary schools have been increased from 12,511 in 1950 to 20,434 today. In 1950 only 7,410 villages had wells. The present administration has raised the figure to 21,500. In the matter of communication, the present administration had had 12,000 kilometers of highways built; over 5,000 kilometers of road surface has been asphalted. Villages are now being put in touch with urban centres; goods are moving.

Much of the building activity, of course, has been made possible by liberal American financial aid. This is surely one reason why Turkey is so closely bound to the United States. Aid has been of various kinds: the International Bank for Reconstruction and Development alone has programmed \$ 63,400,000



THE SECRET RESERVES OF MR. K.

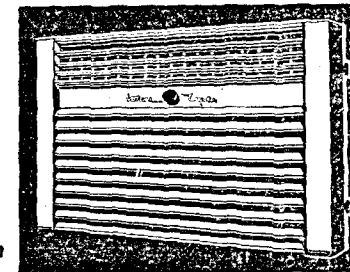
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on such projects as the Seyhan Dam. Under the economic aid programme administered primarily by ICA, additional funds totalling \$ 799,000,000 have been allotted between 1949 and June last year. To which another \$ 350,000,000 sanctioned later in the year has to be added. A third form of aid, not included in the figures above, is derived entirely from contributions made by the Turkish Government in counterpart funds. And then there are the huge investments made by many private American firms like Squibb, General Electric, Willys, Abbott Laboratories, Socony-Mobile, besides which 10 US oil companies are currently spending \$ 25 million annually in oil exploration work.

Trade Left to Minorities

Despite all this tremendous input—and the upward of \$ 1.7 billion worth of military aid poured into Turkey—the country is still limping painfully and the economy is tied in knots. The administration tends to look with suspicion on all the autonomous activities of private enterprises—as being a rival to its own centralised power. Worse, the entrepreneur class in Turkey is the minority. For years, the Turk was willing to let his country's trade and commerce be run by the minorities: the Greeks, the Armenians and the Christians. In times of prosperity, the minorities have had little to complain, but the tragic events of September 1955, when rowdy elements smashed the shops and establishments of the minorities and otherwise inflicted grievous loss to life and property, have not given the additional incentive to those very people on whose thrift, industry and hard effort, the country has for long depended.

The fact that economic activity has for years been willingly left to the minorities has not encouraged the smooth growth of a purely Turkish bourgeoisie with the result that when this class is greatly in demand, Turkey finds itself bereft of it. The Turk is primarily a soldier, not an artisan, certainly not a trader. The Turkish army today is one of the best equipped and disciplined army in the world, but the Army does not produce: it merely consumes and the Turkish military force is the biggest in that area. And what is worse, Turkey's population* is steadily on the increase. In presenting his statement on foreign policy last year, the then Foreign Minister, Mr Fatin

Zorlu emphasised the fact that with a population increase of 3 per cent every year, Turkey will reach the 50 million mark in 20 years' time. Mr Zorlu said: "If we fail to gear our currently underdeveloped economy to this increase in population, in twenty years' time we could become a veritable burden". This is one of the more painful facts of life about Turkey today.

Over-centralisation

But more than this, of course, is the havoc caused by over-centralisation of power that cripples initiative, discourages private enterprise and otherwise puts a brake on progress. The Ottoman Empire was characterised by extreme centralisation. Attaturk, who took over the reins of power from the Sultan necessarily had to hold on to them more tightly than ever. The Attaturk's successors have clung to power with even more doggedness and it seems evident that Turkey's worst enemy is Turkey itself. Unless the Turkish middle class is weaned away steadily from the non-productive Army and is steadily encouraged to hit out on its own, the cumulative effect of rising prices, fall in real income and the unnatural restraint on private enterprise will produce a climate that, to say the least, is self-destructive. Inevitably, it will take at least another generation or more before a real bourgeoisie with its own ideas and strength emerges. It is the task of the government to encourage this emergence. Whether the government undertakes this task with determination and vigour or not will largely determine the fate of Turkey and the very strength of the western Northern Tier.

India's First Grain Elevator

INDIA'S first Grain Elevator will be formally inaugurated on March 21, at Hapur—the biggest grain mandi in North India.

Set up by the Central Food Department, the elevator is part of the Government of India's plan for creating capacity to store, without deterioration, buffer stocks as also to meet the needs of the State Trading programme.

Work on the \$ 400,000 elevator plant, obtained under the US Technical Cooperation Mission's aid programme, began in September, 1956 and was completed within 21 months by Indian technicians at a

cost to the Government of India of Rs 8.3 lakhs, including Rs 3.6 lakhs for foundations and sub-structure. Since May last, the elevator has been doing trial runs, "receiving" foodgrains, mainly imported wheat, for storage.

The entire setup consists of 20 storage tanks known as silo-bins, two elevators for receipt and despatch of foodgrains and a drying tank. Each of the silo-bins is 22 feet in diameter and 76 feet in height, having a capacity of 500 tons. The gigantic elevator, or head-house, which is the tallest of the shells, is 28 feet in diameter and 156 feet high. It contains grain elevators, auxiliary "shipping" tanks, grain cleaning and disinfecting equipment, grain driers and automatic weighing machines.

Re-inforced cement concrete foundations support the head-house and the 20 pre-fabricated steel silos, which are flanked by 22 rail hoppers on one side and two truck dumps on the other. About 24 feet below ground level there is an elevator pit to receive grain from the rail hoppers and the truck dumps.

With its own railway siding and rail hoppers on one side and truck dumps on the other, the elevator is equipped to receive grain arriving either by rail or by road. After the grain is unloaded into the rail hoppers or the truck dumps, it is transferred by conveyor belt to the elevator pit. There it is lifted by the elevators to a height of 136 feet, and after initial weighing passes through the cleaning machines and then on to the weighing process which indicates the quantity fed into each bin. The grain then drops on to another conveyor belt which takes it to the various storage bins.

A drier tank removes moisture from the grain by heated air produced from an oil burner. It is capable of handling in this way 10 tons of grain per hour. The steel bins are provided with electric temperature indicators which enable a watch to be kept on their condition, cooling them by drawing in air if they become unduly heated.

For taking grain out of storage there are conveyor belts at the bottom of the silos which transfer the grain to the elevator pit. From there it is lifted to storage tanks; then automatically weighed and removed either in bulk transport or in bags, as required.

The Census and Social Reality

N R Sheth

MY aim in this brief paper* is to discuss some aspects of the Indian census from a sociologist's point of view. With the growth of empirical studies of Indian rural and urban communities the census is being increasingly realized as an important source of information. At the same time in some respects the information provided by the census is not precise. The criteria on which it is based are selected on grounds of exigencies of administration and, in light of the growing knowledge, do not give a comprehensible picture of the society. The following paragraphs seek to illustrate the above contention, without pretending to make detailed suggestions on census reforms.

Caste and the Census

The first thing about the census which attracts the sociologist's attention is the elimination of caste. Until 1931 the Indian census recorded the caste and sub-caste of a person. The data so collected were presented in correlation with births and deaths, literacy, means of livelihood, etc. As there were marked cultural differences (in diet, conditions of living, occupation, etc) between one caste and another, it was found that some important economic and demographic conditions in India were governed by caste. However, the recording of caste gave rise to changes within the caste system itself. Individual caste-groups vigorously tried to bolster up their social status by abandoning their original caste-names and adopting the names of higher castes. This evoked opposition from the latter. Thus the census, instead of being able to elicit factual information on caste, acted as an indirect agent of caste-conflicts. This defeated the very purpose for which caste was recorded in the census.

Caste also came in the way of the egalitarian society envisaged in the Indian Constitution. With the sanction of universal adult franchise, it was feared that the caste-

*This note is partly the outcome of an informal discussion among some members of the Department of Sociology, the M. S. University of Baroda. The responsibility for the views expressed here is, however, solely mine.

data provided by the census would be used by political aspirants for their personal ends. All these considerations led to the gradual abolition of caste from the census, although information on a few special case-groups, viz, the Scheduled Castes and Scheduled Tribes, was obtained and published even in the 1951 Census.

Intention Not Realized

The recent systematic and dispassionate studies on caste have amply demonstrated that the intentions behind the removal of caste from the census have not been realized. The claims of superiority put forward by individual caste-groups by changing their caste-names were not entirely caused by the census. They were part of a process by which lower castes try to gain superiority in the caste-hierarchy by imitating the customs and practices of higher castes. This process is described by terms such as Sanskritization and Westernization. (See Srinivas, M N, "A Note on Sanskritization and Westernization", *The Far Eastern Quarterly*, August 1956, pp 481-496.) It was generated by a multiplicity of factors within and outside the Indian society. The census merely helped to accentuate this process, but could not stop it by ceasing to record caste. Casteism has not died out since the abolition of caste from the census. On the contrary there is evidence to show that it is ever on the increase. Caste tends to assume new forms as the fields of activity of the people widen. (See the same author's "Caste in Modern India", *The Journal of Asian Studies* Vol XVI No 4, August 1957.) The two general elections in the country have proved that politics in this country is beset with caste rivalries, though the census has ceased to provide information on the numerical strength of different castes.

While the removal of caste from the census has not achieved what it was expected to, it has deprived us of valuable data. Though caste may be a hindrance to the egalitarian society, the correct knowledge about it would certainly enable us to know how strong that hindrance is. On these and similar considerations a fervent plea to re-introduce caste in the 1961 census was made at the

Seminar on Casteism and Removal of Untouchability held at Delhi in 1955. (Report of the Seminar on Casteism and Removal of Untouchability, Indian Conference of Social Work, Bombay, 1955.)

Old Method Useless

Here, however, an important question arises: is the census now likely to give us correct numerical data on caste? If the information is collected in the manner adopted in the past censuses, it will certainly be doubtful. The practice in the past was merely to ask a person's caste and sub-caste and record them. Such a practice would naturally result in wrong information being recorded in many cases. The post-Independence era has seen a great spurt in the processes of Sanskritization and Westernization, particularly due to the growing mobility of people in the wake of rapid urbanization and industrialization. A Koli or an Untouchable staying in a village in Gujarat may return himself as Koli or Untouchable, but his brother or son working in a factory in a town may easily pass off as a Rajput without being opposed by other castes. The validity of caste-data consists in the knowledge about castes as functioning units in social reality, in relation to each other, and not as the heads of households would have us believe.

It does not thus appear fruitful to revert to the old way of collecting caste-data in the census. Nevertheless, it may be feasible to select sample areas on the basis of economic, geographical and cultural factors and collect intensive caste-wise information from those areas. If enumerators possessing some knowledge about inter-caste relations in such areas are entrusted with the work of recording, the figures collected may be fairly accurate. It may be mentioned here that in recent years students of Indian social institutions have covered diverse geographical and cultural areas for research. Yet the exigencies of method and scientific interest have restricted their work to single villages. If extensive information about the regions around these villages can be secured through the census, it will surely go a long way in filling the lacunae in our

knowledge about Indian society.

Administrative Divisions

For the most part, the census data are classified and presented according to administrative units, such as States, districts, talukas and villages. These administrative units depend to some extent upon political events; hence they are flexible, and decade after decade adjustments have to be made in census administration and reporting. For example, the Bombay State in 1951 was radically different from the Bombay Presidency in 1941 due to the merger of Native States in 1949. Again the 1956 States reorganisation will make the Bombay State in 1961 quite different from what it was in 1951. As the main purpose of the census is to give information about economic and social conditions in various parts of the country, it is necessary that the units we choose for classification and analysis of data remain constant. Social life does not follow the administrative reorganization of areas. The adjustments due to political reshuffles somewhat blurs the data obtained by previous censuses and make comparisons between two censuses inconvenient and inaccurate. This confusion can be obviated if the country is divided into geographically, culturally, and economically homogeneous zones irrespective of administrative divisions. The zones so created may be standardized and adhered to in all future censuses.

Migration

The undue emphasis laid on administrative divisions at the cost of social reality can be clearly seen in the case of the analysis of data on migration. In past censuses, movements of population within a district were not considered as migration. Only inter-district and inter-State migrations were recorded. Thus if a person left one village to settle down in a distant village or town within the same district, he was not counted as a migrant. On the other hand, if two villages were at a negligible distance from each other but in different districts, the person leaving one of them for the other was enumerated as an emigrant from the former and immigrant into the latter.

Moreover, migration was inferred simply from the returns of place of birth. The implications of such a practice are too obvious to need special stress. Not infrequently peo-

ple marry outside the district in which they live. Hence, for the purpose of census, all the girls who married outside their districts became emigrants from their natal districts and immigrants into their affinal districts. Further, it is a patent fact that an Indian wife goes to her natal home at least for the first few confinements. Therefore, those children who were born in the house of their maternal relatives in a different district were also enumerated as migrants to their father's district. Such mobility implicit in the social system can hardly be called migration in the real sense of the term. According to the practice followed hitherto, such mobility is not differentiated from real migration, such as migration in search of livelihood or for gaining prestige in society.

While data on migration from one district to another is thus inflated, we have no information whatsoever on other more significant modes of migration, viz, migration from rural to urban areas, from urban to rural areas, from village to village and even from town to town. Such information, if available, can be extremely useful both to the students of Indian society and also to the government. The programme of industrialization and urbanization envisaged in the development plans entails problems of large-scale rural-urban migration.

It does not seem difficult to meet the anomalies mentioned above. If information about the native places of persons is obtained instead of recording birth place, then wives and children would cease to swell figures of immigration and emigration. If the native places of only heads of households are obtained, they may give a fairly reliable picture of migration. I think the term native-place is not ambiguous for an average Indian. It has also, I believe, fairly accurate vernacular connotations.

If the data on migration can be supplemented with information on the period of migration in each case, our knowledge about migration may attain considerable depth. The period of migration may be recorded in terms of years or, for long-term migrations, the period may be counted in generations.

The information on migration can be further enriched by recording the reasons for migration and

then classifying the reasons according to a suitable scheme. The past census reports did try to classify migration according to tenure and nature, but the classification seems to be a priori rather than based on sufficiently empirical data. The information obtained from the population itself will surely be more realistic and less inferential than in the past. If it is unwieldy to collect information on reasons for migration from the entire migrating population, even a sample survey directed to that end may be extremely enlightening.

Occupation

Means of livelihood have been considered a very important part of the census. In fact successive censuses in the past seem to have given increasing importance to the recording and classification of occupation, as is evident from the addition of details in enumeration and changes in the mode of classification decade after decade. It is well known that in India occupation was to some extent related to caste and family traditions. In some cases skills, trades etc, were jealously guarded by single families from generation to generation. With the economic development of the country, opportunities for newer jobs are on the increase. More and more people sever their ties with traditional callings and take up new ones.

Therefore, if the census can give us information on the occupational history of the population, we can better appreciate and evaluate the economic frame-work of our society. Moreover, such information may enable us to understand more thoroughly the changes in the economic structure of the family in India. Until 1951 the census recorded and classified the occupations of heads of households and dependants. It does not seem too complicated to add the occupations of the grandfather and the father of the head of the household. This will give a picture of occupational changes through three generations. Here, again, if it is impracticable to record and classify changes in occupations for the whole population, a sample survey may be resorted to. In any case, the additional information which will be available to us will throw light on the economic and social changes which are steadily transforming Indian society.

From the Chair

The Industrial Credit and Investment Corporation of India Limited

Statement by the Chairman, Shri G L Mehta

THE Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Corporation, Union Bank Building, Apollo Street, Fort, Bombay 1, on 13th April, 1959 at 4 P.M. The following is the Statement by the Chairman, Shri G. L. Mehta, circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1958.

Before I turn to the Directors' Report, I should mention that I assumed Chairmanship of this Corporation just when 1958 was coming to a close. For almost the whole of that year, Sir Ramaswami Mudaliar was the Chairman, which office he has held with rare distinction since the inception of your Company. I wish to take this opportunity of paying our tribute to Sir Ramaswami for the invaluable part he has played in the formation of this Corporation and in piloting its affairs till the time of his retirement as Chairman. I am, however, glad that he has graciously agreed to remain on the Board of Directors and continue to give to the Board the benefit of his wide experience and his keen understanding of financial and industrial problems.

Loans Sanctioned

It will be seen from the Directors' Report that by the end of 1958, your Company had agreed to give total financial assistance for Rs. 1,337 lacs, excluding applications sanctioned but subsequently withdrawn by the applicants. Of this amount, Rupee assistance amounted to Rs. 1,021 lacs for 37 projects and Foreign Currency loans to Rs. 316 lacs for 9 projects. Out of the total of 44 companies 18 were new enterprises.

The results for 1958 show that operating profits subject to taxation were Rs. 51 lacs as compared to Rs. 48 lacs in the previous year. Tax liability will, however, be correspondingly higher with the result that disposable profits will be Rs. 25 lacs. This makes it necessary to maintain the same rate of di-

vidend of 4% as was paid last year.

What is, moreover, a matter of concern is our inability to build up adequate reserves, due to present taxation, which are vital to strengthen this Corporation in order that it may be able to undertake greater risks in the future. Sir Ramaswami Mudaliar, my predecessor, referred at length in his Chairman's Statement last year to this aspect and I do not propose to go over the same ground except to stress the importance of this matter for the development of this Corporation.

It will be apparent from the information given in the Directors' Report that the pattern of total assistance sanctioned continued to be similar to that of last year. Financial assistance was provided more or less equally as between loan operations in Rupees and Foreign Exchange, on the one hand, and underwriting operations and investment in shares or debentures, on the other. It is of interest to note that in regard to loan operations, Rupee loans have not recorded progress but Foreign Currency loans continue to make satisfactory advance. To a certain extent, such a pattern is explicable in view of the existence in the country of several institutional agencies which specialise in the grant of Rupee loans.

Your Company being the only institution which is in a position to disburse Foreign Currency loans in view of its close association with the World Bank, has made progress in this direction. Consequently, the present line of credit of U.S. Dollars 10 million from the World Bank is likely to be exhausted soon. Negotiations for a new line of credit have been initiated with the World Bank and I am glad to state that the attitude of the Bank is encouraging and helpful.

Underwriting Operations

In the direction of providing risk capital, your Company continues to make satisfactory progress which is indicated by the fact that till

date, we have completed 16 underwriting operations amounting to Rs. 500 lacs. This includes issues of Equity as well as Preference Capital and Debentures, some of which were Public Issues by means of Prospectus and others "Rights" Issues to Company's Shareholders or their nominees. It is a matter of some satisfaction that your Company is able to play a significant role in this field because Equity Capital particularly for new ventures is difficult to raise and it constitutes the bedrock on which the financial structure of an industrial undertaking is based.

The results of completed underwriting operations show that your Company was required to take up Rs. 178 lacs in Shares and Debentures against the total underwriting liability of Rs. 500 lacs, the balance having been subscribed by the investing public. In judging the activity of your Company, therefore, not only the size of investments made, as disclosed in the Balance Sheet, should be considered but it should also be recognised that in its operations, substantial amount of capital is publicly subscribed so that it is unnecessary for your Company to make investment to that extent. By this means, we are able to achieve the objective of making capital available for development without having to invest the entire amount. I should also make it clear that our underwriting activity takes into account the fact that the investment market in India is often unable initially to fully take up capital which is publicly offered; and the object of this Corporation is to fill the gap by absorbing the unsubscribed capital. Operations are undertaken with the full knowledge of the possible results so that there is no question of the Corporation being compelled to take up unwanted capital. Through the policy of gradually and prudently selling its investments, the Corporation will be able to help in the process of broadening the investment market and co-operate in the building up of an active stock market which ultimate-

ly promote the growth of a capital market.

Rupee Resources

In line with our efforts to raise funds in Foreign Currency through the World Bank, we are endeavouring to increase our Rupee resources since our existing funds may prove adequate only till the end of the current year. We have requested the Government of India to make available to this Corporation an additional Rupee advance which may carry us through the next two or three years. This may be made possible through Rupee funds accumulated out of sale of U.S. surplus agricultural commodities and made available with the concurrence of the U.S. Government. I am glad to state that both the Government of India and the U.S. authorities view our needs with sympathy and understanding and I hope that we shall be able shortly to conclude the necessary formalities.

I wish, however, to make it clear that it is not our intention to depend indefinitely on Government for additional funds as and when required. You will, no doubt, appreciate that your Company is not even five years old and it is not yet possible for it to borrow in the open market in adequate volume or at a reasonable rate of interest nor is it practicable at this stage to raise additional equity capital.

Encouraging New Industries

Our efforts to obtain new resources assume particular importance because we foresee increasing demands upon us. In this connection, I would like to state that we invite and welcome discussions concerning the promotion of new industries and the expansion of existing ones. While we do not wish to expend our energies on speculative or ill-conceived schemes, our doors are always open to any entrepreneur who has a considered proposal, worked out sufficiently to permit detailed technical and financial discussion. It is not necessary to present a formal application. On the contrary, we would welcome informal discussions with responsible entrepreneurs and industrialists before formal submissions; so that we can give such advice and assistance as we usefully can at an early stage, thereby saving time and effort both for our clients and ourselves and avoiding

delays in subsequent consideration of investment proposals.

I should also like to emphasise that we desire to work closely with other institutions in financing industrial enterprises. We have already joined other financial institutions in underwriting operations and in the granting of loans and we propose discussing the possibilities of further combined operations with finance corporations, credit institutions and the Life Insurance Corporation, as well as with foreign institutions such as the International Finance Corporation and the Commonwealth Development Finance Company. We can visualize various forms of co-operation in the financing of enterprises, large or small, involving Rupee assistance or Foreign Currency, whether for loans or for equity, and are prepared to join any or all such institutions in exploring fresh avenues of co-operation. The private sector is sufficiently large and is growing rapidly enough to require this kind of collective effort if the country is to make the most of its still meagre resources.

Investment Climate Favourable

I would now draw the attention of the Shareholders to one encouraging development of 1958 which has a bearing on the activities of your Company. The climate for investment took a turn for the better during the year as is evident from improved conditions in the stock market and a welcome revival in the capital market.

The investment market is not so unfavourable for raising of new capital in reasonable amounts as is sometimes contended. This, of course, does not mean that there is no room for further improvement. Stock prices have moved significantly upward during the year and there is a distinct revival in investors' confidence. It is noteworthy that stock markets all over the world were buoyant during 1958 which is reflected in a marked rise in stock prices both in London and New York. In India, improved conditions have been evident both in the gilt-edge market as well as in the share market resulting in a significant decline in yields of government securities, debentures, preference and ordinary shares.

While it is not possible to examine at length the factors responsible

for this improvement, I may refer to some salient features. In the field of economic and financial policy, the year witnessed a certain measure of stability which has imparted a sense of confidence even under the ruling conditions of high corporate taxation. Moreover, easy money conditions prevailed during the year consequent on a substantial rise in money supply at a time when demand for credit had declined owing to severe restrictions on imports. Thirdly, several of the principal industries such as jute, coal, steel, engineering, chemicals, pharmaceuticals, paper, sugar, etc., have been able to increase production and attain higher profitability, which have conduced to strengthening investors' confidence in the prospects of industrial development. I realise that against this should be set the unsatisfactory working in several other important industries such as cotton textiles and cement as well as several disincentives which impede capital accumulation. But by and large, it would be true to say that while the prevailing acute shortage of Foreign Exchange is making difficult the establishment of new industries or expansion of existing ones, it also affords a measure of indirect protection to a number of industrial concerns.

Automobile Industry

In this context, I would like to stress that the activities of your Company are inextricably related not only to the general environment for investment but also to Government policy which is itself an important determinant of that environment. Let me cite an example. Transport plays an important part in the development of this country and at one time, it was apprehended that the progress of the Second Five Year Plan might be impeded by inadequacy of transport facilities. It is a measure of the progress of the Plan that the shortages have not been as acute as was feared and it is significant that an unexpectedly important contribution in this respect has been made by highway transport which, in turn, has contributed to relieving the burden on the railway system. The automobile industry while still in an incipient stage has been developed to an appreciable extent in many parts of the country and is carrying an increasingly larger proportion of goods and passengers.

I am glad to say that recognising the significance of the automobile industry, your Company is playing an important part in its development. It has made substantial investments in seven enterprises for the production of vehicles, components and accessories. Those operations amount to Rs. 216 lacs, more than 18 per cent of the total commitments of your Company. This sum has been a catalyst for bringing to productive work a much larger amount of capital. We ex-

Around Bombay Markets

EQUITIES continue to rise. Nearly all the popular counters last week were bid up to new high levels since the turn of the tide in December. And quite a few counters are now well within a striking distance of the 1958 highs. Tax experts are intrigued by the market's remarkable buoyancy, but not the technical analysts. For them the market is now in a mark up phase which is likely to continue for quite some time. This, however, does not preclude occasional technical reactions which are necessary to sustain the market's vitality.

There was hardly anything in the daily news to explain the stock market's buoyancy last week except the mood of the market. And the mood counts. Not only in a speculative market but almost in every field of human endeavour. Reports of border incidents and the general anxiety expressed in the Lok Sabha about the recent U S military aid pact with Pakistan and its possible repercussions on Indo-Pakistani relations did provoke discussions in Dalal Street but it did not have any noticeable effect on the general temper of the market.

Optimism feeds optimism and the magic of fluctuations is now at full work. This explains both the further impressive rise in prices and the broadening of outside interest in the market. The rise in equities since February-end has really been spectacular and the performance of the cash shares has been no less impressive than those of the speculators' favourites. To mention a few instances, Greaves Cotton have shot up from Rs 103 to Rs 130, Indian Dyestuff from Rs 203 to Rs 260, Structural Engineering from Rs 208 to Rs 230, West Coast Paper

pect to do more in this field despite the fact that the development of this industry is now hampered by severe restrictions on import of components which cannot yet be manufactured in India.

I have made a mention of the transport industry because it is essential to recognise that your Company desires to make a specific contribution to national development. It is no less important that we make available to those respon-

Continued Rise

Thursday, Morning

from Rs 113 to Rs 130, Jessop from Rs 26.50 to Rs 29.50 and Indian Oxygen from Rs 24.50 to Rs 26.62.

Among the speculative counters, National Rayon have risen from Rs 238.25 on the Budget eve to Rs 280, Century from Rs 433.50 to Rs 477.50, Tata Locomotive from Rs 169.50 to Rs 188.50, Bombay Burmah from Rs 467.50 c d to Rs 514, Premier Construction from Rs 227 to Rs 267, Voltas from Rs 144 to Rs 159.50 Premier Automobile from Rs 94.80 to Rs 110, Indian Iron from Rs 26.45 cr (valued at Rs 4.20) to 24.16 xr, Tata Steel from Rs 173.25 to Rs 184.25, Alcock Ashdown from Rs 256.50 to Rs 285 and Belapur Sugar from Rs 272.25 to Rs 294.50.

This shows how large and widespread have been the recent gains in equities. There is no indication yet that the upward trend has spent its force. Certainly, the present hectic phase cannot last very long. But the market will begin to "boil" and fluctuations will turn erratic before the market becomes a top. For the time being the stock market can derive further comfort from the assurance given by India's five leading creditors and the World Bank at their Washington meeting that it can carry on the economic development plans without "undue strain upon its external reserves".

Oilseeds

Groundnuts Touch New Peak

THE oilseeds market was in the news last week. Not that the trade had been able to make a good showing on the export front; nor because castor futures had also been brought under margin. But because groundnut futures broke into new high ground. The May

sible for determining such plans, the results of our experience which, with that of similar other institutions, could be taken into consideration in such revision of governmental policies as might become necessary owing to changing conditions both at home and abroad. The private sector has a large and important part to play in a "mixed" and planned economy and I trust that this Corporation will assist it in doing so in an increasing manner.

contract made a new mark of Rs 190.50 per candy against the season's previous record of Rs 185.50. Prices rose despite the margin of Rs 45 per candy at above Rs 185.50. The trend in groundnuts set the general tune to the market. Indeed it is the rising trend in groundnuts which has distorted the general oilseeds price structure thereby seriously undermining the export performance.

It was early in February that the Forward Markets Commission came out with a stern warning against the price rise reminding speculators about its mighty powers to do almost anything with the outstanding contracts. That only eliminated the small fry leaving the powerful and influential operators to make merry. Groundnut futures were quoted at around Rs 182 then. Now the rate is as high as Rs 190. Little wonder that the oilseeds trade is asking as to why the Commission is now content with merely watching the situation. Can it be that it has revised its ideas about the demand and supply position of the commodity? But nothing has happened in between to warrant that.

The Commission might quote margin figures (On March 14 the total amount collected by the Bombay Exchange was Rs 34,78,500) which indicate that the speculative interest in the market is on the low side. But to suggest that margins tell the true story is to under-rate the ingenuity of the trade. That margin is evaded on a huge scale is no secret. This is particularly true in the case of delivery contracts. Groundnuts are standing at such a high level when the season is only half way through. This

season's crop has not been a failure. If anything, it is thought to be a little better than last year's. It is only very recently, with the marked rise in prices, that the trade has begun to talk of a smaller crop.

What Impedes Exports?

Much has been heard of the Government's helpful export policy. But it is only oilcakes which have been able to make a good showing. The performance of oils and even HPS groundnut is disappointing. All this is not to suggest that the supply position of groundnuts is quite comfortable. But the supply position looks very tight only because the stocks are tightly held. Powerful and influential operators are exploiting the psychology of scarcity.

If the rise in prices of groundnuts concerned merely the fortunes of the bulls and bears it would not matter much. But it has imparted strength to other oilseeds even though their supply position is not the least uncomfortable. The rise in internal prices has seriously affected the export effort. The futures markets, far from helping to restore a healthier relationship between (physical) demand and supply, are merely facilitating speculative build-up of stocks. The situation clearly calls for measures which tend, instead, to make hoarding and holding of stocks difficult and unattractive.

Castor futures continue to move erratically. The export performance continues to disappoint. This acts as a check on the rise. But with groundnuts continuing to scale new peaks, speculators' support is readily forthcoming at setbacks. Linseeds and cottonseeds also followed the trend in groundnuts.

Exporters were inactive. Business in castor oil and linseed oil continues to be at a standstill, Indian prices being substantially out of world parity. Rumania, however, was said to have taken about 2,000 tons of groundnut oil, April shipment, at around £ 109-10 per ton, f o b Saurashtra ports. The Communist countries appear to be the only buyers of Indian oils at present because price does not matter so much in their case. Overseas advices in respect of groundnut extractions were not bad but business was made difficult by the internal price rise. The U K was reported a buyer of distant positions, May to June, at around £ 30. Locally,

traders reported good demand for both groundnut extractions and cottonseed cake.

Shipments from Bombay from January 1 to March 12 are as under: groundnut HPS 3,245 tons, groundnut oilcake 45,218, groundnut oil 902, castor oil 1,790, linseed oil 801, linseed cake 1,857, cottonseed cake 7,908, copra cake 2,284 and vanaspati 290 tons.

Following were the important fluctuations in oilseeds futures last week up to Wednesday:

Groundnut May: Rs 184.25, 189.75, 186.50, 190.50, 190.25 per candy,

Castor May: Rs 158.37, 160.87, 156.75, 159, 158.75 per candy,

Cottonseed May: Rs 128.25, 132, 128.75, 130.75 per candy,

Linseed May: Rs 32.81, 33.62, 32.94, 33.44, 33.25, 33.37 per cwt.

Cotton

Rise, Reaction

COTTON futures pushed their way further up last week. The maturing March contract was back again at Rs 688 per candy, the season's best, and the May con-

tract struck a new high of its career at Rs 684.50. Both these points were touched on March 13. Thereafter the market moved irregularly lower under the pressure of profit-taking induced essentially by technical considerations and by the close of the week on March 18 prices were back again from where they started. The March contract declined to Rs 677 and May to Rs 674.25 against Rs 675.50 each at the previous week-end.

Early improvement merely reflected the continuation of the underlying trend based on the statistical position of the commodity. And the subsequent setback seems only a technical correction of the preceding uptrend which had lifted the March contract from Rs 650 to Rs 688 and May from Rs 650.75 to Rs 684.50. The process of technical adjustment might continue a little longer but prospects of any serious decline in prices are generally discounted. For, the spot market continues to be in good temper. Arrivals were said to be fairly satisfactory but off-take was so good they were absorbed at rising prices.

Only Wagad and Kalagin suffered from lack of support. The superior varieties of cotton were difficult to get even at around the ceiling.

Technical considerations apart, sentiment in futures was also affected by reports that the validity of export quotas due to expire at the end of March was unlikely to be extended. This would mean the lapse of a quota for a little over one lakh bales. Sales registered up to March 16 are placed at 91,758 bales of Bengal Deshi out of a quota for 1.5 lakh bales and 28,041 bales of 3/4 inch cotton out of a quota of one lakh bales. Of the 50,000 bales quota of 25/32" cotton from 1957-58 and earlier crops, which also expires this month end, very little quantity will remain unutilised because the figure for passed shipments has already reached 41,187 bales.

It is reliably understood that no official announcement is being made about the import quota for 30,000 bales of cotton stapling 1-3/16" and above divided equally between Egypt and Sudan. Only mills are being intimated about their allotments. The Government is said to have changed its mind about the import of all the 30,000 bales from Egypt. It is not that Egyptian cotton is costlier despite the big net discount of 27-3/4 per cent but because the Government does not like to displease Sudan which is a very important buyer of Indian cloth. Already cloth exports are running into difficulties because of the higher import tariffs in certain countries.

The contracting period for Egyptian cotton will be March-end and shipments will be allowed to be effected up to the end of May. The contracting and shipment periods for the Sudanese cotton will last a month longer. The 30,000 bales now being allowed will raise the total allocation of foreign cottons this season to date to 3.5 lakh bales.

Money & Bullion

Money Tight, Bullion Firm

LAST week's poor response to the treasury bills and the further rise in the bill rate from 2.625 per cent to 2.720 per cent underline the continued stringency in the short-term money market. Bank returns reflect the same phenomenon. Scheduled banks' advances in the week to March 6 are further up by Rs 11.69 crores. Borrowings from the Reserve Bank rose by Rs 4.69 crores and balances with the Reserve

Bank were drawn down by Rs 8.07 crores.

The rise of Rs 8.77 crores in investments was due entirely to the Rs 9.87 crores increase in the State Bank's investments. Total deposits were down but only by a mere Rs 1.84 crores to Rs 1608.19 crores. Active notes which had risen by Rs 33.95 crores in the same week are further up by Rs 7.19 crores to Rs 1695.77 crores in the week to March 13. Foreign balances show a nominal increase of Rs 41 lakhs at Rs 211.36 crores. With money tight, the gilt-edged market has turned dull but prices continue to hold steady around their previous levels.

Bullion prices recorded further good improvement last week, with gold Chaitra delivery rising from Rs 117-14½ to Rs 118-11½ and silver Chaitra from Rs 197-5 to Rs 198-15½. The week-end quotations on Wednesday were a little lower at Rs 118-4 and Rs 198-5 respectively. Bulls continue to dominate the scene because of the slow pace of arrivals of "kutchha" metals and satisfactory off-take. Bears have been upset by the high backwardation charges in both the metals. In gold sellers in Phagan had to pay up to 10 annas to transfer their

EXIM BANK LOANS

THE U S Export-Import Bank has so far granted one loan to the private sector in India, namely \$ 1.8 million to the National Rayon Corporation Ltd, Bombay, to finance the purchase of equipment for a rayon tyre cord plant. The loan carries interest at 6 per cent per annum and is repayable in six half-yearly instalments from April, 1960, to October, 1962.

The Exim Bank has also afforded a credit facility of \$ 60,000 to Messrs Sundatta Cotton-Seed Utilisation Ltd, Bombay, for the purchase of equipment from the U S, on a deferred payment basis over a period of three years.

This information was given in the Lok Sabha by Shri Morarji Desai, the Finance Minister. He also said that no loan had been granted to the private sector by the U S Development Loan Fund.

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Industrial Capacity and Production of Engineering Industries* (contd.)

	No of factories					Capacity					Production				
	1951	1955	1956	1957	1958	1951	1955	1956	1957	1958	1951	1955	1956	1957	1958
Boilers															
(i) Industrial (lakh Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(ii) Locomotives	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(a) Locomotives (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(b) Boilers (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cement Machinery (lakh Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Chemical & Pharmaceutical machinery (Rs lakhs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Constructional machinery (Rs lakhs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sheep foot rollers (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Industrial Machinery (unclassified) (Rs lakhs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Jute Mill Machinery ('000 Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mining Machinery ('000 Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Oil Mill Machinery (mn Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Rice, Dal & Flour Mill Machinery (mn Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sugar Mill Machinery (mn Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tea Processing Machinery (mn Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Weighing Machines (mn Rs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tools															
Coated Abrasives ('000 reams)	4	4	4	4	4	80.0	150.0	180.0	190.0	190.0	37.3	78.8	99.0	91.5	103.6
Grinding Wheels (Tons)	1	2	3	4	4	400	1,250	1,750	1,870	2,470	31.6	681	1,112	1,452	1,186
Machine Tools (Rs lakhs)	16	17	18	18	20	100.0	142.0	309.0	390.0	402.0	47.3	74.4	120.2	251.0	374.0
Small Tools															
Threading (taps, dies, etc) ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Twist Drills (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Milling Cutters ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reamers ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Hacksaw Blades ('000 gross)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Band saw Blades ('000 feet)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tungsten Carbide dies (lbs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Steel Files ('000 doz)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Automobiles and Ancillaries															
Automobiles ('000)	12	8	8	6	6	71.7	39.0	49.8	49.8	49.8	22.3	23.1	32.1	32.1	25.8
Cylinder Liners ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Gudgeon Pins ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Motor Cycles (Nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Piston Rings ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Pistons ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Scooters (Nos)*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Three-wheelers (Nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Spark Plug ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Brake Assemblies (Nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Brake Linings ('000 ft)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Clutch Assemblies (Nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Clutch Facings ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Radiators ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Shock Absorbers ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dynamometers (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Elec Horns (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Gaskets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Metallic (lakhs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

THE ECONOMIC WEEKLY

THE ECONOMIC WEEKLY

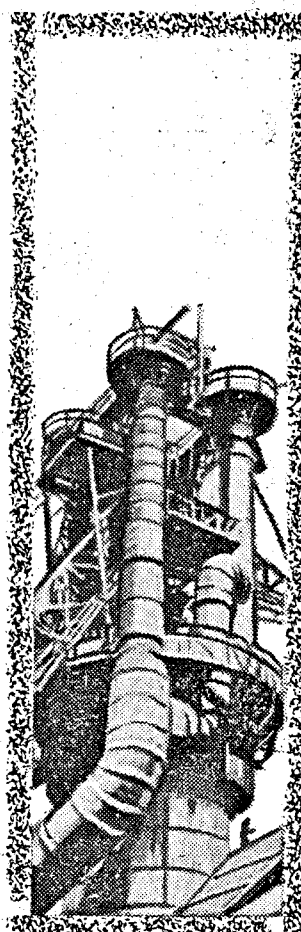
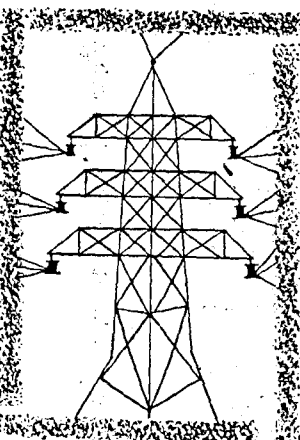
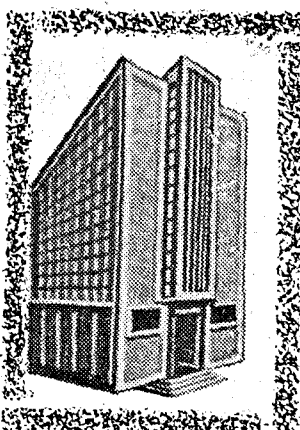
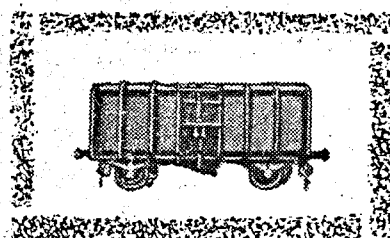
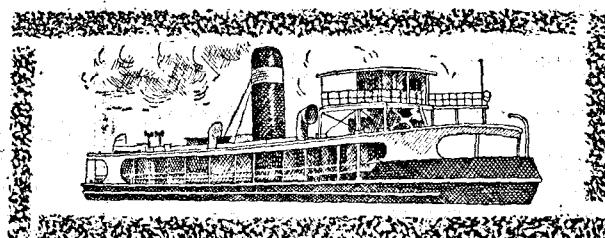
Non-Metallic (lakhs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Valves ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Diesel Engines, Pumping Sets and Ancillaries															
Diesel Engines (Stn) ('000)	5	16	17	17	17	5.3	19.7	22.2	22.2	22.2	7.2	10.2	12.0	16.9	23.2
Diesel Engines (Road) ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fuel Injection Equipment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(a) Pumps ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(b) Nozzle holders ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(c) Delivery Valves ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(d) Elements ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(e) Nozzles	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Power Driven Pumps ('000)	9	26	27	29	29	34.6	65.5	65.7	68.8	68.8	41.5	34.4	46.9	63.8	75.9
Road Rollers (Diesel) (Nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tractors (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electrical Engineering															
Cables and Wires															
(a) Aluminium Conductors ('000 Tons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(b) Bare Copper Conductors ('000 Tons)	2	5	5	5	5	20.0	27.8	17.8	17.8	17.8	3.0	8.4	10.3	8.6	8.2
(c) Rubber Insulated Cables and Flexibles (mn yds)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(d) Winding Wires (Tons)	2	4	9	10	10	45.0	86.84	172.5	196.5	196.5	41.1	86.13	105.6	103.8	120.0
Dry Cells (mn)	2	2	2	2	2	45.0	45.0	74.6	74.6	1,466	300	605	761	1,016	2,300
Domestic Refrigerators ('000)	3	5	5	5	5	184.5	224.5	224.5	224.5	224.5	143.4	161.0	181.0	166.5	166.0
Electric Fans ('000)	19	18	19	19	19	3.6	3.6	3.6	3.6	7.6	0.5	0.52	0.75	0.94	2.0
Electric Lamps (mn)	10	11	11	11	11	276.5	303.1	401.7	401.7	765.6	212.5	282.2	338.9	524.6	635.0
Fluorescent tubes ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electric Motors ('000 HP)	11	12	14	14	14	152.5	200.0	339.1	339.1	1,000.0	15.5	23.51	29.85	32.13	29.30
Electric Steel Sheets ('000 Tons)	1	1	1	1	1	4.5	4.5	4.5	4.5	4.5	142.8	251.9	359.1	469.6	630.0
Gramophones ('000)	1	1	1	1	1	21.0	21.0	21.0	21.0	21.0	4.3	5.9	7.5	7.3	11.0
House Service Metres ('000)	1	5	5	5	5	50.0	199.0	334.0	334	334	10.7	10.7	11.3	11.3	12.0
Mathematical Instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(Geometry Box) ('000 gross boxes)	6	4	4	4	3	30.0	24.6	24.6	24.6	24.6	9.0	10.6	13.1	13.4	15.0
Power Transformers ('000 KVA)	6	10	14	14	14	300.0	414.0	934.0	934.0	934.0	195.1	564.7	919.2	1,219.1	1,150.0
Radio Receivers ('000)	12	15	16	17	17	87.2	138.1	240.6	240.6	240.6	82.8	81.2	150.6	190.7	195.1
Storage Batteries ('000)	11	13	13	13	13	318.0	290.1	316.5	316.5	316.5	212.6	235.2	314.2	324.6	343.4
Water Meters ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Air Conditioners (nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

* Capacity including three wheelers.

† Production of Brake and Clutch Assemblies discontinued in 1958. Only sub-assemblies are manufactured.

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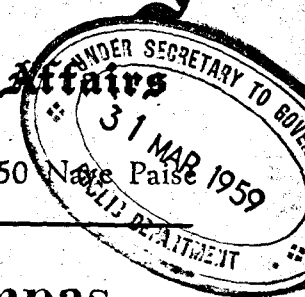
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Revolt of the Khampas

THE difficulty of discussing the situation that is said to have arisen in Tibet is that there are far too many gaps in our knowledge of the events there at the present time. There is, of course, a good deal of rumour. Indeed, too much of it. But hard, indisputable facts, on which sound judgment could be based, are few. All that is known is that fighting has been going on between the Chinese and the Tibetans, and that starting from the eastern region it has spread out to Lhasa. But what is the scale of the revolt? How long has it been going on? What is its cause? Are the Chinese really to blame? If so, what is the nature of their offence? Is the Dalai Lama safe? Is he in prison? If he is, why? On none of these crucial points is any dependable information available. And in the absence of this information, comment must very much grope in the dark.

Mr George N Patterson, the British correspondent in Kalimpong who had to be cautioned by the Indian Government against sensationalism, has done little to help matters. The small town of Kalimpong on the Indo-Tibetan border is perhaps the worst place to report Tibet from. It abounds in more or less discredited Tibetan emigres who have a strong vested interest in spreading the wildest possible rumours against Peking, and never fail to do so. They have allies in Khatmandu, where many traders have been put out of business—the business, that is, of looting the ignorant Tibetan in the name of trade—by some overdue steps taken by the Chinese. It is on such sources that Mr Patterson has relied for his information, with the result that he has overstated the situation so grossly that one is tempted to reject it entirely.

He has been rumour-mongering for a long time. In September last year, he solemnly reported that the Chinese had launched upon "the annihilation of the Tibetan people". He said the revolt was already two years old, during which time the Tibetans had killed "over 50,000 Chinese", losing 1500 of their own men—figures which make one wonder as to who has been trying to annihilate whom. But Mr Patterson goes on from exaggeration to exaggeration. "Now the revolt has spread to cover the whole of High Asia," he says, "from the borders of India right up to, and even including, parts of Sinkiang in the north and Tsinghai and Szechuan in West China. The Tibetans are streaming away in their thousands from cities, towns, villages, and nomad encampments to join in the guerrilla fighting. They have blown up roads, bridges and airfields so that the Chinese are restricted in their movements in the mountains and desperately short of supplies of all kinds." Indeed, if Mr Patterson is to be believed, there is nothing much to worry about; for the poor Chinese are in such a sorry plight that they are bound to collapse completely before very long, leaving the mighty Tibetans wholly in charge of their land. For, note that the guerrilla army is estimated by him to number at least 200,000 men, who "are not only holding their own against the 300,000-strong Chinese Army, but have forced them to ask for a truce on two occasions... Morale in the Chinese occupation forces in Tibet is very low." And no wonder; they are handicapped by the fact of having a hundred thousand more men in the field than their opponents, and unlike the Tibetans, have only to make do with whatever little support poor Peking can give them, while the guerrillas have powerful Lhasa wholly at their back!

No, Mr. Patterson can be safely left out of any discussion on Tibet. On the other hand, there is equally no doubt that what Pandit Nehru has said so far in the Lok Sabha, is a serious under-statement of the facts. We hope this will soon be remedied; for if rumour and conjecture are to be quashed, facts must be put out; and nothing can be more dangerous in the present situation than to allow rumour to run free and wild.

A number of Indian newspapers have already suggested that Peking should enable a team of independent press-men, at least from this country, to enter Tibet and see the situation for themselves. The suggestion is well worth taking. Unfortunately, it must be confessed that Peking is not likely to take it. If Pandit Nehru himself was refused entry into Lhasa, it is not probable that lesser men will succeed in gaining it. And yet, if they don't, China must continue to suffer its case being badly distorted in a dozen ways.

For, as we have said, China does have a case. Its only fault so far appears to be that it has tried to do too much too quickly in Tibet.

No one will suggest that the Chinese have made no mistakes, or that they have not aroused certain suspicions in Tibetan minds regarding their intentions. Peking knows that, slow as the pace of reforms may appear by communist standards, it has been too revolutionary for a country which has for centuries been steeped in tradition and where the theocratic despotism of the rulers has, paradoxically, a deep root in popular following. There are reports that China has greatly stepped up the settlement of Chinese in Tibet, and that this may have precipitated the present troubles. Whatever it is, Peking should remember that it is committed to maintaining Tibetan autonomy, and that no kind of direct or indirect pressure would be justifiable in avoiding that commitment. The Khampas are not a people to put up with pressure; and Peking would be wise to avoid exciting their suspicions, and particularly to avoid giving any semblance of wanting to humble the exalted position of the Dalai Lama.

In this country there seems to be a great deal of public concern over

the reported events in Tibet; and the Government is under considerable pressure from the Opposition members to intervene. The concern is natural. India and Tibet have ancient and historic links which bind them together. But it is as well to realise straight away that there is very little that India can do without appearing to interfere in the internal affairs of a neighbouring country. India's relations with China are also friendly; and China has previously made it quite plain that it resents the proffering of even friendly counsel from New Delhi, as far as Tibetan affairs are concerned. Perhaps, if things prove to have gone too far, Pandit Nehru may risk another rebuff from Peking by sounding a word of warning in its own interests. But, beyond that it is difficult to see what India can do, or even ought to do. We in this country can only hope that the gravity of the situation is over-rated, and that Peking will be both willing and able to restore normalcy in Lhasa after mutual consultations with the Dalai Lama.

Why No Paper?

THE shortage of paper, particularly the shortage of writing and printing paper, with its usual concomitants, blackmarketing, non-availability of stocks and exorbitant prices, has become a scandal of some standing. While inaugurating the first conference of the Federation of Paper Traders' Association in Bombay in the middle of last month, Shri Lal Bahadur Shastri had promised to take steps to alleviate the situation. He admitted that there was shortage of paper but he was in no position to promise what the Paper Traders wanted—freer imports. The long-run solution, of course, is to step up internal production and the Minister told the Federation that a committee had been set up to examine schemes for the manufacture of paper which had been held up on account of foreign exchange difficulties.

But, assuming more production units or substantial expansion in existing units, there would be the usual time lag of two to three years before they can start production. How is paper supply to be main-

tained, with continuously increasing demand, until then? What about immediate relief? On the part of the Government, which is by far the largest consumer of paper in the country, Shri Shastri promised a cut in consumption of 10%. This is good as far as it goes, but it does not go far enough.

The fact is that though import cuts had made the situation bad, the failure of the paper mills and paper dealers to maintain proper distribution has made it a great deal worse. As there is no statutory control on the price of paper, it would not be strictly correct to talk of paper being sold in the black market. There is, however, a gentleman's agreement that paper mills would supply and distribute to dealers at a fair price and make sure that the dealers do not profiteer. And this system has simply not been operating at all. Shri Lal Bahadur Shastri, referring to the difficult plight of the paper traders, had said in the course of his address:

"About six months back when there were wide-spread and serious complaints about the shortage of

paper and excessive price charges, we had occasion to meet representatives of the paper industry. It was found that while the paper mills had not materially raised their prices, some sections of the trade, taking advantage of the increased demand had been charging prices higher than legitimately allowed to them. It was, therefore, decided that the paper mills would publicise the fair reselling rates of various categories of paper and would enjoin upon their distributors and dealers to maintain supplies to bona fide customers at the level of supply in 1957."

Mark the word 'enjoin'. Exhortation, and particularly persuasion, the Minister did believe, would secure equitable distribution of paper at a fair price and this has since been followed up by a Commerce Ministry press note which repeats almost verbatim what the Minister had said earlier. "After detailed discussions with the Ministry of Commerce and Industry," says the Press note, "representatives of the paper industry have agreed to supply to all consumers paper of different varieties at the same level as in 1957. They

have also agreed that, if any of the dealers or distributors fails to comply with this decision, the mills will take disciplinary action against the dealer or distributor concerned even to the extent of removing him from that position." The press note adds that the industry has agreed that the re-sale price of paper will not be more than 7½ per cent above the mill rate, excluding sales and other taxes.

Those who are at all familiar with the actual situation prevailing in the paper market today would be faintly amused by the naivete of the Ministry in putting forward all this seriously, but could the Ministry be really as ignorant as all that? While the fact of shortage is undeniable, the supply position has not actually deteriorated over the year. On the contrary, despite the much sharper cut in imports, production of printing and writing paper—which is what matters most—has increased substantially from 1,31,000 in 1957 to 1,58,000 in 1958.

The increase in domestic production has much more than offset the reduction in imports. Even then the situation is so much worse compared to what it was a year ago. Why? Trade stocks carried over from a more comfortable year may have been depleted. Demand may also have suddenly jumped—this is possible, but not certain. But what is not a matter of speculation is that it is larger production which has brought about this signal deterioration in the distribution system. This is because the old order in paper distribution, on which the system had functioned, has been disrupted. Fair distribution was possible in the past, because the major producers were interested in their manufacturing profits only and could, therefore, exercise a healthy control on their distributors. It is common knowledge that this is no longer the case. What is, then, the point in the Ministry issuing such a pious statement? Did manufacturers ever say that they would insist on their dealers selling black and having a cut in the price? And how unctiously the Ministry absolves itself of all responsibility! Members of the public having specific complaints, the press note continues, are advised to write to the Development Officer (Timber and Cellulose Industries), giving details of the complaint regarding over-charging of prices or non-supply of paper and fur-

nishing documentary proof. No action, the press note self-righteously adds, can be taken on the basis of vague and general complaints about the non-availability of paper. Does the high moral code of the Ministry prevent it from going to the market and finding out the facts? The shops of the Delhi paper

merchants are not so far away from the Development Wing, and a visit would be more rewarding, if the Ministry wanted the facts, than inviting complaints through the press! Dealers who complain will get the sack and regular consumers who have the temerity to do so, may lose their source of supply.

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Weekly Notes

Unrest in the Maldives

THE Maldives—a group of islands to the south east of India—are certainly not Cyprus, though the British may have grounds to view them with the same eye for strategy as characterised their approach towards Cyprus. Now that there is unrest in the Maldives, however, the nature of British diplomacy in the Maldives is slowly coming to light. The Maldives were to provide Britain with an RAF base, but the negotiations towards constructing an RAF staging post at Gan were recently suspended—according to the British government—on the initiative of the Maldivians themselves. In the House of Lords, Lord Home, the Commonwealth Relations Secretary told a questioner that the Maldivians had raised new matters unrelated to the agreement and he added: "Although Britain went as far as possible to meet them, this resulted only in the Maldivians producing further and unacceptable demands". The noble Lord did not deem it necessary to clarify his remarks and we are at a loss to know what those "unacceptable" Maldivian demands could be. Does the Maldivian Government have second thoughts in regard to the question of letting Britain have an RAF base in Gan? What is the truth in the official Maldivian allegation that Britain is employing "insidious methods to engineer the downfall of the lawfully constituted government" by free distribution of money in the various atolls? Is the unrest in the Maldives induced by British bribe money? The official Maldivian communique also maintains that a British man-of-war is cruising in the Indian Ocean close to the Maldivian islands apparently in the hope of giving aid to elements in the southern atolls rebelling against the Government.

The United Kingdom Government would have the world know that the rebellion against the duly constituted government results from famine conditions in some of the atolls that have already taken a large death toll, placed presently at eighty. The Maldivian answer is that British "agents" have bought up all stocks of rice available, thus creating artificial conditions of famine in the islands; having creat-

ed a famine, apparently, the self same British agents are now busy magnanimously distributing food-grains to the starving people "despite the violent protests of the Maldivian government". Surely there is a way out for the British that does not involve gun boat diplomacy of a kind long outmoded?

India's Hoarded Gold

COMMENTING on India's foreign exchange position, the Chairman of the Chartered Bank has made an important observation on how best India can safeguard her future in the matter of getting adequate foreign exchange. Referring to the arrangements that have been made to secure foreign assistance to complete the essential features of the Plan, Mr Grantham points out that "the extent to which the Government has resorted to deferred payments, has left a burden, to be shouldered in the years to come, which will leave little margin for additional foreign exchange expenditure during the third five-year plan, even allowing for possible savings on exchange which are likely to accrue when the new steel works and heavy industries, set up under the present plan, commence operations." Mr Grantham suggests, first, that India should improve her relations with Pakistan and thus cut her defence budget. Second, that gold in the hands of the people should be made available to the Government.

Mobilisation of India's hoarded gold, various suggestions for which have emanated from time to time from different quarters, can no longer, therefore, be dismissed as entirely impractical or unrealistic. That it has to be effected some day, is now being recognised more widely, but how it is to be done, however, still remains as much a matter of speculation as before. Mr Grantham suggests 'bearer loans against gold' as one of the possible solutions. If bearer loans mean bearer bonds redeemable in gold, will they not provide a means of making black money white and thus condone tax evasion? This course is obviously ruled out on grounds of larger social policy. Government has also been reluctant so far in assuming responsibility for repayment in gold when it is in no

position to discharge it. But this reluctance it may get over, and should get over, if it believes, as it must, that the development it has launched upon will, in the not too distant future, relieve the balance of payments problem to the extent of enabling it to honour its foreign commitments and also to discharge its obligations to the bond holders should they demand repayments in gold, the reasonable expectation being that they would not. The problem of mobilisation of gold stocks, as Mr Grantham rightly points out, is basically "a psychological problem, depending on confidence," but it would be unrealistic to assume that a measure of compulsion can be altogether avoided. That a combination of compulsion and incentives will be necessary to mobilise gold stocks is by now widely accepted, but which particular combination of the two will do the trick still remains any body's guess.

City Banker Wants Mobilisation

THE other suggestion which Mr Grantham puts forward, however, is not easy to follow. In fact, it is bound to arouse considerable perplexity when he says that "it might be possible to introduce... even free imports and allow an economic rate to be found and confidence restored in that way". The suggestion that imports of gold should be freely allowed is, of course, nothing new. The immediate advantage claimed for it is that it will put an end to smuggling and prevent loss of foreign exchange which, it is further claimed, will offset or very nearly offset the foreign exchange cost of gold imports. This, in the last analysis, is a matter of judgment on which informed opinion has so far been heavily against as a risky venture. It is in any case ruled out by India's membership of, and obligations under the International Monetary Fund. There can be no two opinions, however, about Mr Grantham's main contention that mobilisation of gold hoards could go a long way towards solving India's foreign exchange problem. And it is highly significant that the suggestion for it should have come from a City financier who has perhaps been the first to express forcefully what many others, who have taken an active part in helping this country

in obtaining foreign assistance, must have been feeling too. Hitherto mild hints, and hints not so mild, have come from these quarters that India was not doing nearly enough to push her exports. To this has now been added, and more perhaps would be heard in future from these quarters, that India should do something to mobilise her idle gold reserves instead of maintaining a flourishing free market in gold which hardly helps her economy in any way.

Free imports of gold to stop smuggling and heavy losses of foreign exchange on that score could only be a last resort when all other means of preventing smuggling had been tried and demonstrably failed. But has every other means been tried for stopping smuggling? What action has been taken to prevent the inflow, through official and approved channels, of Indian currency notes which, it is common knowledge, largely pay for smuggled gold?

Official Rate for Mysore Gold

FAR from showing any indication that the Government of India may be any more inclined than in the past to resort to unorthodox measures like allowing free imports of gold, even for the laudable object of weaning away gold hoarders from their profitless pastime, it has taken a step in the opposite direction. It may not be of much importance in itself, but it is still of considerable significance. This it has done by deciding to acquire at the official rate the entire production of the Mysore gold mines which had hitherto been allowed to be sold in the free market, in violation of the spirit, if not the letter, of our obligations as member of the International Monetary Fund. The reason why the Mysore gold mines were allowed to sell their production in the open market was that this was the only way in which they could continue the production. The cost of mining gold was too high to enable the mines to operate at all, if the gold was to be sold at the official price.

The budget provisions for acquiring gold, however, disclose a compromise. Provision has been made in the revised and the next budget for Rs 245.59 lakhs and Rs 290.69 lakhs respectively for the purchase of gold produced in the Kolar and Hatti gold mines, Mysore, at the official rate of \$ 35 per ounce or

Rs 62.50 per tola. At the same time, provision has also been made for payment of a subsidy to Mysore Government, amounting to Rs 1.93 lakhs in the revised estimates and Rs 2.49 lakhs in the next budget to compensate the latter for the loss suffered "on the sale to the Government of India of gold produced at the Kolar and Hatti gold mines at the official rate of Rs 62.50 per tola." What part of the price difference is covered by the subsidy has not been stated but it may be assumed that the subsidy would be adequate to maintain production at the current level.

Thus gold production will now be directly subsidised from Government funds—for what earthly good, one may still wonder—while the Government of India will maintain a correct form by sternly refusing to countenance non-monetary transactions in gold!

Unutilized Water

FROM the debate in Lok Sabha on the Demand for Grants of the Ministry of Irrigation and Power, it appears that members of the Lok Sabha are keen on regional development and are sensitive to a degree when they feel that their State or region had not been treated on a par with the others. Those whose States or constituencies had not benefitted as much as the others, were eloquent in their criticism that the generation of power had been 'absolutely lopsided' and that 'vast areas and districts' had been completely left out. The progress of rural electrification and differences in the rates charged for power in different States and for different purposes also received attention and brought out from the Deputy Minister for Irrigation and Power, the following information regarding the rates charged in various States:

"The rates for domestic purposes, small-scale industries and agricultural purposes respectively are: Andhra 5 annas, 2.25 annas and 1.50 annas and Assam 6.40, 2.8 and 2.8; Bengal 6, 3.5 and 2.8 and downwards (as more power is used, the rate is lesser); Bihar 4, 2 and 2; Madhya Pradesh 5, 2 and 2; Mysore 4, 1 and 0.75; Orissa 4, 1.50 and 1.50; Punjab 5.25, 1.75 and 1.50; Rajasthan 6, 3 and 3; U P 5.50, 1.75 and 1.55."

The explanation was that where the cost of power generation is higher, the charges are higher, too.

The Deputy Minister had to answer the criticism that we have been utilising very little of the water resources available and pleaded that during the last ten years, there has been some improvement. "In 1951, the ratio of thermal power to hydro-power was 76:24. At the end of the first Plan, it was 72:28. On 31st March, 1958 it was 70:30. At the end of the Second Plan, it would be 56:44. That means we are increasing the hydro-power generation and we are trying to utilise as much water resources as possible, and going on decreasing thermal generation."

The Deputy Minister could plead, justifiably enough, that we cannot use more of the hydro-electric potential because it means so much more investment, and could get away with that. But what about utilising the water for which the investment has already been incurred? The explanation given would have infuriated any responsible body of men, had they been interested. "The States and the Central Government have been taking active steps to see that the water that is stored is being utilised. With that end in view, we had a number of discussions with the State Governments and the Planning Commission. We also appointed two special officers to

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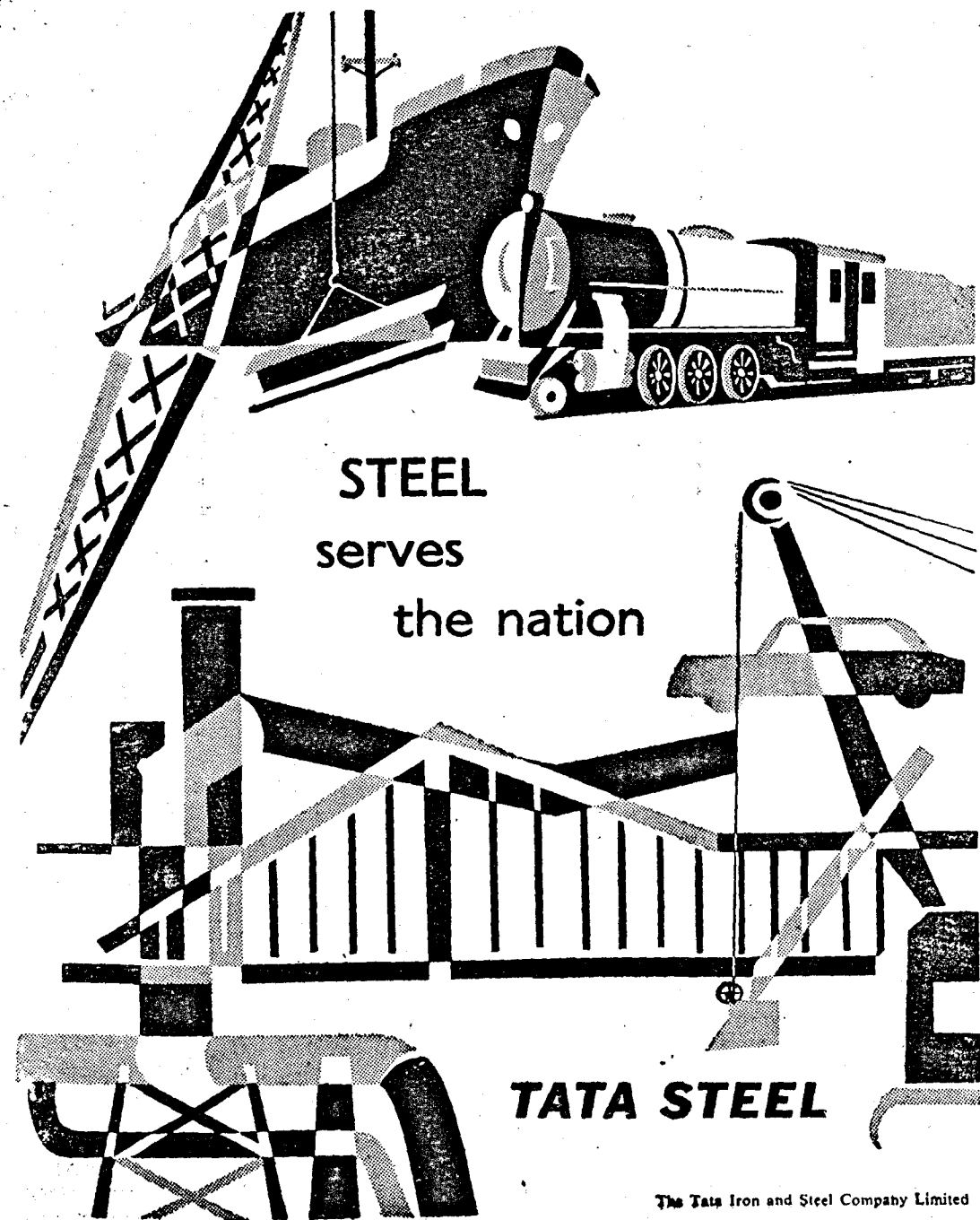
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tour round the country and see actually what were the difficulties that came in the way and how best this could be solved. They have submitted reports", and so on. No one bothered to ask the Minister to place the reports on the table nor did any one interject or explode when the Minister came up with a routine recital: "We must see that the excavation and construction of canals synchronised with the construction of the dam.... The field channels have to be excavated. The cultivators find it difficult to do so. Wherever it was found that it

is difficult, it was decided that the project authorities should do it on behalf of the cultivators, because they may not. Wherever it is possible, if the Gram panchayats or local people come forward, then also the project authorities should give them all co-operation and technical advice, so that they would be ready by the time the canal and the distributaries become ready.... Every project should have a Development Committee at the State level. The construction authorities should intimate that committee what will be the quantity

of water released at a particular period of time so that by that time, they should be ready."

So we are already in the best of all possible worlds, so far as the utilisation of irrigation water is concerned. Since all the States are in the same boat, and degree of utilisation does not show painful differences as between one State or another to hurt local pride or to arouse any desire to emulate or outstrip others, the members of the Lok Sabha were content to leave the matter at that and spared Shri Hati from any inconvenient probes,



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Our Kerala Letter

FEW of those who criticise the Kerala Government or support it, will have the opportunity, or even the inclination, to read the full text of the Report of the Commission of Inquiry on the Rice Deal which had created so much commotion and which had been made into a first-class political issue. The Report, however, is important not so much for the light it throws on this particular deal as for giving cause, which it indirectly does, for questioning the accepted popular belief, inherited from the past, that the judiciary should be called in to pronounce on matters of political controversy. Because of the independence and high prestige of judiciary even in the British days, this had almost become an established convention in the past. When people were bitterly fighting the Government of the day, they had still some faith left in the judiciary. Following this tradition, opposition parties even today invariably press for a judicial enquiry into disputed political issues, whether the dispute in question lends itself to a judicial finding or not. A perusal of the report of the Rice Deal Enquiry Commission raises grave doubts about the wisdom of calling upon judges to pronounce their views on political controversies. The difficulties encountered by the Commission in carrying out its task raise similar doubts whether it is wise on the part of the judges to accept such assignments. It is from this wider angle that the Report has to be examined.

The case is simple. The Kerala Government contracted to buy 5,000 tons of rice from Andhra through Messrs T Sreeramulu P Suryanarayana and Co Madras, in August-September, 1957. The Opposition parties contended that this was not a fair deal and that Government had incurred heavy losses. They went a step further, and alleged that the Madras firm and the Communist Party were in collusion to make secret profits out of the deal and that this had led to the losses to the State. The allegations were based on mere rumours and the Opposition parties could not bring any substantial evidence to prove their allegations. If the issue was merely whether the deal had result-

The Rice Deal

ed in a loss or not, the Opposition could as well have waited for the audit report to press for an inquiry. On the other hand, Government was confident that no such loss had been incurred and that it had behaved in good faith in entering into the deal.

Under pressure from the Opposition parties, it agreed to institute a Commission of Inquiry into the question of the alleged loss and a Commission was appointed for the purpose with a High Court judge as its sole member. The terms of reference to the Commission were:

"(i) Whether the purchase of 5,000 tons of rice by the Kerala Government from Messrs T Sreeramulu P Suryanarayana & Co, Madras, in August-September, 1957, was unjustified having regard to the food situation in the State"; and

"(ii) Whether the purchase resulted in avoidable loss to the State."

The Commission was aware that "there are really no parties to such an inquiry in the sense that there are parties to a civil or criminal proceedings". To quote the Report again, "the inquiry is an inquiry with no charges and no pleadings, and the Commission is itself responsible for collecting the evidence, determining who are to be the witnesses, presenting their evidence, then testing its accuracy and finally finding the facts". This was an altogether novel experience to the judge who constituted the Commission and from the beginning to the end, he was completely at sea. According to him, the difficulty in this case was mitigated to a certain extent by the circumstances that the A party (the party which initiated the allegations in the Assembly) virtually assumed the role of a prosecutor and the B party (Government) of a defendant. In other words, the proceedings were allowed to be conducted as in a civil case.

The Commission's conclusions are that "the purchase of 5,000 tons of rice by the Kerala Government in August-September 1957 was justified," "but the purchase on the terms of the present deal was not having regard to (sic) the food situation in the State, and that the purchase resulted in avoidable loss to the State". The avoidable loss is esti-

mated at over Rs 1 lakh on a total transaction of about Rs 25 lakhs. The loss falls under three heads: (a) higher price over the likely market price to the extent of Rs 68,000, (b) higher price due to quality differences—Rs 34,000 to Rs 68,000 and (c) higher incidental charges—Rs 8,500.

The Commission agrees with Government regarding the need to purchase 5,000 tons in August-September 1957. But it does not agree that the situation warranted purchase on the lines adopted by Government. According to the Commission, the crucial test of the plea of urgency would be to investigate how exactly the rice was utilised after it had been received. In applying the test of (immediate) utilisation to ascertain whether there was urgency or not, the Commission shows a complete lack of appreciation of elementary principles of trade. It is very well understood in trading circles that to maintain a State-wide distribution of any commodity, a minimum stock has always to be carried. A fresh arrival of rice, whether it went directly to the retail shops or replenished the stock, is not a material point by itself in determining the urgency of the situation. What the Commission should have tried to find out was what the normal stock position should have been and whether there had been an appreciable deterioration in the stock position to threaten the continued operation of the distribution system.

To conclude that there was no urgency from the fact that the 5,000 tons bought through the Madras firm were not used for immediate distribution, does not, therefore, appear to be fair. Nor has the Commission been fair in concluding that it was an after-thought on the part of the Kerala Government to point out that in making the purchase, it had taken into consideration the extra commitments for the Onam festival, on the ground that no such statement had not been recorded in the file before the contract was entered into. The Onam festival fell in the first week of September. It is hard to believe that a popular Government could be unmindful of it in July-August, and that, too, its first Onam! Indeed the whole question of urgency has

been dealt with in so perfunctory a manner that it prejudices the reference under investigation.

Now coming to the loss on the first count, i.e. due to the higher price paid, the conclusion is based, in the Commission's own admission, on "circumstantial evidence". According to the contract with it, the Madras firm was to be paid at the price ruling in the locality on the date of despatch. It so happened that in the period during which the purchase was made by the Madras firm, it was the only large-scale buyer and its price and market price became more or less identical. There was, therefore, no direct evidence, to show that the price paid by it was higher than the market price.

This led the Commission to rely on inference. The loss theory rests on the assumption that it was a buyers' market when the Madras firm entered the market and that the latter failed to take advantage of the situation either "due to ineptitude" or it was in collusion with the millers to the disadvantage of the State. Was there a buyers' market? The formation of a southern zone in June 1957 had created confusion in the Andhra market and prices had fallen heavily. The millers, it was then estimated, held a stock of nearly 2 lakhs tons of rice. Under pressure from millers and the Andhra Government, the Central Government permitted the millers to dispatch 10,000 tons each to Bombay and Calcutta. This pushed up prices from around Rs 34 to Rs 40 per bag. When the Kerala Government entered into contract with the Madras firm on 3rd August, 1957, the price in Andhra was about Rs 40 per bag. On 6th August, the Central Government cancelled the licence to export to Calcutta. Its effect should have been an immediate drop in the price. But it was on 11th August that the Madras firm started its inquiries on behalf of Kerala Government and purchases were made between 19th and 29th August. In other words, before the effect of the cancellation of export licence to Calcutta was actually felt, the Madras firm entered the market.

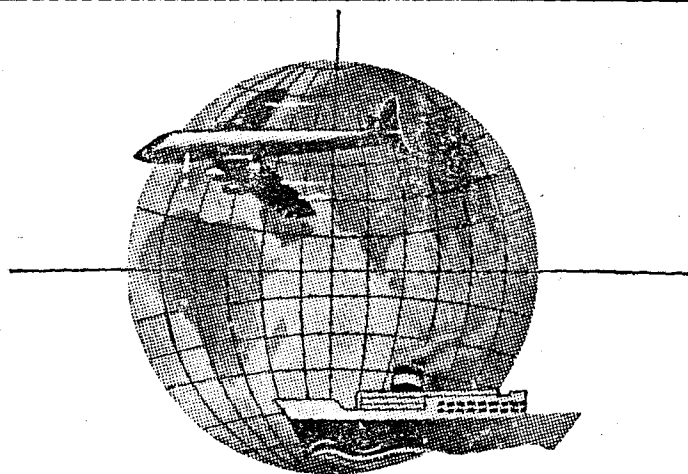
The timing of the purchase might be unfortunate, but it was accidental. If the urgency for the purchase is conceded, the only question would be whether any other party would have been able to buy at a price cheaper than what the Madras firm paid during this period. Here

the only 'evidence' is that of the Kerala merchants who were an interested party in the case. It is not clear how a tender system would have brought down the price as claimed by the Commission, because no merchant appeared to be willing to quote a firm price, and everyone insisted, instead, on the market price or the actual purchase price. From this, one is entitled to draw one's own inference, according to one's experience.

The losses attributed to the other two causes are not of major importance. That cone-polished rice is superior to huller polished is not denied. Whether Government should have penalised the firm for supplying superior quality rice due to the non-availability of the lower grade is, again, a matter of opinion. On the question of incidental charges, the Commission's reasoning is equally difficult to follow, since it has also conceded that "it cannot be said

that the margin of five annas made to the Madras firm was excessive or that the expenses incurred by the Government on its Rice officers and its inspection agent was unnecessary". Even the loss of Rs 8,500 estimated on this count is not of any significance.

That the Government of Kerala did not accept the conclusions of the Commission is not, therefore, surprising. It does not follow, however, that the Kerala Government has come out with flying colours from this Inquiry. Having made the initial mistake of agreeing to a Commission of Inquiry, the findings of the Commission, however open to dispute they may be, are bound to leave a bad impression in the public mind. Whether the Minister of Food should resign on this specific issue or not, is a question of constitutional propriety and it should not be treated as merely a question of political strategy.



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From the London End

The Approaching General Election

THE British constitutional system, in so far as it is regulated by statute, provides for a general election at least once every five years. On this reckoning, a general election is due before May 1960. There are however certain highly elusive "conventions" which bear upon this question but the operation of which appears to depend on convenience or accident. Indeed the merit of the British system of Government is said to be found in the manner by which a combination of both convenience and accident have enabled a whole body of acceptable conventions to develop. There is a tradition that a newly appointed Prime Minister (Mr Macmillan followed Sir Anthony Eden in a moment of profound crisis for British politics) wastes little time in presenting himself and his party to the electorate to confirm his appointment, as it were. Mr Macmillan has certainly allowed the "convenience factor" to guide him here. The choice of a date for holding a general election is seen to be a matter of skilful timing and of an adroit preparation of public opinion by a series of patently opportunist policy acts which have little relevance to the broad purposes of Government.

In the Image of Churchill

Mr Macmillan has waited for some two years to live down the Suez debacle. In that period the Conservative Party has spent an extremely large sum of money on publicity of a particularly peculiar kind. Learning fast from the publicity methods used in American politics, the Conservatives have employed the services of the most costly advertising agencies to "sell" Mr Macmillan as the "wonder man", symbolising after Churchill, the robustness of the British lion, and capable of winning back for Britain its "greatness"—whatever this may mean. The "sales" campaign has been maintained and pursued with relentless vigour through all the mass media, television included, and today the campaign to sell detergents is only rivalled by that to sell Mr Macmillan. The personality cult is certainly the prime characteristic of both the Tory philosophy and the Tory campaign to return to power.

The largely emotive basis for the Tory campaign can be explained in one sense. The Suez crisis with all its profound implications left British politics in a daze and the Conservative Party suspect. The daze resulted from the realisation that Britain no longer was capable of pursuing a line of independent action to protect its imperial interests or its position in the world scene. The more informed of British opinion put the blame on the Tory Party and its policy. There was thus a most compelling need for a Tory policy of reassurance and to build up Mr Macmillan in the image of Sir Winston Churchill.

It has taken well over two years to do this and even now there remains some doubt whether this policy and campaign has succeeded. It was still possible for Mr Gaitskell of the Labour Party to successfully keep alive the emotional schism produced by the Suez debacle during the Parliamentary discussion of the Anglo-Egyptian Financial Agreement and make a searching analysis of Mr Macmillan's complicity in the Suez decision. It was inevitable for Mr Macmillan to declare that the electorate would soon have an opportunity to express its opinion on Suez. Thus the wounds remain and much of Suez and Britain's policy in the eventful months of 1956 will be heard in the coming general elections. This alone will make the elections acrimonious and heated—a welcome return to real politics compared to shadow-boxing and the apologies and the hypocrisy of the 1955 general election.

Britain's Isolation

The need to offset the possible damaging course which the Suez venture will inject in the general elections for the Tories is great and the alternatives are not easy to find. In international relations the return of Mr Macmillan from Washington after an intense bout of personal diplomacy may very well be taken advantage of and much will be made of such phrases as "flexibility" and "summit" and "negotiations". But there will remain a latent uneasiness among the electorate for a number of reasons. The visit of Mr Macmillan to

Russia and to the other Western capitals have not removed Britain's isolation—a fact which must be regarded as the most significant development of recent years. In Bonn, Mr Macmillan had virtually to retract with obvious embarrassment, his agreement with the Russians to work for some sort of disengagement in Central Europe. In Paris, the reception given to Mr Macmillan amounted almost to a personal rebuff from General de Gaulle and generally the newly emergent Paris-Bonn Axis appears to treat all Mr Macmillan's international actions with unambiguous distaste.

In a word the "wonder man" has not pulled it off and much of the early jubilation following Mr Macmillan's visit to Moscow has given place to a certain anxiety. There is some embarrassment in Britain at the way in which Mr Macmillan's publicists have attempted to procure American opinion in recent weeks. There is an evident cheapness in the publicity stunt to characterise Mr Macmillan's tours as "filling the gap" left by Mr Dulles's indisposition. In policy terms, the tour was designed to establish the role of diplomacy in negotiating a German settlement at a summit meeting and to obtain some degree of uniformity and precision of the Western position. On the former, in spite of Soviet agreement, the way in which Bonn, Paris and Washington are reacting, the summit is as far off as can be imagined. On the latter, there is no evidence of any success. By contrast, imprecision characterises all Western statements and this coupled with British retractions from previous positions, gives the European situation a tenseness considerably worse than that prevailing when Mr Macmillan started his tour.

Gravest Colonial Crisis

British public opinion also stands at some odds with the Tory behaviour on the crucial question of African liberation. The Tories are in the midst of one of the gravest colonial crises since the Indian struggle for independence. After years of human waste, the Cyprus question has been solved by an evident non-realisation of Britain's

aims. No sooner this solution was incorporated in a treaty, white settler pressure in Central Africa forced the British Authorities to connive at a most miserable conspiracy to kill the effective organisations of the African people so that when the Central African Federation's constitution is considered in 1960, the Federation will be a *fait accompli*, even if the Labour Party is in power. No honest person in Britain gives the slightest credence to the talk of African massacre plots. This question will certainly be a critical one in the elections.

More Lively Affair

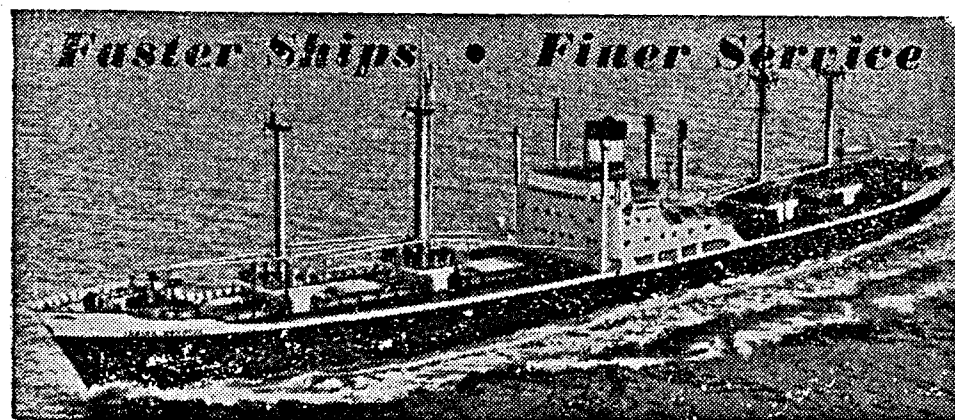
The timing of the election will, however, be decided by the balance of advantage which domestic developments provide. It has been announced that the level of unem-

ployment fell from 2.8 to 2.3 per cent of the labour force in February and that the trend now is for a further fall in unemployment. This issue is certainly central to the fortunes of the Tories. They are aware that the lift in employment may very well be seasonal since much of it is concentrated in the building industries, that the trends in inventory accumulation, exports and capital expenditure suggest a rather opposite or downward movement in the summer months.

This very temporary balance of advantage may therefore dictate a decision to hold an early election soon after the Budget (which will be presented to Parliament on April 7th). There are indications that tax reductions are being contemplated and that the Budget will take an essentially opportunist character and no doubt if it suits the Tories,

this will certainly happen.

The outcome of a general election ultimately depends not so much on the Tory record but on the manner in which the Labour Party is able to present itself as an effective alternate. And the performance of Labour spokesmen has been most pathetic. There is an evident fear that a concrete alternative policy may carry an undue degree of responsibility if Labour returns to office and hence Mr Gait-skill exhibits an almost total lack of fire and spirit. As for Mr Bevan, his preoccupation with the future nakedness of himself should he become the Foreign Secretary, has in the words of Mr Macmillan, transformed him into a Samson shorn of his locks. In spite of all this, the forthcoming elections will prove a much more lively and real contest for power in Britain.



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Book Review

Two Affluent Societies

George Rosen

WITHIN recent years there has been a large amount of thought in the two opposition parties in England and United States with respect to future policies. In England this has taken the form of attempting to redefine socialism and its goals in that country; in the United States most of it has been on foreign policy, but there have been several statements on internal economic programmes. The two books Crosland's 'The Future of Socialism' and Galbraith's 'The Affluent Society' are probably the high points of these discussions with respect to economic policies. They have this eminence not only because of the intellectual positions of the authors within their parties; but because the books contain both programmes and well-reasoned defences and analyses of the changes in thinking that these programmes reflect. Both have been widely read. Crosland's book, although long and detailed, has gone through several impressions; Galbraith's book, which was written for a wider audience, probably has the distinction of being one of the few economic books in the United States to achieve the best-seller lists for any length of time. Both books prove that a party's time out of office can be valuably spent; and almost justify that time.

What strikes the reader is that with all these differences, reflecting two different persons with two different philosophies and two different styles of writing as well as the internal problems of two different countries, the books are remarkably similar. The reasons for the similarities are more important than those for the differences since the fundamental likeness reflects convergent tendencies in both countries. It is this underlying similarity that is probably of most interest to the Indian reader.

The similarity may be highlighted by several quotations from Crosland's book on England. "I no longer regard questions of growth and efficiency as being on long view, of primary importance to socialism. We stand in Britain, on the threshold of mass abundance, and within a decade the average family will enjoy a standard of

living which, whether or not it fully satisfies their aspirations, will certainly convince the reformer that he should turn his main attention elsewhere.... We should not now judge a Labour Government's performance primarily by its record in the economic field. This may require a mental adjustment in many quarters on the Left. Capitalism has been reformed almost out of recognition. Despite occasional minor recessions and balance of payments crises, full employment and at least a flexible degree of stability are likely to be maintained. Automation can be expected steadily to solve any remaining problems of under-production. Looking ahead, our present rate of growth will give us a national output three times as high as now in 50 years—an increase capable of sustaining not only a generous rise in home living standards, but also a level of investment in the under-developed areas fully as high as they can physically accommodate. The pre-war reasons for a largely economic orientation are therefore steadily losing their relevance; and we can increasingly divert our energies into more fruitful and idealistic channels, and to fulfilling earlier and more fundamental socialist aspirations."

These quotations, without the references to socialism, could be taken from Galbraith's book. The theme of that book, based on the author's pragmatic approach, is that the United States has already reached the stage of "affluence", although there are certain regions and groups which lag behind. Therefore the traditional emphasis upon greater output and greater efficiency in economic thinking and in policy recommendations of both the so-called conservatives and liberals is misplaced. What is required is greater social consumption—much higher expenditure for improved education, hospitals, care for the aged, roads, greater foreign investment, and other social needs. Both books end with brief references to the cultural possibilities of this economic affluence; Crosland's appeal for individuality of behaviour and an ap-

proach to a "fuller" life is especially eloquent.

With this basic similarity in outlook, the two authors vary their specific discussions and recommendations to apply to the two different countries they are writing about. To Crosland the major problem facing British socialism is the need to reduce the sharp class distinctions and rigidities that still pervade British society, which by their persistence have lagged far behind the changes in the economic conditions. The most important direction of action to carry out those changes and thereby to achieve the social equality goal of socialism, is in the field of education, and he presents a series of broad policy recommendations to democratise entry into "public" schools, to raise the standards of other schools, and to reduce the prestige of the former. This is to be combined with a programme of tax reform—on gifts, on estates, on capital gains and on tax avoidance—to reduce the importance of property differences; and a trade union policy to narrow differences between the staff and the working force, and to widen the range of trade union interests.

To achieve the social welfare goals of socialism he favours a broad programme to assist the old, the physically and mentally sick, the poorly housed, and other special groups; especially to bring the standards of health, education and housing of lower income groups to the levels available to the wealthier. In this way too, achievement of the social welfare goal will directly support the social equality goal.

In his specific economic discussion (which gets less space than the social analysis), the traditional goal of nationalization is discarded; and the arguments for as well as against nationalization of specific industries, such as iron and steel, are made on pragmatic rather than ideological grounds. Apart from that there is emphasis upon fiscal policy, encouragement of personal savings, taxation to encourage accumulation of profits by firms and their plough-back into investment rather than into dividend

payments, and upon general planning for growth rather than specific controls. These are certainly "moderate" socialist policies, and the moderation is well justified by the specific discussions of the proposals and the general philosophy underlying the book. Without entering into specific criticisms, which are beyond the scope of this article, it is possible to criticise his discussion of the avoidance of a wage-price spiral under inflationary pressures. He talks generally of preventing an "excess of demand in the labour market", but is never specific as to what this means; this probably reflects both the author's pragmatic approach to socialism and policy, and his political position in the Labour Party. One might also ask more fundamentally whether the term "socialism" has much meaning, when it presents such an unorthodox programme. However in England it has always been unorthodox, influenced as much by Mill and Jevons as by Marx, and Crosland's strong streak of pragmatism and unorthodoxy both continue in the British tradition, and is to be welcomed on its own merits. Certainly one can conclude that this is required reading for anyone interested in Socialism today, or economic policy, or the present and future of England.

In the United States the problem of class and social equality exists but it is now far less important than in England; and Galbraith discusses it only briefly. In his book one of the most stimulating discussions relates to the role of advertising and instalment selling (hire purchase) in the United States—and he makes the telling point that much of the American output is not one satisfying basic or even secondary consumer needs, but reflects the creation of artificial demands by the continual pressure to buy brought by the advertiser upon the consumer. And he points out that greater production for purely private purposes will not automatically fulfil the neglected social welfare or defence needs of the population—since unless the government takes a hand to divert the output to social needs, this greater output will consist of the usual products produced in ever increasing amounts by private companies and sold by the ever-mounting pressures of the advertisers. (Crosland does not discuss this, but with English banks entering hire-

purchase, the conflict between social welfare expenditures and advertisement induced private expenditures may prove serious in England too.)

Galbraith faces head on the question of who will pay for the higher social welfare activities of the government—and makes the unorthodox point that with full employment, greater income equality, and the high levels of income taxation (though recognising gaps), there are grounds for sales taxes, and other regressive taxes. This is especially so since in the United States the tax resources of the states and cities—which carry on many of the social welfare functions—are far more limited than those of the central government. (Crosland also recognizes this but it is incidental in his discussion.) Galbraith finally deals frankly with employment and inflation in his discussion of unemployment and pensions and he comes up with an unusual scheme to deal with this problem. He recognizes that some unemployment may be necessary at inflationary peaks, but that it should be short-run. (Crosland skirts this, as pointed out earlier.) Galbraith advocates a sliding scale of unemployment benefits, with benefits rising as unemployment increases. Near full employment compensation would be a low proportion of the former wage, since unemployment would probably be short term, and it would be desirable to both curb demand but stimulate search for the new jobs which are available. At higher levels of unemployment the compensation would rise closer to the former wage, since it is both important to stimulate demand, and the unemployment is likely to be of longer duration (and the worker should not suffer unduly). This is a direct break in the connection between production and income; it is one that is possible in an opulent society and that can be filled by the state.

But two basic questions may be raised: first, whether it will be possible to achieve a shift away from production to consumption goals with rapidity, in a society such as the United States where a whole ethical system is based on production; and second, whether the economy is as affluent as Galbraith feels. Rostow has made the point that in the United States having more children has become an alter-

native to having more goods—and that the largest portion of the population is still not opulently supplied for their larger families. This larger population will however require more facilities for education, health, etc.—and Galbraith's basic recommendation for greater assumption by the government of social welfare activities is undiminished, and is in fact strengthened by the population boom.

Two general differences between the books may be mentioned. Crosland's book arises out of a pragmatic exploration of Socialism, and he relates his book to the broad stream of socialist thought and the traditional socialist goals. Galbraith's thinking arises out of his position as an economist, essentially a pragmatist unhampered by ideological preconceptions. It is especially significant that the two authors with these different backgrounds and both unbound by tradition should come to such broadly similar conclusions with respect to two different societies. The Indian reader less interested in the details, might most valuably consider both of these books as free-wheeling discussions of new policies which become necessary in "affluent" or near-affluent societies. It is possible to raise the question whether at some time in the future Russia with a different philosophy and political structure, will be facing similar problems of affluence, and how they will be solved. At that time it is to be hoped that it would be possible to write and it would be interesting to read a Russian book on the Future of Communism.

Finally, how are these books relevant to India, which is far from an affluent society? The descriptions of the English and American societies today bear little resemblance to the Indian one at this stage—although similar problems may arise in some distant future. But these books point up the crying need in India for an independent book—the Future of Socialism in India—which would be certainly different in terms of policy from these two. It should however take an equally hard unorthodox and free-thinking look at the place and policies of Socialism in a society which is trying to both develop economically and change socially in a short time. I can think of few more valuable intellectual efforts in India at this time.

Small Units in the Capital-Goods Sector Their Role in a Developing Economy

Madav Vijayendra Rao

THE problem of small scale industry as a technological alternative, in a country suffering from a dearth of capital and an excess of labour, which Professor P C Mahalanobis discussed in his paper on "The Approach of Operational Research to Planning in India," has led to an interesting if not particularly fruitful controversy on this aspect of development planning. While the discussion has alternated between such sophisticated extremes as Gandhian exuberance and statistical mysticism, it never seems to have come round to considering the more mundane possibility of small industry playing a constructive role in the capital-goods sector of the economy. The recent Chinese example in the field of pig-iron and steel, seems to have woken up Indian planners to the startled realization that big units may not, perhaps, be divinely ordained for the production of capital-goods.

The object of this note is, therefore, to consider the possible role that could be played by this sector of powered and rationalised small scale machine industries in the wider context of Indian economic development. Its empirical basis is a survey carried out by the author in the summer of 1958, of twenty five such units, selected at random and covering three centres in the Punjab. These units, most of whom, within the jurisdiction of the Factory Act, varied in size from firms representing an investment of Rs 30,000 to firms representing investment of Rs 1,50,000 (size being defined in terms of the amount of investment in machines and fixed equipment). The corresponding labour force employed, varied in size from 9 workers in the case of the smallest unit to 45 workers in the case of the largest unit.

Highly Dynamic

These firms, the majority of whom just manage to survive, exhibit almost all the characteristics that one associates with early capitalism. They are, in the main, highly dynamic economic quantities, with a great capacity for adaptation, a high degree of technical innovation, an impressive rate of capital formation

and an entrepreneurial attitude that is grounded on thrift and is oriented towards the long run considerations of growth rather than quick short run profits. One observes, to a surprising degree, the prevalence of an industrial capitalist psychology among these small chaps, as opposed to the commercial attitudes that are more prevalent among the big ones.

In considering the issue in its most general form, it might be useful if we set out the questions for which an answer would have to be sought. In the first place, what do these industries produce and what is the range of their products? In what sense could the products be termed capital-goods and in what way could these be considered as making a significant addition to the stock of capital-goods in the economy? Secondly we would have to examine the employment potential of these industries. In other words, how much investment is required to generate a given volume of employment in this sector of the economy? Thirdly, what is the latent potential of these industries? Are they economic units in the sense that they can survive and grow on their own or do they have to be subsidised? Fourthly, and this we consider to be the important question, what is the nature of the demand for these products? Does a market for these products exist that is non-competitive with the products of large scale machine industries? Fifthly, what is the export potential of these industries? And finally, if by this stage one has established that these small machine industries have a claim to our attention, an analysis of the causes of their growth and of the impediments to their further growth, both quantitative as well as qualitative.

Wide Range of Capital Goods

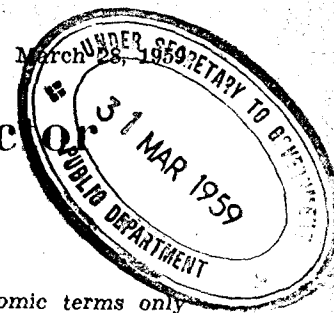
The field covered by these questions is a very large one, and we do not presume in the course of this short article to essay a complete answer. Our intention is to establish two propositions. The first is that, in development planning the concept of small industry becomes

meaningful in economic terms only if we consider it as being made up of two related sectors, the one producing capital equipment and the other utilising that equipment for the production of consumer goods and services. And the second is that, in the course of discussions on development planning it is rewarding to consider small industry not so much as a technological alternative as a means for additional capital formation. It is not our intention to examine the ideological pros and cons of small scale industry.

The industries to which we have been making reference so far produce a variety of capital goods, ranging from agricultural implements to lathes. Whether or not they can be classified as capital goods may be gleaned from the following list of products, of the units surveyed. These products are: (1) Ball Bearing Brackets; (2) Circulating Pumps; (3) Band Saw Machines; (4) Planing Machines of various sizes; (5) Lathes of various sizes; (6) Log Band Mills; (7) Chaff-cutters; (8) Sugarcane Crushers; (9) Fly Presses; (10) Power Presses; (11) Power and Treadle Shearing Guillotines; (12) Trolley Machines; (13) Dog Chucks of various sizes; (14) Oil Expellers and their spare parts; (15) Paper Cutting Machines; (16) Electrically Welded Drums; (17) Vices; (18) Ploughs, Hoes, Shovels, Axes etc.; (19) Nuts and Bolts of various sizes; (20) Fruit Juice Machines; (21) Ice-Cream Freezers; (22) Domestic and Commercial Coffee Grinders; (23) Gun Metal Pipe Fittings; (24) Die Handles; (25) Die Collets; (26) Frames for Thread Cutters; (27) Pipe Threading Dies; (28) Drill Sleeves; (29) Tap Handles; (30) Pipe Sockets; (31) Tube Well Strainers; (32) Drilling Machines of various sizes; (33) Shaping Machines; (34) Spinning Lathes; (35) Rice Hulling and Rice Polishing Machines; (36) Water Turbines; (37) Emery Paper; (38) Tea Plantation Machinery; (39) Cast-iron Pulleys; (40) Vertical and Horizontal Log Mills and (41) Grinding Machines.

Maximum Plough-back

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imitations of foreign machines, and one sees in this phenomenon a striking similarity to Japanese industrial development. Their quality, in terms of precision is not very high, though it is capable of considerable improvement, and even as it is there exists a great demand for them. And what is particularly impressive is that none of the units that we observed, were dependent upon any form of official assistance. They have been built, out of the personal savings of their proprietors—most of whom started their career as machinists—hard work, and an almost complete reinvestment of profits (net of a bare living wage for the proprietor and his family).*

What then is the structure of these industries? Specialisation, we observed, tended to take place at two levels. Thus not only does each centre tend to specialise in the production of specific items, but furthermore, within each centre there occurs a horizontal disintegration of production processes, so that one firm may just make lathe frames, another may prepare its moulds and so on. By and large additions to capital stock occur not through the purchase of equipment as much as by the diversion of part of the firm's output to its capital stock, instead of its being offered for sale. Most of these firms possess the ability to, and actually do reproduce their plant and are, therefore, characterised by direct capital formation. On comparing the firms ranging in size from the Rs 30,000 unit to the Rs 1,50,000 unit, we came to the conclusion that the amount of investment needed per worker is approximately Rs 3,000. This is a fairly high capital-labour ratio, but the industries in question are machine-goods industries, and in relative terms, if one compares it with the corresponding ratio in the large scale machine goods industries, it does not appear to be particularly high.

Fully Competitive

These machine tools, as we had stated earlier, are not high precision products. But the fact that one machine is more precise than another does not necessarily mean, that from

*For an excellent socio-economic survey of Punjab's small industry, see "Small Industry in a North Indian Town" by James T Macrorry, published by the Ministry of Commerce.

an economic point of view, it is a more worthwhile proposition. For, the degree of precision that is required of a machine is a function of the nature of the product that is intended to be produced. Not all commodities require to be produced by high precision machines, and to use expensive and highly accurate machines for those that do not, is at best an economic waste. The sector that we have been making a reference to, caters to a market that demands lathes and other machine tools, but not high precision ones. This market is the one that consists predominantly of small scale consumer goods industries and services.

We thus observe a demand-supply relationship between large-scale capital-goods industries and large-scale consumer-goods industries on the one hand, and a similar relationship between small scale capital-goods industries and small scale consumer goods industries on the other. Therefore, if we accept the argument—explicit in the Second Five Year Plan—that small scale consumer goods industries occupy a definitive place in the Indian economy, then by the same logic we are bound to accept the existence of small scale machine industries. They supply the equipment, for a small scale, consumer goods sector that is represented, not by wooden charkhas but by small, powered and rationalised units. The market for these small machine-tools is therefore basically non-competitive with the market for high precision machine-tools, and hence a comparison on ground of precision is not valid. What is admissible, however, is a comparison on grounds of productivity, and that too, only where the two sectors overlap. We gained the impression that the small units were not at all scared of any competition that they might face from the large units.

Definite Export Potential

These industries are therefore less of a technological alternative and more of a definite sector on their own right, opening out a new market, and one must not allow considerations of technological snobbery to stand in the way of economic facts. They have, in addition, a definite export potential; firstly because they are durable capital-goods and secondly because they are cheap, and their potential markets are the underdeveloped economies of South-East Asia, Africa and the Middle East.

As a matter of fact a good number of these machine-tools are already being exported by trading concerns that buy them from the small producer, put on their own trade mark and then send them out. Since the main criteria adopted by Professor Mahalanobis in distinguishing between Sector C1 and Sector C2, were the high productivity of capital and high employment potential in Sector C2, it would have been appropriate if he had made a similar breakdown of the capital-goods sector—his sector K—into K1 and K2†.

If we accept the essentials of the argument that has been stated so far, then the next question that poses itself would relate to the type of measures that would have to be taken to promote the growth of the small machine industries. The problems of these industries, resolve themselves into two major difficulties, the first being a shortage of working capital and the second being the need for technical assistance. The shortage of working capital means that the stamina of these firms in the face of a slackening of demand is very low indeed. If they are lucky, they may have customers who advance them cash on account. Generally, however, this is not the case and when the slightest fluctuation occurs, many units—otherwise sound—disappear. Most of them refuse to consider the State Bank which, as one entrepreneur put it, is the citadel of orthodox high finance, where sound conservative banking principles in the truest British tradition are sought to be applied to these unfortunates. Red tapism, bureaucracy and the arrogance of officialdom: all serve to keep these small entrepreneurs well away from the State Bank. Much the same is true of the Small Industries Department, where one observed, not so much the lack of ideas as the inability to execute what ideas are already there on paper. We would suggest in this connection the setting up of a marketing organisation for these machine tools somewhat along the lines of what is being done for Khadi products.

*"The Approach of Operational Research to Planning in India".

† I am indebted to Professor K N Raj of the Delhi School of Economics who first suggested what I was struggling to express.

Technical Requirements

When one examines their need for technical advice, certain interesting facts emerge. Of these there are two which we think merit attention. The first is, that every such unit can be reduced in terms of its machine-stock to the bare minimum that is necessary for production to take place. These essential machines are: (1) a lathe machine; (2) a shaping machine; (3) a grinding machine; and (4) a drilling machine. With these four, the firm can not only produce for the market, it, can also reproduce its capital-equipment. The precision of the products depends upon the precision of these original machines such that

precision breeds precision and imprecision, imprecision. Furthermore the parts that have to be precise are generally few in number. Thus in a lathe, we gathered, for obtaining precision products, the parts that have to be precise are (1) the lead screw; (2) the spindle; and (3) the gears. We see no reason why the State cannot produce these items on high precision equipment and then sell them to these firms on a no profit-no loss basis. That way a progressive upgrading of quality becomes possible.

One further point regarding technical assistance. Most of these centres have a large number foundry establishments, where smelting etc

is done on the basis of the crudest trial and error method. Surely it is not difficult to give them information on points such as these. As a matter of fact what we visualise are Small Technical Institutes staffed by sympathetic experts and possessing essential high precision equipment that these units cannot afford, and which they can use. This is what was implicit in the Soviet Machine Tractor Stations for agriculture, and this is what is implicit in the Chinese Technical Institutes for small industry. Development, really, is less a function of models and pious wishes, and more a function of good organisation, good execution and a refusal to be dogmatically and snobbishly orthodox.



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Wage Patterns in Indian Industry

S D Mehta

THE twenty-nine industries covered by the Census of Manufactures for 1954 present a confusing wage pattern. Average wages differ widely within the same industry as well as from one industry to another. The high-wage industries employ only fractional proportions of the labour force. Labour earnings in most States are well below the national average. National effort should, therefore, be devoted to elimination of low-wage pockets instead of raising wages in sectors that already enjoy high wage levels.

Nearly 7,000 million man-hours comprised the labour input of organised Indian industry in 1954. The entire range of this labour input cannot be directly expressed in terms of earnings per consistent unit of time, say the man-hour. The usual figures of man-year earnings ignore the wide variation of working days in a year from factory to factory within the same industry, and from the average of one industry to that of another. It is, however, possible to present such consistent estimates for the twenty-nine industries covered by the Census of Manufactures, which together account for almost three-fifths of industrial employment in the country.

Patchy Wage Map

3,433 million man-hours were worked in the twenty-nine Census industries in 1954, the latest year for which complete data are available so far. (Man-hour data are available in the Census only for workers directly employed. Workers employed through contractors, about 3.5 per cent of the total employment, are thus not taken into consideration.) These man-hours were paid for, in the aggregate, at the rate of 94 pies per man-hour, and the aggregative man-year averaged 2,321 man-hours. Alternatively, the average man-year was worth in terms of wage-earnings Rs 1,136 per year of 290 working days. (Cf. the All India average for all industries, given by the Labour Ministry, is Rs 1,111 per man-year.)

In Statement A are presented two basic series:

(1) State-wise calculations of earnings in pies per man-hour in each of the twenty-nine industries,

and the share of each State in the man-hours worked in a particular industry.

(2) Industry-wise averages and the minima and maxima of State-wise figures in each industry. It will be seen that the Wage Map of Indian Industry remains a patchy picture—often diffused, and, equally often, confusing.

Wide Variations

First of all, there is the tremendous variation in the industrial averages—from the small (in terms of employment) Sewing Machines industry where 149 pies per man-hour is the national average to 35 pies per man-hour in the Rice Milling industry. This range is even wider if one considers the maximum—181 pies per man-hour in the Iron and Steel mills of Bihar—and the minimum—25 pies in the Rice Mills of Mysore—in terms of State-cum-Industry earnings.

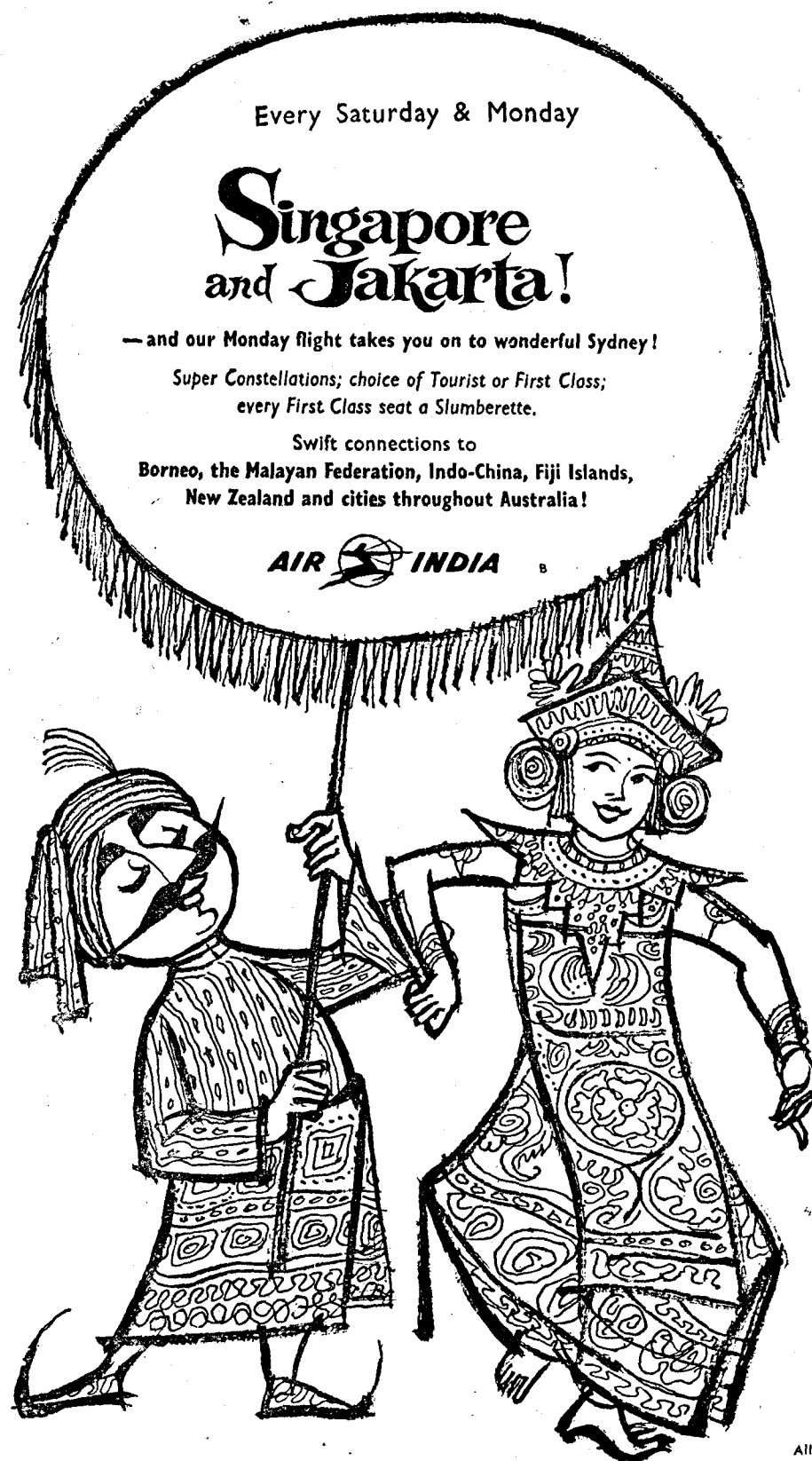
Secondly, the ranking of industries according to the level of man-hour earnings (see Table 1) has a number of surprises. Of the highest wage-payers—Sewing Machines, Iron and Steel, Soap, Edible Hydrogenated Oils and Cotton Textiles, in that order—three are so small as to account individually for less than one-half per cent of the labour force employed in the Census Industries.

Table 1—Census Industries Ranked According to Level of Man-Hour Earnings

Rank	Industry	Earnings (pies)
(1)	Sewing Machines	149
(2)	Iron and Steel	141
(3)	Soap	112
(4)	Edible Hydrogenated Oils	106
(5)	Cotton Textiles	104
(6)	Paints & Varnishes	99
(7)	Electric Fans	96
(8)	Chemicals	93
(8)	Bicycles	93
(9)	Cement	91
(10)	Electric Lamps	90
(11)	General Engineering	89
(11)	Woollen Textiles	89
(12)	Matches	88
(13)	Aluminium, Copper and Brass	87
(14)	Paper & Paper-Board	80
(15)	Jute Textiles	79
(15)	Wheat Flour	79
(16)	Sugar	76
(17)	Distilleries and Breweries	71
(18)	Ceramics	69
(18)	Starch	69
(19)	Biscuit-Making	67
(20)	Tanning	60
(21)	Glass & Glassware	58
(22)	Fruit & Vegetable Processing	54
(23)	Plywood & Tea-Chests	53
(24)	Vegetable Oils	50
(25)	Rice Milling	35

Table 2—State-wise Labour Earnings Percent of Labour Highest Earnings Range for the Labour Force in the State (pies) Force in Earnings Ranges up to and including 70 pies per man-hour

State	Highest Earnings Range (pies)	Force in Earnings Ranges up to and including 70 pies per man-hour
Bombay	161-170	2.30
West Bengal	161-170	5.64
Madras	81-90	25.09
Andhra	61-70	100.00
Uttar Pradesh	101-110	19.79
Bihar	181-190	8.50
Mysore	61-70	100.00
Madhya Pradesh	91-100	26.00
Punjab	81-90	22.65
Delhi	111-120	74.50
Orissa	81-90	58.20
Rajasthan	71-80	29.66
Pepsu	71-80	45.98
Saurashtra	81-90	32.13
Assam	111-120	66.70
Travancore-Cochin	71-80	93.47
Ajmer	51-60	100.00
Kutch	81-90	—



All. 7969

Statement A—Industrial Wages Per Man-Hour 1954

	Rice Milling		Wheat Flour		Biscuit Making		Fruit & Vegetable Processing		Sugar		Distilleries & Breweries		Starch	
	(1)		(2)		(3)		(4)		(5)		(6)		(7)	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Bombay West	*	*	134	19.39	80	33.86	103	23.69	78	7.51	73	6.20	77	55.82
Bombay Bengal	33	35.47	92	17.78	64	35.17	53	14.58	76*	5.52*	119	14.36	—	—
Bombay Madras	29	13.95	75	3.82	55	6.66	—	—	62	3.87	—	—	29	1.67
Bombay Andhra	39	17.82	—	—	47	1.34	37*	16.41*	60	4.26	53*	31.41*	—	—
Bombay Uttar	39	2.21	50	25.06	51	9.53	47	18.31	76	62.13	72	34.89	59	42.51*
Bombay Pradesh	41	7.51	63	6.15	64	5.48	—	—	82	15.78	69	7.04	—	—
Bombay Mysore	25	0.43	—	—	45	4.30*	—	—	—	—	—	—	—	—
Bombay Madhya	32	8.67	48	2.91	—	—	28	27.01	—	—	—	—	—	—
Bombay Pradesh	71	0.19	67	14.63	—	—	—	—	—	—	—	—	—	—
Bombay Punjab	—	—	76	4.63	72	3.66	—	—	—	—	—	—	—	—
Bombay Delhi	29	10.82	—	—	—	—	—	—	—	—	43	1.86	—	—
Bombay Orissa	38	0.31	—	—	—	—	—	—	49	0.93	32	4.24	—	—
Bombay Patiala & East Punjab States Union	—	—	52*	5.63*	—	—	—	—	—	—	—	—	—	—
Bombay Saurashtra	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bombay Assam	63	2.48	—	—	—	—	—	—	—	—	—	—	—	—
Bombay Travancore-Cochin	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bombay Ajmer	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bombay Himachal Pradesh	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bombay Vindhya Pradesh	37*	0.14*	—	—	—	—	—	—	—	—	—	—	—	—
Bombay Kutch	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Average	35	—	79	—	67	—	54	—	76	—	71	—	69	—
Highest	71	—	134	—	80	—	103	—	82	—	119	—	77	—
Lowest	25	—	48	—	45	—	28	—	49	—	32	—	29	—

	Veg oils, excl H oils		Edible Hydrogenated Oils		Paints & Varnish		Soap		Tanning		Cement		Glass & Glassware	
	(8A)		(8B)		(9)		(10)		(11)		(12)		(13)	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Bombay West	65	16.00	146	42.11	116	28.51	139	50.35	96	7.12	92	57.01*	61	26.03
Bombay Bengal	60	7.23	92	11.62	101	56.87	109	23.67	62	3.27	—	—	69	24.72
Bombay Madras	43	8.00	71*	31.18*	58*	8.30*	44	7.14	55	54.31	88	22.27	33	2.92
Bombay Andhra	37	11.75	—	—	—	—	96	8.90*	38	1.77	—	—	—	—
Bombay Uttar	52	19.84	75	15.09*	51	3.77	48	3.97	59	28.72	—	—	51	22.18
Bombay Pradesh	55	4.65	—	—	—	—	41	5.97	77	4.81*	92	20.72	65	6.26
Bombay Mysore	33	3.99	—	—	—	—	—	—	—	—	—	—	50	12.91*
Bombay Madhya	38	9.75	—	—	—	—	—	—	—	—	—	—	53	4.98
Bombay Pradesh	61	1.11	—	—	—	—	—	—	—	—	—	—	—	—
Bombay Punjab	56	0.82	—	—	53	1.87	—	—	—	—	—	—	—	—
Bombay Delhi	39	0.09	—	—	—	—	—	—	—	—	—	—	—	—
Bombay Orissa	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bombay Rajasthan	40	3.48	—	—	—	—	—	—	—	—	—	—	—	—

Statement A—(Contd)

	(8A)		(8B)		(9)		(10)		(11)		(12)		(13)	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Patiala & East Punjab State Union	59	0.73	—	—	—	—	—	—	—	—	—	—	—	—
Saurashtra	53	7.63	—	—	—	—	—	—	—	—	—	—	—	—
Assam	66	2.54	—	—	—	—	—	—	—	—	—	—	—	—
Travancore-Cochin	53	2.01	—	—	—	—	—	—	—	—	—	—	—	—
Ajmer	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Himachal Pradesh	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vindhya Pradesh	35*	0.38*	—	—	—	—	—	—	—	—	—	—	—	—
Kutch	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Average	50	—	106	—	99	—	112	—	60	—	91	—	58	—
Highest	66	—	146	—	116	—	139	—	96	—	92	—	69	—
Lowest	33	—	71	—	46	—	41	—	38	—	88	—	33	—
Ceramics														
(14)		(15)		(16)		(17)		(18)		(19)		(20)		
A B		A B		A B		A B		A B		A B		A B		
Bombay	48	5.65	47	14.46*	79	12.20	161	16.51	119	58.99	110	31.67	—	—
West Bengal	75	25.32	58	29.02	90	37.36	109	11.33	74	5.17	59	6.19	80	93.58
Madras	45	7.07*	49	10.97	73	40.64*	53	50.75	86	13.59	34	1.12	—	—
Andhra	—	—	—	—	—	—	—	—	47	0.34	—	—	68	2.49
Uttar Pradesh	—	—	48	9.91	74	9.80	108	20.35*	92	7.16	106	18.75	63	2.44
Bihar	86	36.07	—	—	—	—	—	—	76	0.47*	51	10.30*	69	1.49*
Mysore	—	—	—	—	—	—	—	—	70	2.88	—	—	—	—
Madhya Pradesh	54	14.28	—	—	—	—	—	—	79	4.24	—	—	—	—
Punjab	—	—	—	—	—	—	—	—	87	0.51	79	31.97	—	—
Delhi	51	4.87	—	—	—	—	—	—	120	2.20	—	—	—	—
Orissa	—	—	—	—	—	—	—	—	81	0.57	—	—	—	—
Rajasthan	—	—	—	—	—	—	—	—	76	0.99	—	—	—	—
Patiala & East Punjab States Union	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Saurashtra	48	6.74	—	—	—	—	30	1.06	84	1.47	—	—	—	—
Assam	—	—	55	30.24	—	—	—	—	—	—	—	—	—	—
Travancore-Cochin	—	—	49	5.40	—	—	—	—	53	0.66	—	—	—	—
Ajmer	—	—	—	—	—	—	—	—	60	0.76	—	—	—	—
Himachal Pradesh	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vindhya Pradesh	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kutch	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Average	69	—	53	—	80	—	88	—	104	—	89	—	79	—
Highest	86	—	58	—	90	—	161	—	120	—	110	—	80	—
Lowest	45	—	47	—	73	—	30	—	47	—	34	—	63	—
Woolen Textiles														
(19)		(20)												
A B		A B												
Bombay	48	5.65	47	14.46*	79	12.20	161	16.51	119	58.99	110	31.67	—	—
West Bengal	75	25.32	58	29.02	90	37.36	109	11.33	74	5.17	59	6.19	80	93.58
Madras	45	7.07*	49	10.97	73	40.64*	53	50.75	86	13.59	34	1.12	—	—
Andhra	—	—	—	—	—	—	—	—	47	0.34	—	—	68	2.49
Uttar Pradesh	—	—	48	9.91	74	9.80	108	20.35*	92	7.16	106	18.75	63	2.44
Bihar	86	36.07	—	—	—	—	—	—	76	0.47*	51	10.30*	69	1.49*
Mysore	—	—	—	—	—	—	—	—	70	2.88	—	—	—	—
Madhya Pradesh	54	14.28	—	—	—	—	—	—	79	4.24	—	—	—	—
Punjab	—	—	—	—	—	—	—	—	87	0.51	79	31.97	—	—
Delhi	51	4.87	—	—	—	—	—	—	120	2.20	—	—	—	—
Orissa	—	—	—	—	—	—	—	—	81	0.57	—	—	—	—
Rajasthan	—	—	—	—	—	—	—	—	76	0.99	—	—	—	—
Patiala & East Punjab States Union	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Saurashtra	48	6.74	—	—	—	—	30	1.06	84	1.47	—	—	—	—
Assam	—	—	55	30.24	—	—	—	—	—	—	—	—	—	—
Travancore-Cochin	—	—	49	5.40	—	—	—	—	53	0.66	—	—	—	—
Ajmer	—	—	—	—	—	—	—	—	60	0.76	—	—	—	—
Himachal Pradesh	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vindhya Pradesh	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kutch	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Average	69	—	53	—	80	—	88	—	104	—	89	—	79	—
Highest	86	—	58	—	90	—	161	—	120	—	110	—	80	—
Lowest	45	—	47	—	73	—	30	—	47	—	34	—	63	—

	(21)		(22)		(23)		(24)		(25)		(26)		(27)		(28)	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Bombay	102	34.61	87	27.58	111	34.08	162	28.25	—	—	80	47.32*	77	14.38	109	28.14
West Bengal	89	29.23	109	21.87	117	34.08	78	17.56	161	87.71	100	52.68	98	73.67	89	33.68
Madras	66	7.18	77	6.64	84	0.79	76	11.46	—	—	—	—	—	—	68	6.66
Andhra	58	0.38	45	3.13	—	—	—	—	—	—	—	—	—	—	42	1.17
Uttar Pradesh	79	4.60	57	3.79	66	2.43	51	12.12	—	—	—	—	—	—	62	4.33
Bihar	111	15.22	93	18.43	181	48.75	58	10.34*	—	—	—	—	—	—	85	7.24
Mysore	54	1.71	98	2.95*	53	7.84*	—	—	—	—	—	—	—	—	67	4.13
Madhya Pradesh	45	0.36*	47	0.70	—	—	—	—	—	—	—	—	—	—	93	1.46
Punjab	53	0.84	63	9.16	64	0.51	62	20.27	63	5.02	—	—	85	3.77	81	5.15
Delhi	78	3.06	64	1.79	68	0.24	—	—	60	7.27*	—	—	118	8.18	76	3.28
Orissa	—	—	—	—	—	—	—	—	—	—	—	—	—	—	63	1.03
Rajasthan	—	—	75	2.52	—	—	—	—	—	—	—	—	—	—	58	0.73
Patiala & East Punjab States Union	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Saurashtra	75	1.65	56	1.44	65	1.23	—	—	—	—	—	—	—	—	66	0.49
Assam	—	—	—	—	—	0.08	—	—	—	—	—	—	—	—	58	0.78
Travancore-Cochin	—	—	—	—	—	—	—	—	—	—	—	—	—	—	116	0.98
Cochin	69	1.16	—	—	—	—	—	—	—	—	—	—	—	—	73	0.32
Ajmer	—	—	—	—	—	—	—	—	—	—	—	—	—	—	65	0.28*
Himachal Pradesh	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vindhya Pradesh	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kutch	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Average	93	—	87	—	141	—	93	—	149	—	90	—	96	—	82	0.15
Highest	111	—	109	—	181	—	162	—	161	—	100	—	118	—	89	—
Lowest	45	—	45	—	53	—	51	—	60	—	80	—	77	—	116	—

* Only a composite figure is available for the States marked with an asterisk, and is given in the statement against only one State.
Note: A=Earnings in pies per man-hour; B=Proportion of man-hours worked.

Statement B—State-wise Distribution of Labour-force According to Man-Hour Earnings

Earnings per man-hour (Pies) A	Bombay				West Bengal				Madras			
	A	B	C	D	A	B	C	D	A	B	C	D
Upto 20	—	—	0.00	—	12068	3.00	3.00	—	4467	3.41	3.41	2
21-30	—	—	0.00	—	—	—	—	—	986	0.75	4.16	2
31-40	—	—	0.20	1	—	3.00	3.00	1	3029	2.32	6.48	3
41-50	927	0.20	0.20	—	4047	1.00	4.00	—	11037	8.44	14.92	3
51-60	—	—	0.20	2	6616	1.64	5.64	4	13300	10.17	25.09	3
61-70	10169	2.10	2.30	6	279781	69.46	75.10	3	2058	1.57	26.66	3
71-80	11975	2.47	4.77	6	59292	14.72	89.82	3	95962	73.34	100.00	3
81-90	4788	0.99	5.76	1	5152	1.28	91.10	4	—	—	—	—
91-100	549	0.10	5.86	1	9336	2.32	93.42	4	—	—	—	—
101-110	51469	10.61	16.47	4	23737	5.89	99.31	2	—	—	—	—
111-120	395747	81.59	98.06	3	—	—	99.31	—	—	—	—	—
121-130	—	—	98.06	—	—	—	99.31	—	—	—	—	—
131-140	3277	0.68	98.74	2	—	—	99.31	—	—	—	—	—
141-150	2539	0.52	99.26	1	—	—	99.31	—	—	—	—	—
151-160	—	—	99.26	—	—	—	99.31	—	—	—	—	—
161-170	3608	0.74	100.00	2	2739	0.68	99.99	1	—	—	—	—
171-180	—	—	—	—	—	—	—	—	—	—	—	—
181-190	—	—	—	—	—	—	—	—	—	—	—	—
Total	485048	100.00	—	23	402768	99.99	—	26	130841	100.00	—	19

Earnings per man-hour (Pies) A	Andhra				Uttar Pradesh				Bihar			
	A	B	C	D	A	B	C	D	A	B	C	D
Upto 20	—	—	—	—	—	—	—	—	—	—	—	—
21-30	—	—	—	—	—	—	—	—	—	—	—	—
31-40	13820	49.38	49.38	3	673	0.46	0.46	1	—	—	—	—
41-50	4558	16.29	65.67	4	1765	1.21	1.67	4	3381	4.32	4.32	1
51-60	3977	14.21	79.88	2	13298	9.11	10.78	7	1335	1.71	6.03	1
61-70	5630	20.12	100.00	1	13147	9.01	19.79	3	1932	2.47	8.50	4
71-80	—	—	—	—	63784	43.70	63.49	5	—	—	—	—
81-90	—	—	—	—	50338	34.49	97.98	1	34467	44.07	52.57	3
91-100	—	—	—	—	2944	2.02	100.00	1	5281	6.75	59.32	2
101-110	—	—	—	—	—	—	—	—	4380	5.60	64.92	1
111-120	—	—	—	—	—	—	—	—	—	—	64.92	—
121-130	—	—	—	—	—	—	—	—	—	—	64.92	—
131-140	—	—	—	—	—	—	—	—	—	—	64.92	—
141-150	—	—	—	—	—	—	—	—	—	—	64.92	—
151-160	—	—	—	—	—	—	—	—	—	—	64.92	—
161-170	—	—	—	—	—	—	—	—	—	—	64.92	—
171-180	—	—	—	—	—	—	—	—	—	—	64.92	—
181-190	—	—	—	—	—	—	—	—	27442	35.08	100.00	1
Total	27985	100.00	—	10	145949	100.00	—	22	78218	100.00	—	13

Earnings per man-hour (Pies) A	Mysore				Madhya Pradesh				Punjab			
	A	B	C	D	A	B	C	D	A	B	C	D
Upto 20	—	—	—	—	—	—	—	—	—	—	—	—
21-30	114	0.41	0.41	1	299	0.74	0.74	1	—	—	—	—
31-40	947	3.41	3.82	1	6711	16.59	17.33	2	—	—	—	—
41-50	308	1.11	4.93	1	251	0.63	17.96	2	—	—	—	—
51-60	617	2.22	7.15	1	3251	8.04	26.00	2	—	—	—	—
61-70	25820	92.86	100.01	2	27959	69.11	26.00	1	300	1.54	1.54	1
71-80	—	—	—	—	1982	4.90	95.11	—	4105	21.11	22.65	6
81-90	—	—	—	—	—	—	100.01	—	4681	24.07	46.72	2
91-100	—	—	—	—	—	—	—	—	10359	53.27	99.99	3
101-110	—	—	—	—	—	—	—	—	—	—	—	—
111-120	—	—	—	—	—	—	—	—	—	—	—	—
121-130	—	—	—	—	—	—	—	—	—	—	—	—
131-140	—	—	—	—	—	—	—	—	—	—	—	—
141-150	—	—	—	—	—	—	—	—	—	—	—	—
151-160	—	—	—	—	—	—	—	—	—	—	—	—
161-170	—	—	—	—	—	—	—	—	—	—	—	—
171-180	—	—	—	—	—	—	—	—	—	—	—	—
181-190	—	—	—	—	—	—	—	—	—	—	—	—
Total	27806	100.01	—	6	40453	100.01	—	8	19445	99.99	—	12

Earnings per man-hour (Pies) A	Delhi				Orissa				Rajasthan			
	A	B	C	D	A	B	C	D	A	B	C	D
Upto 20	—	—	—	—	—	—	—	—	—	—	—	—
21-30	—	—	—	—	3645	41.78	41.78	1	—	—	—	—
31-40	—	—	—	—	56	0.64	42.42	1	1106	10.67	10.67	3
41-50	—	—	—	—	71	0.81	43.23	1	1145	11.05	21.72	1
51-60	1096	5.16	5.16	3	1306	14.97	58.20	1	823	7.94	29.66	1
61-70	496	2.34	7.50	2	—	—	—	—	—	—	—	—
71-80	5648	26.60	34.10	4	3647	41.80	100.00	1	7291	70.34	100.00	2
81-90	—	—	34.10	—	—	—	—	—	—	—	—	—
91-100	—	—	34.10	—	—	—	—	—	—	—	—	—
101-110	—	—	100.01	—	—	—	—	—	—	—	—	—
111-120	13995	65.91	—	2	—	—	—	—	—	—	—	—
121-130	—	—	—	—	—	—	—	—	—	—	—	—
131-140	—	—	—	—	—	—	—	—	—	—	—	—
141-150	—	—	—	—	—	—	—	—	—	—	—	—
151-160	—	—	—	—	—	—	—	—	—	—	—	—
161-170	—	—	—	—	—	—	—	—	—	—	—	—
171-180	—	—	—	—	—	—	—	—	—	—	—	—
181-190	—	—	—	—	—	—	—	—	—	—	—	—
Total	21235	100.01	—	11	8725	100.00	—	5	10365	100.00	—	7

Note : A=Number of Workers; B=Percentage of Total; C=Cumulative Percentage; and D=Number of Industries.

Statement B (Contd)

Pepsu

Saurashtra

Assam

Earnings per man-hour (Pies)	A	B	C	D	A	B	C	D	A	B	C	D
Upto 20	—	—	—	—	245	1.44	1.44	1	—	—	—	—
21-30	—	—	—	—	—	—	1.44	—	—	—	—	—
31-40	—	—	—	—	1098	6.45	7.89	2	—	—	—	—
41-50	—	—	—	—	4065	23.88	31.77	3	1095	29.98	29.98	1
51-60	204	11.47	11.47	1	62	0.36	32.13	1	1341	36.72	66.70	2
61-70	614	34.51	45.98	1	907	5.33	37.46	1	—	—	66.70	—
71-80	961	54.02	100.00	1	10643	62.53	98.99	1	—	—	66.70	—
81-90	—	—	—	—	—	—	—	—	—	—	66.70	—
91-100	—	—	—	—	—	—	—	—	1216	33.30	100.00	1
101-110	—	—	—	—	—	—	—	—	—	—	—	—
111-120	—	—	—	—	—	—	—	—	—	—	—	—
121-130	—	—	—	—	—	—	—	—	—	—	—	—
131-140	—	—	—	—	—	—	—	—	—	—	—	—
141-150	—	—	—	—	—	—	—	—	—	—	—	—
151-160	—	—	—	—	—	—	—	—	—	—	—	—
161-170	—	—	—	—	—	—	—	—	—	—	—	—
171-180	—	—	—	—	—	—	—	—	—	—	—	—
181-190	—	—	—	—	—	—	—	—	—	—	—	—
Total	1779	100.00	—	3	17020	99.99	—	9	3652	100.00	—	4

Kutch

Ajmer

Travancore-Cochin

Earnings per man-hour (Pies)	A	B	C	D	A	B	C	D	A	B	C	D
Upto 20	—	—	—	—	—	—	—	—	—	—	—	—
21-30	—	—	—	—	—	—	—	—	—	—	—	—
31-40	—	—	—	—	—	—	—	—	—	—	—	—
41-50	201	3.42	3.42	1	—	—	—	—	—	—	—	—
51-60	4899	83.29	86.71	2	5434	100.00	100.00	1	—	—	—	—
61-70	398	6.76	93.47	1	—	—	—	—	—	—	—	—
71-80	384	6.53	100.00	1	—	—	—	—	168	100.00	100.00	1
81-90	—	—	—	—	—	—	—	—	—	—	—	—
91-100	—	—	—	—	—	—	—	—	—	—	—	—
101-110	—	—	—	—	—	—	—	—	—	—	—	—
111-120	—	—	—	—	—	—	—	—	—	—	—	—
121-130	—	—	—	—	—	—	—	—	—	—	—	—
131-140	—	—	—	—	—	—	—	—	—	—	—	—
141-150	—	—	—	—	—	—	—	—	—	—	—	—
151-160	—	—	—	—	—	—	—	—	—	—	—	—
161-170	—	—	—	—	—	—	—	—	—	—	—	—
171-180	—	—	—	—	—	—	—	—	—	—	—	—
181-190	—	—	—	—	—	—	—	—	—	—	—	—
Total	5882	100.00	—	5	5434	100.00	—	1	168	100.00	—	1

Note: A=Number of Workers; B=Percentage of Total; C=Cumulative Percentage; and D=Number of Industries.

Statement C—Number of Workers Employed Industry-wise According to Earnings in Pies per Man Hour—1954

Earnings per Hour (Pies)	Wheat Flour	Rice Milling	Biscuit Making	Fruit & Vegetable Processing	Sugar	Distilleries & Breweries	Starch	Crushing Oil	Vegetable Oils	Edible Hydrogenated	Paints & Varnishes	Soap
Upto 20	—	—	—	—	—	—	—	—	—	—	—	—
21-30	—	8178	—	299	—	—	—	—	—	—	—	—
31-40	—	24628	—	257	—	156	—	—	10613	—	—	—
41-50	1153	3381	255	185	1145	71	—	—	2259	—	26	880
51-60	240	—	747	143	3830	1172	682	—	12034	—	555	—
Total	—	—	—	—	—	—	—	—	—	—	—	—

Earnings per Hour (Pies)	Tanning	Cement	Glass & Glass-ware	Ceramics	Plywood & Teacheests	Paper & Paper Board	Matches	Cotton textiles	Woollen textiles	Jute textiles	Chemicals
Upto 20	—	—	—	—	—	—	—	—	—	—	—
21-30	—	—	—	—	—	—	—	—	—	—	—
31-40	127	—	729	—	—	—	245	—	—	—	—
41-50	—	—	2382	3193	1458	—	6696	2442	259	—	—
51-60	6346	—	5118	3140	2193	—	—	9733	2205	—	127
61-70	263	—	10910	5574	—	11213	—	20399	4573	15137	1064
71-80	395	—	—	5048	—	8335	—	71680	—	239602	2819
81-90	—	2844	—	—	—	—	—	110387	—	—	3591
91-100	549	9610	—	—	—	—	—	50338	—	—	10503
101-110	—	—	—	—	—	—	—	—	—	—	—
111-120	—	—	—	—	—	—	—	405672	7436	—	11699
121-130	—	—	—	—	—	—	—	—	—	—	4380
131-140	—	—	—	—	—	—	—	—	—	—	—
141-150	—	—	—	—	—	—	—	—	—	—	—
151-160	—	—	—	—	—	—	—	—	—	—	—
161-170	—	—	—	—	—	—	—	—	—	—	—
171-180	—	—	—	—	—	—	2069	—	—	—	—
181-190	—	—	—	—	—	—	—	—	—	—	—
Total	7680	12154	19139	16955	3651	19548	13872	670651	14473	254739	34183

Earnings per Hour (Pies)	Aluminium, Copper & Brass	Iron & Steel	Bicycles	Sewing Machines	Electric Lamps	Electric Fans	General Engineering	Total No. of workers	Proportion in each category %	Cumulative Total %
Upto 20	—	—	—	—	—	—	—	—	—	—
21-30	—	—	—	—	—	—	—	8770	0.59	0.51
31-40	—	—	—	—	—	—	—	36769	2.48	2.99
41-50	725	—	—	—	—	—	—	21135	1.43	4.42
51-60	927	4713	1233	—	—	—	—	64614	4.37	8.79
61-70	1570	2257	1053	364	913	417	21833	88860	6.01	14.80
71-80	1972	961	1753	—	—	128	4544	423352	28.62	43.42
81-90	4788	512	—	—	1027	2418	56508	219326	14.83	58.25
91-100	3284	—	—	—	—	266	1982	71358	4.82	63.07
101-110	3710	25871	—	—	—	—	34936	66553	4.50	67.57
111-120	—	—	—	—	—	—	1216	439075	29.68	97.25
121-130	—	—	—	—	—	—	—	2507	0.17	97.42
131-140	—	—	—	—	—	—	—	3309	0.22	97.64
141-150	—	—	—	—	—	—	—	6347	0.43	98.07
151-160	—	—	1539	2739	—	—	—	27442	1.85	99.92
161-170	—	—	—	—	—	—	—	1479417	99.92	99.92
171-180	—	27442	—	—	—	—	—	—	—	—
181-190	—	61756	—	—	—	—	—	—	—	—
Total	16976	61756	5578	3103	1940	3229	124315	—	—	—

All Industries

Startling Disparities

Thirdly, there is nothing like a nationally operative wage level in any industry, except in the cement industry. In fact, some of the disparities are truly startling, even if one leaves out of consideration industries characterised by marked product heterogeneity. Thus, in the Wheat Flour industry of Uttar Pradesh, which accounts for a quarter of the industry's total man-hours, the earning is 50 pies; in West Bengal, with 18 per cent of the industry's man-hours, the rate is 92 pies; in Bombay, with 19 per cent of the man-hours, the rate rises to 134 pies.

The Edible Hydrogenated Oils industry, the product of which is presumably homogenous, is another amazing case, in a sense similar to the Wheat Flour industry in the range of variation it shows, for the contrast it presents with the level of wages in the allied Vegetable Oils Industry.

This wide variability in labour earnings within industries is seen in almost twenty-four out of the twenty-nine industries covered in Statement B, where the industry-wise earnings data of Statement A have been translated back in terms of actual employment. In view of the limitations of the basic data (see note to Statement A), Statement B has, however, to be somewhat less comprehensive than Statement A.

Lower than Average Earnings

It can be broadly stated that the national average of 94 pies per man-hour coincides with the range 91 to 100 pies per man-hour. On the basis of this national average, it will be seen from Statement B that only one State, Bombay, can be regarded as approaching and exceeding it. In fact, in 11 out of 18 States, for which the relevant figures could be worked out, even the highest range of earnings was below the national average. Even if a more conservative standard were adopted—earnings upto and including 70 pies per man-hour, as has been done in Table 2—it is found that six out of seventeen States employ more than half their industrial labour force upto and in these ranges. Given this lower criteria, in four States—Bombay, West Bengal, Bihar and Delhi—the wage-floor will be found to have shifted upwards in a decisive manner.

We now move on to the synoptic view of labour-employment in Indian Industry in the consistent terms of earnings in pies per man-hour presented in Statement C.

Starvation Wages

The details and aggregates of Statement C focus attention on one of the blurred issues in the Indian wage situation today: the presence of pockets where wages are excessive in relation to per capita income or the quality of industrial skills required, side by side with areas of the wage-economy, where a man may earn only to starve. It is a tragedy that so much of our effort as a nation is dedicated to the justification, maintenance and further extension of the former, and so little of it to the elimination of the latter.

Madhya Pradesh Water Rates Committee

THE MP Water Rates Committee has issued a questionnaire for the examination of prevailing water rates for various crops in the

different integrated units of the new Madhya Pradesh. The questionnaire also covers the administration and management of irrigation works in the State.

Among the questions asked are: water requirements of crops, produce of various crops, expenditure in raising crops, water rates structure, water rates for various irrigation practices, revision of water rates, expansion of crops due to rates, compulsory irrigation cess, necessity of water courses and their maintenance, penalty for wastage of water, coordination in supply of fertilizers and irrigation water constitution of District Irrigation Committee, irrigation on agreement basis, agency for collection of Irrigation Revenues, duties of Irrigation Panchayats, and Administration and management of irrigation works in the State.

The last date for receiving replies to the questionnaire is April 30, 1959.

Chairman's Statement

The Chartered Bank

Statement by the Chairman, Vincent Alpe Grantham, Esq.

THE following is the text of the Statement by the Chairman on India, Pakistan, Ceylon, Burma, Singapore, Federation of Malaya, Indonesia and Thailand to be submitted at the One-Hundred-and-Fifth Annual General Meeting of the stockholders of the Chartered Bank, to be held on the Bank's premises at 38 Bishopsgate, in the City of London, on Wednesday, the 1st day of April, 1959:-

India

In previous years I have expressed anxiety that, taking into account India's available financial resources, the second five-year plan might well prove too ambitious. Nobody who has any knowledge of the living standards of the mass of the Indian population will question the need for strenuous efforts to improve them but, if the problem is to be tackled successfully, harsh economic realities make it necessary to distinguish between what is desirable and what is practicable. At one stage during the past year there seemed a grave danger that the import programme sanctioned soon after the inception of the plan in April 1956 had not only outstripped India's ability to finance it, but also the extent of the foreign aid that was likely to be forthcoming. Fortunately, following the Finance Minister's foreign tour last September, he was able to secure sufficient credits to meet India's shortage of foreign exchange until next March, and possibly to March 1961. Moreover it is generally understood that arrangements are in hand for the provision of enough foreign assistance to complete the essential features of the plan, which suggests that the worst of the crisis may be over. The Reserve Bank of India figures, which show its recent purchases of sterling from the commercial banks to have exceeded its sales, serve to confirm these indications that the stringent import restrictions are now producing a favourable balance of trade in the private sector of the economy. It is difficult to gauge the fall in foreign exchange expenditure on government account, where a rapid

contraction is not easily effected, but it does appear that the heavy and continual loss of foreign exchange over recent years has been halted. Unfortunately the extent to which the government has resorted to deferred payments to achieve this result has left a burden, to be shouldered in the years to come, which will leave little margin for additional foreign exchange expenditure during the third five-year plan, even allowing for possible savings on exchange which are likely to accrue when the new steel works and heavy industries, set up under the present plan, commence operations.

This factor and other difficulties that are bound to be encountered in effecting future balance of payments leave little hope for any early increase in the present low figure of foreign assets and, as little or no foreign exchange now exists to mitigate the effects of bad harvests or of temporary reductions in export earnings, it is important to pay some attention to what may be in view in the third five-year plan. It is planned to invest Rs 10,000 crores in the period and one-third of the figure is expected to come from private investment. Progressively less reliance is to be placed on foreign assistance and a much larger figure is expected from domestic savings. This large figure of private investment is looked for after quite considerable extra taxation has been imposed and collected to take care of investment in the public sector. Domestic savings must surely depend on the ability to save and it is at least questionable whether the income per capita in relation to the cost of living will permit of savings on this scale. So far as private enterprise is concerned, the country's complicated system of heavy taxation, direct and indirect, which is apparently to bear extra burdens, has already reached a point where it is a serious deterrent not only to private enterprise in India, but also to foreign enterprise. Although progressively less reliance is to be placed on the latter the investment of foreign capital is still recognised as being of vital necessity and the

government has said that it wishes to encourage it. It is questionable under the circumstances whether this encouragement is in fact being given. Investment too, however made, should be concentrated on the agricultural sector, which would probably show quicker and better returns than industrialisation and would certainly do more generally to raise the standard of living.

So far the vagaries of the monsoon and the resultant food shortages in some districts, have been offset by substantial deliveries of wheat by the United States under P. L. 480 agreements and equally generous supplies of cotton were given. These overseas gifts do not, however, solve the foreign exchange problem and it seems to me that India has to accomplish two things in order to safeguard its future; firstly, and this applies equally to Pakistan, it has to improve its relations with its neighbour to an extent that the proportion of military and other service expenditure in its budget is so drastically reduced that a lowering of taxation is possible. Secondly that the gold in the hands of the people be made available to the government. This is a psychological problem depending on confidence but it might be possible to introduce a form of bearer loans against gold, or even free imports, and allow an economic rate to be found and confidence restored in that way. Success in this could go a long way towards solving India's foreign exchange problem.

Another factor which may prove of the utmost importance but which is not dependent upon governmental action is an increase in oil production. On the other hand, I cannot but view with misgiving the increased tendency towards State trading. State trading corporations may perhaps be essential in dealing with countries behind the iron curtain but generally speaking they detract from a country's competitive trading ability and they certainly discourage private enterprise.

The widespread publicity given to India's difficulties during the

YOUR



SAVINGS

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• • •

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past year or more should not be allowed to obscure the extensive progress that has been achieved in carrying out the country's development programme. The task of improving the living standards of a population of some 400 million, which is increasing by about six million each year, is obviously immense and it is greatly to the credit of the Indian government that it has chosen to implement its five-year plans by democratic means.

In the purely banking field there was a tremendous change in the lending/deposit ratio of the banks, due no doubt to a striking increase in bank deposits. How much this is due indirectly to the large counterpart funds held in the country resulting from the sale of commodities imported under aid is not clear, and it would perhaps be more to the country's advantage if these counterpart funds could be spread amongst all the banks instead of being held by a single lender. Such a redistribution might, too, bring deposit and other rates to a level more in keeping with the cost of bank advances.

Pakistan

A few years ago it seemed possible that Pakistan would emerge as a State strong economically and sound politically notwithstanding such initial disadvantages as the lack of a civil service, the influx of refugees and a territory divided geographically. Unfortunately since then over-emphasis on industrial rather than agricultural development on the one hand and a sad deterioration in the standards of public life on the other have seen these desirable goals recede. In fact such was the cost to the country of governmental instability and lack of leadership that when, last October, Major-General Iskander Mirza, who was then President, abrogated the constitution and, with the support of the army, imposed a direct presidential rule under martial law, there was general relief and a feeling that this was the only hope of saving the country from what was considered a steady drift to disaster.

Fortunately the new regime, achieved power without bloodshed or disorder and under the new President, General Ayub Khan, it has acted with energy to effect an improvement in the country's circumstances. Although at first there was some confusion in business circles be-

cause of the many regulations fixing prices and limiting profits and dividends, the authorities have shown a commendable spirit of compromise and a general soundness of judgment in the introduction of new measures. Some of these measures, designed to bring to light illicit foreign exchange holdings and to eliminate corruption, hoardings and profiteering were long overdue and can only have a wholly beneficial effect on the economy.

It is pleasing to see that national effort is to be concentrated on the agricultural sector of the economy, on which the country's prosperity will depend for many years to come and when Pakistan can again feed its population and stop the large imports of food-grains which have entailed such heavy outlay of foreign exchange in the last few years, then a great step forward will have been taken towards restoring equilibrium to the national economy. The higher interest rates already announced, if supplemented by a sound budgetary policy and the elimination of deficit financing, should curb the steady expansion of purchasing power within the country and indirectly help exports, but I view with some apprehension the recently announced export bonus scheme. The idea behind all such schemes is commendable but in practice, for administrative reasons, not one has so far worked successfully in any Eastern country. Nevertheless, it is fair to say that Pakistan enters 1959 in circumstances more hopeful than for some years past.

Ceylon

The major and disquieting feature which has dominated trade and industry in Ceylon during the past year has been the widespread and increasing state of unrest which first manifested itself in November 1957 in serious labour disputes which, as I mentioned last year, brought to a standstill the normal working of the port of Colombo. The resurgence of tension between the Sinhalese and Tamil communities culminated in May last in an outbreak of rioting and disorder almost throughout the island. After some hesitation, it became necessary to declare a state of emergency and the government then took steps to restore law and order. The authorities acted probably only just in time to prevent what might well have been an irremediable deterioration in

the island's security; the fact that the state of emergency is still in force shows that although the general situation has been more normal for some months a renewed outbreak of violence is still considered a possibility.

Such improvement as there has been in the general situation has not been reflected unfortunately in the working conditions in the port of Colombo, which handles the bulk of the country's overseas trade. Hopes that strikes and go-slow movements among the dock labour force would cease when nationalisation of the port took effect at the end of July proved ill-founded and although in November all work connected with the harbour was declared an essential service under the emergency regulations, there has still been persistent trouble with the labour force.

To meet the situation it has been necessary to make increasing use of Ceylon's other ports, Trincomalee and Galle, which are now working to full capacity. Being in a position to ship through these ports has greatly assisted the tea industry but during the second half of the year tea prices at the Colombo auctions were lower and, had it not been for the introduction of the subsidy scheme last March, many of the marginal producers would have had to close down. Even so there is evidence of some of Ceylon's overseas customers turning to other supplies.

Fortunately, and because of the country's inherent agricultural wealth, the total volume of all exports was maintained at much the same level last year as in 1957. The volume of imports on the other hand decreased, partly because strikes in the port of Colombo made it difficult to land cargoes. Because of this the external balances, which had shown a marked fall in 1957, were well maintained at over Rs. 850 million. This is a tremendously important factor as it puts the government, if it so desires, in a position to avoid the mistakes of other potentially rich young nations of imposing controls that stifle enterprise and in their application undermine the political and official life of the country. Unfortunately all pointers at the moment suggest that the government, in order to attain the desire for more socialism, is committed to more nationalism, State trading and increased taxation, and in fact the

latest budget proposals embrace a new range of taxes involving expenditure, capital gains and property. Heavy government expenditure financed by a budgetary deficit is likely to generate further inflation, which in turn may endanger the precious exchange reserves.

More industrial development to raise living standards has been suggested by the National Planning Council but there can be little doubt that Ceylon's first priority should be to intensify and improve the cultivation of the country's staple agricultural products—tea, coconuts and rubber—in order to build up export earnings to pay for essential imports. Improved irrigation and the extensive use of fertilisers and the improvement of crops could adequately offset Ceylon's lack of mineral wealth, for it is difficult to see how a country lacking minerals, and without an extremely plentiful and cheap labour force, can successfully embark on large scale industrialisation. In any case one cannot look with any great optimism to the future until the government comes to grips with the unlawful elements in the island and puts labour on a realistic basis satisfactory to the government and private industry as employers and to the solid mass of decent, hard-working employees.

Burma

The outstanding event in Burma last year was the appointment in October of General Ne Win as Prime Minister in succession to U Nu. It was a peaceful transition with no bloodshed or violence. The General assumed office at the invitation of the then Prime Minister and the new regime, which was approved by a parliamentary majority, pledged itself to hold general elections within six months of its accession to power. Such undertakings are often difficult to implement, as is shown by the recent resignation of General Ne Win and his statement at the time that free and fair elections in April are practically impossible under conditions at present obtaining in the country. As there is no doubt that the non-party caretaker government under his leadership, which enjoyed a wide measure of popular support, had with vigour and efficiency set about its task of restoring law and order and normal living conditions, it is hopeful and gratifying that the General is seemingly prepared

to resume office and continue the good work provided the constitution be amended to allow him, a non-parliamentarian, to hold office for longer than the period of six months allowed under existing provisions.

Considering the good work being accomplished in many directions it is disappointing that the administration seems still strongly wedded to State trading and barter, notwithstanding the unfortunate experiences of the past years, and it would be a pity if the opportunity were not taken now to allow that freedom of private enterprise and trading which might make a vital difference to the balance of payments and hence the standard of living.

Fortunately next season's rice crop is expected to be substantially higher and it can therefore be hoped that exports in the coming year will show a considerable increase on the disappointing figures for 1958. In fact the exportable surplus may once again reach two million tons for a year. Only a very severe restriction on imports enabled the Union Bank of Burma to show an increase in foreign assets over the year. This restriction on imports, besides being internally inflationary, deprived the citizens of some of the luxuries they were accustomed to in their mode of life: a state of affairs accentuated by the government-sponsored joint venture trading corporations' failure to live up to their declared purpose of reducing the prices of the consumer goods which were imported. This lends strength to my feeling that there is doubt whether the present system is consistent with the efficient marketing internationally of the country's staple exports or with obtaining the best possible value in terms of goods and commodities imported from abroad.

Notwithstanding the foregoing remarks I think that the beneficial effects on the administration of a continuance of the recent stable government, together with the country's steadily increasing agricultural wealth, ensures that Burma enters the new year under more favourable auspices than for several years past.

Singapore

The recession in international trade during the past year has

been reflected in a reduction of Singapore's overseas trade turnover. Singapore and the Federation together showed a trade deficit almost throughout the year, but in November a reduction in imports effected an improvement. Additional difficulty has been caused by the insurrection in Indonesia and relations with the Indonesian government have been somewhat strained, although the government of Singapore has appeared only too anxious to remain on good terms with its neighbour. The disruption of trade with Indonesia, on which Singapore's prosperity depends in large measure, not only left a legacy in the shape of excess stocks of imported goods in Singapore but emphasised the difficulties inherent in operating successfully as an entrepot in South East Asia at the present time.

The need for providing employment for the increasing number of young people entering the labour market from school has encouraged responsible political leaders to advocate close co-operation with the Federation in order to open up wider fields for local labour and enterprise. At the same time the government has made it clear its interest in local industrial development by introducing various measures to this end. Although in this particular direction Singapore could profit from the example of Hong Kong in developing a wide range of manufacturing industry, the basis of its prosperity must rest for many years to come on its status as a free port and on its entrepot trade, a fact which, as the controversy over the government's acceptance of a policy of selective protection showed, is well understood locally. Capital and enterprise from abroad can assist industrial development and it is to be hoped that the new immigration measures under consideration by the governments of Singapore and the Federation will not create difficulties for companies employing expatriate personnel.

The first elections under the new constitution, on which agreement with the British government was reached last year, are now due to be held in May of this year. In recent months there has appeared a growing awareness of the serious responsibilities to be shouldered by those entrusted with the government of the territory as a result

of the elections. Now and in the future there is no guarantee that the living standards of Singapore's population, which at present are relatively high for South East Asia, can be maintained let alone improved if the goods and services available in Singapore are not fully competitive internationally. I stressed this point last year and it is a matter for cautious optimism that the paramount importance of the free port to the life of Singapore is gradually being accepted by all political parties. It is hoped that the City Council, and to a lesser extent certain government departments, will take an equally realistic view.

Federation of Malaya

The most important event in Malaya since my last review, and one which is of special significance to the Bank, has been the establishment of the Central Bank of Malaya (Bank Negara Tanah Melayu) which commenced business on 26th January, 1959. I take this opportunity of welcoming the new institution and of wishing every success to its future operations. The new bank is in a position to exert considerable influence, not only on the banking system of the Federation but also on the territory's economy as a whole. It is in keeping with the practical attitude which has been shown by the authorities in the Federation in setting up their Central Bank that, although the relevant legislation includes provisions under which the new institution can take over from the Board of Commissioners of Currency, Malaya and British Borneo, the issue of the Federation's currency, for the time being it has been decided to allow the existing arrangements to continue. So far there are no arrangements between the two governments concerned for any extension of the activities of the Central Bank of Malaya to Singapore. It must, therefore, be a matter for satisfaction that the continuance on the same parity basis, of the existing currency arrangements, to put it at the very least, postpones the fragmentation of the unified currency area comprising the Federation, Singapore and the British territories in Borneo, in which first the Straits dollar and subsequently the Malayan dollar have provided a stable and effective medium of exchange.

To supplement the Central Bank legislation, a banking ordinance providing for the licensing and regulation of the business of banking was enacted and came into operation at the same time as the Central Bank commenced business. Most sections of the ordinance have been based on similar legislation in other Commonwealth countries and include the normal safeguards to protect depositors and others conducting business with the commercial banks. There is one section, however, which has excited some controversy since it confers power on the authorities to refuse a licence to carry on business in the Federation to any bank which is in effect controlled by the government of a foreign state. The Federation's aggregate trade turnover has been lower this year, exports falling more than imports. There are obvious reasons for this, including the general recession in international trade and, a factor which has particularly affected the Federation, the restriction of tin shipments by producing countries under arrangement with the International Tin Council. During the first six months of the year, coinciding approximately with the first export control period fixed by the International Tin Council, some 40 per cent. of the Federation's tin mines closed down, causing substantial unemployment, especially in Perak. Not surprisingly Malaya's tin exports last year were the lowest for over a decade and represented a reduction of 35 per cent. on the 1957 level of shipments. This time last year producers in Malaya were hoping that the restrictions imposed would have the effect of restoring equilibrium between supply and demand in the international tin market by the end of the year. These hopes have been disappointed because of Russian selling of tin on the London market in the middle of the year, which was on such a scale that it proved impossible to maintain the floor price arranged under the Buffer Stock Agreement. Nevertheless, it is generally recognised that had it not been for the agreement the price of tin might have fallen substantially lower. In fact during recent months prices have improved and now that Soviet Russia has shown a readiness to restrict its tin exports by agreement with the International Tin Council, it is possible that the worst of the Malayan industry's ordeal

may be over, although the full effects on the results of producing companies have yet to be seen.

The rubber industry has enjoyed better fortune, heavy Russian buying at the end of the year being the major influence in raising prices in the Singapore market. Mainland China had been a substantial purchaser of Malayan rubber in the early part of the year but later ceased buying in accordance with its policy of discontinuing trade with Malaya in view of what it considers discriminatory legislation in the Federation. The Malayan rubber industry is well aware of the necessity of maintaining its ability to compete with synthetic rubber and, in this connexion, it is to be noted that record progress has been made during the past year in replanting with high yielding seed.

Unemployment in the tin industry has served to emphasise the importance of encouraging economic development in other directions. By introducing legislation granting pioneer industries relief from income tax for periods of two to five years and by displaying interest in sponsoring an international investment charter, the government has shown readiness to create conditions favourable to foreign investment in Malaya. The government continues also to implement its own five-year development plan, but with prudent regard to the financial resources available. Last September the World Bank made a loan to the Federation in connexion with the Cameron Highlands hydro-electric scheme and I am pleased to say that this Bank participated therein.

Elections are due to be held in August 1959 and meanwhile progress is being made towards ending the emergency; many parts of the country having now been declared 'white areas' owing to the efficiency and vigilance of the security forces.

Indonesia

The past year has been one of great difficulty for the Republic. In May it was officially announced that active resistance by the rebels had virtually been brought to an end; insurgent activity however, particularly in Sumatra and the Celebes, continues to cause considerable interference with estate production and with the normal movement from the interior of agricultural products destined for shipment abroad. The rebellion and its

aftermath have inevitably had the effect of reducing exports but somewhat surprisingly provisional figures for the first ten months of the year show that Indonesia not only had a trading surplus but that the surplus itself was substantially higher than for the same period of 1957. Although there is still much leeway to be made up some progress has been made in restoring the country's trade position.

For the time being there remains a serious shortage of foreign exchange and because of this it is unlikely that the import of other than strictly essential goods will be permitted for some time to come. The shortage of foreign currency stems partly from excessive imports in the past and from loss of exchange through extensive barter trade and partly through the disruption in trade caused by the rebellion.

The immediate situation will be relieved to some extent by various credits which Indonesia is receiving from abroad notably from the United States and the U.S.S.R. Aid of this nature can however be but a temporary palliative: lasting economic recovery can only be assured by expanding production and export of the country's agricultural and mineral resources. The government in an endeavour to improve the position has recently shown particular interest in the possibilities of further exploiting the potentialities of the oil industry. A law has also been passed to encourage investment from abroad but with the nationalisation of Dutch owned enterprises and the difficulty in obtaining an adequate return in the form of profit or dividend remittances it seems hardly likely that the Republic can attract outside capital. There can be little doubt that many of the difficulties which Indonesia has had in the economic sphere can be attributed to inflation generated by persistent and excessive budgetary deficits. The excess purchasing power thus created had the effect ultimately of running down the exchange reserves to a dangerously low level and it became necessary in January last to limit to 60 per cent. the cover which the commercial banks were permitted to hold against their foreign exchange commitments under letters of credit. This measure, and the severe credit restrictions imposed by the authorities in an endeavour to curb inflation

and to restrict imports, have borne heavily on the banks, a large part of whose resources have been immobilised in the form of statutory deposits with the central bank. Such measures, although they may be deemed necessary in the national interest, can have little hope of success unless a more satisfactory balance can be attained between government revenue and expenditure. Controls and other expedients such as the complicated Bukti Ekspor system instituted with the object of righting economic ills have not been entirely successful and sooner or later it would seem inevitable that there must be an outright devaluation of the rupiah and a return to normal commercial procedure.

In view of the restrictive policy being followed by the authorities in regard to profit remittances and with the difference between the internal and external value of the rupiah I see little prospect for the time being of any worthwhile reward being received for the extensive services which we offer and the business which we conduct in Indonesia.

Thailand

It is probable that economic factors, no less than political, played their part in causing Field Marshal Sarit, Supreme Commander of the Armed Forces, to effect an unexpected *coup d'état* last October and personally assume the post of Prime Minister. Reduced export earnings had caused a deterioration in Thailand's balance of trade and the resultant reduction in the country's holding of foreign exchange together with a sharp rise in the cost of living brought about a situation in which it was evidently thought necessary to effect a change of government. The old constitution was abrogated last October and under interim arrangements a constituent assembly is to be nominated and to have the task of drafting a new constitution.

To improve the economic position, an advisory committee has been formed to develop the country's resources, effect an immediate reduction in the cost of living and to plan the setting up of secondary industries at an early date. The committee will also be concerned with the formulation of a longterm development plan to be based on the report of the World Bank mission

which visited the country during the course of the year. Early results of the committee's work are new regulations to encourage the establishment of industrial enterprises and to attract foreign capital for investment in the country. New enterprises are to be guaranteed freedom from nationalisation, facilities to import the necessary plant and machinery free of duty, exemption from income tax for a period of from two to five years and, if necessary, a measure of protection by means of tariffs against competitive foreign products.

Notwithstanding rice exports being substantially lower in 1957 compared with previous years and the prospect that good crops next season in adjacent countries may make exports difficult, the authorities have wisely set their face against imposing import restrictions, taking the view that no cause should be given for retaliatory action by other countries against Thailand's exports. Behind this reasoning doubtless there lies the assumption that although the country had a rather unsatisfactory trading year in 1958, the prospects for the export of rice, rubber and tin for the coming year are probably better. The worst of the difficulties arising from the International Tin Council's restriction scheme may well be over, and assuming that the new powers vested in the government departments, do not stifle enterprise, Thailand can rely on its traders to find markets abroad notwithstanding the more competitive conditions foreshadowed.

Vigil

Independent Political Weekly

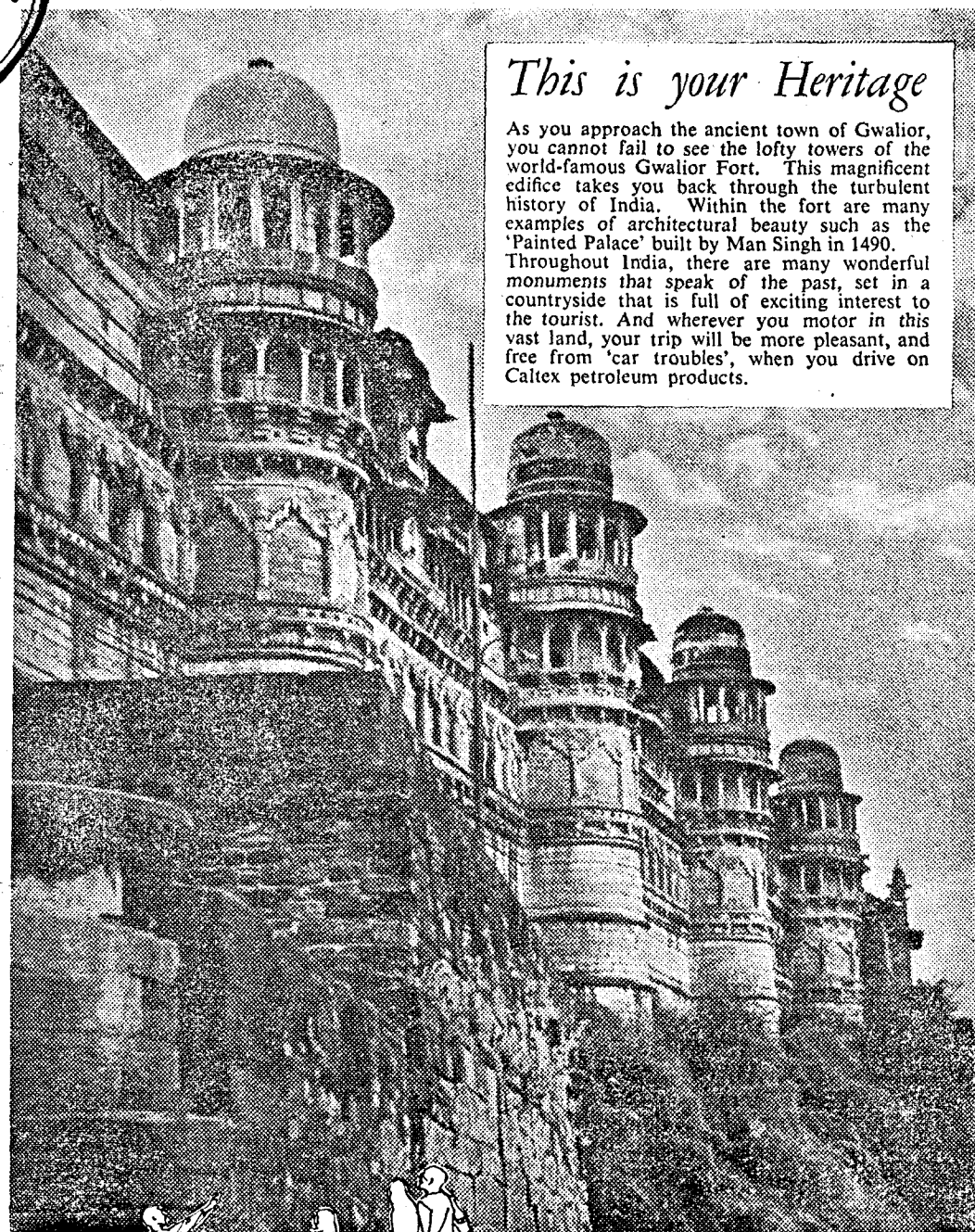
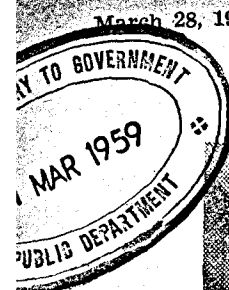
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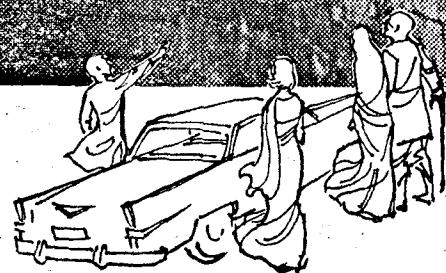
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Around Bombay Markets

Digesting Gains

Thursday Morning

DALAL Street performance last week was rather patchy. Some counters did make new marks in the current uptrend but most of them fluctuated erratically and had to beat a retreat under the pressure of profit-taking, indicating a possible halt of the steep uptrend which had been in progress since the beginning of the month. The rise in equity prices since February-end had been really impressive. Not many bulls could resist the temptation to cash profit. And when bulls came to sell, bears too took their chance.

There was not much in the news to explain the up and down movements in prices. The flare up in Tibet did attract the attention of the speculator but Sheikh Memon Street offered him a better chance than the stock market. And bullion prices did record handsome gains. Sentiment on the stock exchange was guided mainly by the operators' varying assessment of the technical position of different speculative counters.

Profit-taking produced sizable sinking spells but the market was not without its bright spots. Bombay Dyeing, for instance, hit a new high. Not that its profits in 1958 were better than in the previous year but the shortfall of Rs 18 lakhs in gross profits was considered quite a creditable performance for a mill which lived mainly by exports because it was a particularly difficult year for cloth exports. Besides, the company is expected to benefit a good deal from the export incentive scheme.

Automobile Shares Popular

Automobile shares continued to hold conspicuously firm and this was due less to any speculative build-up of positions than to their increased popularity with investors. The manufacturing programme of most concerns is making satisfactory progress and the progress could be much better but for the foreign exchange difficulties. The industry is pleased with the Government's promise of larger allocation of foreign exchange which, however, is still too small to enable the industry to make its full contribution to-

wards relieving the difficult transport situation in the country.

That Dalal Street should be feeling a little out of breath at present will surprise only a few. The market had been running rather too fast. A pause was necessary and it seems to have come. How long it will take the market to gain fresh strength to continue its upward journey, is difficult to say. For, unlike major trends, which may be ascribed to the swings of the business cycle, or the intermediate trends, which represent the alternating efforts of stock prices to keep in line with the major trends in business, the minor trend frequently is illogical and hard to explain. The vagaries of the minor trend make it absolutely impossible to present any exact conclusions of highly practical value concerning either the amplitude or duration of minor trends.

Cotton

Story of Jarilla March

AFTER a further early setback cotton futures developed renewed strength, with the maturing contract recording a spectacular rise, which, however, was not unexpected. Because, no matter how defective a hedge contract, the spread between the hedge contract and spot prices must disappear at least on the last day of the contract. And in the spot market, Moglai Jarilla fine 25/32" cotton (the basis of the contract) could not be had at below Rs 715 per candy. The March and May contracts which had been done down to Rs 675.50 and Rs 668.75 on March 9 were up again at Rs 701 and Rs 683 on March 23 and the closing rates on March 24 were only a little lower at Rs 695 and Rs 676.75 respectively.

A brief sketch of the Jarilla March contract, the first and the longest contract of the season, which went off the E.I.C.A. Board on Tuesday seems necessary. It was on July 14 that this contract started its career at Rs. 671.25. After touching a high of Rs 687.50 on July 16 it continued to move irregularly down till it struck the

season's low of Rs 593.25 on November 1. Since then it had been moving up and up with occasional technical reactions.

The sharp decline from Rs 687.50 to Rs 593.25 reflected essentially forecasts of a bumper crop because of the continued good weather up to that time. One official estimate put the crop at an all-time record of 57 lakh bales. With the textile situation still not-satisfactory, the market reacted violently to the official crop estimate. Down came cotton futures breaking the previous few years' record lows.

Then came the turn. The textile situation showed no material change even though the Government had announced the export incentive measures. But crop estimates began to be revised downward almost every month and the latest estimates place the crop at no more than 48 lakh bales. With cloth output, and hence cotton consumption, continuing at a high level, it is no surprise that Jarilla March should have expired at the season's best.

While its last quotation on the Board is Rs 695, speculative positions remaining outstanding on the last day will be squared up at Rs 715 plus a penalty of Rs 25 for non-delivery. With 2,700 bales tendered last week the total figure of tenders comes to 3,650 bales. These comprised 1,650 bales of Buri American, 1,600 bales of Laxmi A, 300 bales of Khandesh, 50 bales of Madhya Bharat and 50 bales of 216 Punjab American.

Export Quotas Lapse

Export quotas expiring at the end of this month are not being renewed. This will mean the lapse of nearly 1.7 lakh bales on the basis of the performance up to March 16. This may seem a little odd in view of the Government's anxiety to export as much as possible. But then export quota for another 2.5 lakh bales is still there and it seems doubtful whether India can sell much more. New Delhi's decision to allow unused export quotas, which were valid up to March end, to lapse is probably based on the tight internal supply position. Not many varieties

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of good quality cottons are now available at around the ceiling rates.

Shipments of raw cotton from India during the first six months of the season, September to February, total 2,09,070 bales against 59,510 bales in the corresponding period last season. Of course the poor performance then was due to the lack of quotas. Japan occupies the first place among our customers, taking 1,40,262 bales. Hong Kong comes next with 32,542 bales. Then follow the Continent (17,887), U. K. (7,104), China (6,886), the U. S. (2,423) and others (1,966 bales).

Oilseeds

Dull, Subdued

TRADING in oilseeds last week was quite an unexciting affair. Fluctuations were irregular but small and the tendency slightly subdued. Groundnuts were depressed by persistent corrective profit-taking. Castor which had always been taking their cue from groundnuts naturally followed. Linseeds were marked down by scattered bear pressure induced presumably by the movement of the crop and reduced off-take. Cottonseeds alone managed to hold firm because of the strong bull grip in upcountry markets and the renewed firmness in cotton futures.

Fluctuations in oilseeds futures last week up to Tuesday (Wednesday was a holiday) were as below. Figures in brackets are the previous week-end closing rates.

Groundnut May: (Rs 190.25) 189.50, 186.25, 188.50, 186.25, 186.62 (per candy), Castor May: (Rs 158.75) 158.50, 158.62, 156.12, 158.12, 155.87, 156.25 (per candy), Cottonseed May: (Rs 130.50) 130.50, 129.25, 132.75, 130.75, 131.25 (per candy), Linseed May: (33.37) 33.37, 33, 33, 31, 32.62, 32.69 (per cwt).

The setback in groundnuts was caused essentially by technical considerations. The preceding rise had been steep enough to tempt bulls to cash profit. A further rise might perhaps have attracted the attention of the authorities. Bulls therefore thought it wise to go slow. Sentiment was also affected by vague rumours that restriction on advances against groundnuts might be tightened further.

Spot prices were also affected by the setback in futures. Business was limited. Buyers were reserved but offerings too were by no means large. Oilcakes were also dull and

prices were slightly shaded. Export interest was negligible. Overseas advices were uninspiring. The U. K. quotations for groundnut oil were firm at around £ 117 per ton but export business continues to be remunerative because of the rising trend in internal prices. The incentive scheme for oil export has not been renewed after February end.

Statistical Position of Castor

Fluctuations in castor futures were guided solely by the changing moods of the speculators. Overseas advices in respect of castor oil continued to disappoint but they had been equally bad when the market was firm earlier. Few exporters are inclined to take an optimistic view of the outlook for castor oil at present because of the continued disparity between Indian and world prices.

This season's crop is estimated around 1.2 lakh tons and the carry-

over from the previous season is placed around 15,000 tons, making a total supply of 1.35 lakh tons. Allowing 40,000 tons for domestic consumption and a normal carry-over of 15,000 tons there will remain a surplus of 80,000 tons of seeds i.e. 32,000 tons of oil. Of this we have sold no more than 5,000 tons of oil so far. Unless we are able to dispose of a very large quantity in the next few months the position will get worse because of the competition from Brazil's new crop which will begin to reach the world markets, especially America, in July-August.

Shipments from Bombay from January 1 to March 19 are as under: groundnut H P S 3,496 tons, groundnut oilcakes 49,845, groundnut oil 992, castor oil 1,801, linseed oil 801, linseed cake 2,163, cottonseed cake 8,814 and vanaspati 300 tons.

Morning breaks—
bustle in home,
the kitchen fire is lit,
children are dressed
for school,
the tiffin box
for the office
is prepared,
bustle ends,
now the housewife
can relax over her cup
of refreshing tea!



I am Tea

I am the friend of the family



PST 213

Current Statistics

Industrial Production - II
Chemical Industries

	No. of Factories					Capacity					Production				
	1951	1955	1956	1957	1958	1951	1955	1956	1957	1958	1951	1955	1956	1957	1958
Activated Carbon (Tons)	—	—	—	2	3	—	—	—	250	415	—	—	—	69	1 65
Alum (Tons)	—	18	17	15	15	—	12,210	11,979	10,260	10,260	—	4,370	4,420	5,116	5,110
Aluminium Sulphate Ferric (Tons)	—	18	14	15	15	—	57,444	57,167	52,579	52,579	—	27,690	29,625	30,341	31,000
Aluminium Sulphate iron free (Tons)	—	—	—	8	8	—	—	—	6,898	6,898	—	—	—	2,471	3,300
Ammonium Chloride	—	2	3	3	3	—	8,332	8,498	8,498	8,498	—	1,683	4,700	5,205	6,000
Ammonium Sulphate ('000 tons)	7	8	8	8	8	—	427.0	470.3	430.9	432.0	52.7	393.0	388.9	379.7	379.4
Bichromates (Tons)	9	7	7	7	7	—	5,600	5,379	6,518	6,848	3,200	3,300	3,270	3,671	3,600
Bismuth Salts (kgs)	—	—	—	2	2	—	—	—	20,000	20,000	—	—	—	21,167	20,091
Bleaching earth activated (Tons)	—	—	—	2	3	—	—	—	4,785	4,885	—	—	—	1,715	2,000
Bleaching Powder (Tons)	3	3	3	3	3	—	7,800	14,640	14,350	14,640	3,600	2,698	4,657	5,343	6,200
Bromides (Tons)	—	1	1	1	1	—	211	211	211	500	—	144	156	138	135
Cadmium electroplating salts (Tons)	—	—	—	—	2	—	—	—	—	119	—	—	—	—	—
Calcium Carbide (Tons)	—	3	3	2	2	—	5,000	5,000	4,125	4,125	—	3,109	2,889	3,596	3,800
Calcium Carbonate (activated) (Tons)	—	—	—	1	2	—	—	—	495	1,860	—	—	—	145	480
Calcium Carbonate (Precipitated) (Tons)	—	—	—	2	2	—	—	—	1,860	1,860	—	—	—	186	340
Calcium Chloride (Tons)	—	3	3	3	3	—	2,861	2,861	2,861	2,861	—	786	845	1,320	1,465
Calcium Gluconate ('000 Kgs)	—	2	2	2	3	—	—	—	60.0	61.8	—	—	—	23.3	30.3
Calcium Lactate ('000 Kgs)	—	3	3	3	3	—	—	—	181.8	181.8	—	—	—	41.2	67.1
Carbon-di-Oxide Gas (Tons)	—	—	—	11	11	—	—	—	15,212	15,158	—	—	—	4,811	5,670
Caustic Soda (Tons)	9	12	12	12	15	—	44,300	45,158	45,360	68,965	14,700	34,253	39,416	42,418	55,400
Chloral Hydrate ('000 kgs)	—	—	—	1	1	—	—	—	54.5	54.5	—	—	—	17.1	18.1
Chromic Acid (Tons)	—	—	—	5	5	—	—	—	500	500	—	—	—	119	150
Copper Electroplating Salt (Tons)	—	—	—	—	2	—	—	—	—	2,260	—	—	—	—	2
Copper Sulphate (Tons)	11	10	11	11	11	—	2,018	3,300	6,135	6,135	500	1,045	1,980	1,886	2,100
Dissolved Acetylene Gas (Mn Cft)	—	—	—	4	4	—	—	—	115	132	—	—	—	62	70
Ether B P & Anesthetics ('000 Kgs)	—	3	3	3	3	—	—	—	720.0	720.0	—	—	—	273.8	296.4
Ethyl Chloride ('000 kgs)	—	1	1	1	1	—	—	—	32.7	32.7	—	—	—	14.6	22.2
Ferrous Sulphate (Tons)	—	9	9	9	9	—	1,387	1,399	1,399	1,399	—	515	460	635	700
Ferrous Gluconate ('000 Kgs)	—	2	2	2	2	—	—	—	27.3	27.3	—	—	—	6.8	6.8
Ferric Chloride Solid (Tons)	—	2	2	2	3	—	83	2,112	2,277	2,277	—	56	140	127	150
Hydrochloric Acid (100%) ('000 tons)	—	2	2	2	3	—	—	—	17.3	17.3	—	18	10.9	11.4	12.0
Hydroquinone (Tons)	2	2	2	3	2	—	36.8	36.8	43	20	9	—	—	25	30
Incandescent Gas Mantles ('000 gross)	—	—	—	6	6	—	—	—	212	212	—	—	—	99	144
Hydrogen Peroxide (Tons)	—	—	1	1	1	—	660	660	1,200	1,200	—	—	325	611	360
Iodides Potassium ('000 kgs)	—	—	—	1	1	—	—	—	10.9	10.9	—	—	—	2.7	1.0
Iodides Sodium ('000 kgs)	—	—	—	1	1	—	—	—	5.4	5.4	—	—	—	1.1	1.2

Liquid Chlorine (Tons)	6	7	7	7	10	13,100	20,200	20,200	20,130	31,440	5,300	11,571	15,076	15,693	18,000
Magnesium Carbonate (Tons)	—	—	—	—	2	—	—	—	1,208	1,320	—	19	22	38	5
Magnesium Chloride (Tons)	—	—	—	—	4	—	—	—	39,600	39,600	—	6,111	8,540	4,816	6,800
Magnesium Sulphate (Tons)	—	16	15	16	16	—	8,963	7,755	8,085	8,085	—	4,030	3,415	4,100	4,800
Nickel Ammonium Sulphate (Tons)	—	—	—	—	2	—	—	—	100	109	—	—	—	5	10
Nickel Carbonate (Tons)	—	—	—	—	2	—	—	—	—	49	—	—	—	—	7
Nickel Chloride (Tons)	—	—	—	—	2	—	—	—	—	82	—	—	—	—	8
Nickel Compound Electroplating Salts (Tons)	—	—	—	—	3	—	—	—	—	5,692	—	—	—	—	16
Nickel Sulphate (Tons)	—	—	—	—	3	—	—	—	80	131	—	—	—	29	60
Nicotinic Acid (kgs)	—	—	—	—	2	—	—	—	1,364	1,182	—	—	—	180	373
Nikethamide (kgs)	—	—	—	—	4	—	—	—	8,075	8,075	—	—	—	3,240	3,023
Nitric Acid (100%) (Tons)	—	3	3	3	22	—	—	—	3,790	3,790	—	—	1,168	1,370	1,600
Nitrous Oxide Gas (mn galls)	—	—	—	—	1	—	—	—	2	2	—	—	—	11	10
Oleic Acid (Tons)	—	4	4	4	4	—	—	—	1,140	1,140	—	200	221	200	220
Oxygen Gas (mn cft)	—	4	4	4	4	—	—	—	490	690	—	282.8	328.4	405.0	450.0
Phosphoric Acid	—	2	2	2	2	—	—	—	726	726	—	255	220	372	750
Potassium Chlorate (Tons)	—	2	2	2	2	—	—	—	2,310	2,520	—	2,135	2,276	2,287	2,600
Saccharine ('000 kgs)	—	1	2	2	2	—	—	—	107.3	107.3	—	—	—	63.8	96.7
Shark Liver Oil (Gals of 6000 IUG)	—	3	3	3	3	—	—	—	70,000	70,000	—	27,158	59,559	46,849	58,203
Soda Ash ('000 Tons)	2	2	2	2	2	—	—	—	108	111	47.5	77.2	84.2	91.9	86.2
Sodium Bicarbonate (Tons)	—	2	2	2	2	—	—	—	4,620	4,620	260	4,125	4,452	4,784	5,500
Sodium Bisulphate (Tons)	—	2	2	2	2	—	—	—	1,419	1,218	—	521	716	674	830
Sodium Salicylate ('000 kgs)	—	5	5	5	5	—	—	—	143.2	177.3	—	—	—	118.0	142.7
Sodium Sulphate (Tons)	—	—	—	—	4	—	—	—	21,587	21,587	—	—	—	9,906	18,500
Sodium Hexameta Phosphate (Tons)	—	—	—	—	19	—	—	—	165	165	—	—	—	73	124
Sodium Sulphide (Tons)	—	12	12	10	9	—	—	—	9,569	9,239	—	2,830	3,060	3,264	3,700
Sodium Sulphite (Tons)	1	4	4	4	4	—	—	—	854	828	—	2,830	383	374	400
Sodium Thiosulphate (Tons)	4	5	5	5	5	—	—	—	2,120	2,153	200	269	914	1,001	1,000
Stearic Acid (Tons)	3	5	5	5	5	—	—	—	3,570	3,570	600	976	1,902	1,285	1,374
Sulphuric Acid ('000 Tons)	48	39	36	37	36	—	—	—	273.1	290.1	106.9	166.2	165.2	196.1	227.0
Superphosphate ('000 Tons)	14	14	14	13	15	—	—	—	277.6	310.6	61.0	74.2	81.2	141.7	181.0
Zinc Chloride (Tons)	—	5	5	5	5	—	—	—	1,876	1,876	—	690	690	750	800
Zinc Electroplating Salts (Tons)	—	—	—	—	3	—	—	—	—	341	—	—	—	—	2
Solvents:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Acetic Acid (Tons)	—	—	—	—	2	—	—	—	3,180	3,180	—	—	—	2,762	3,200
Acetone (Tons)	—	—	—	—	1	—	—	—	600	600	—	—	—	694	700
Carbon Disulphide (Tons)	—	—	—	—	4	—	—	—	8,150	7,400	—	—	—	5,889	7,400
Coke Oven and Coal Tar Distillation Products:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Benzene ('000 gal)	2	3	3	3	3	88.5	538.5	718.5	718.5	718.5	31.5	254.7	343.0	516.4	779.1
Motor Benzol ('000 gal)	—	—	—	—	5	—	—	2,414	2,414	2,414	—	—	731	1,231	978.4
Crude Coal Tar ('000 Tons)	10	11	11	11	11	92.5	117.3	117.3	117.3	117.3	90.8	110.6	104.5	107.7	118.2
Light Creosote ('000 gal)	4	5	5	5	5	—	No separate capacity	—	—	—	151.9	415.8	610.3	529.9	419.5
Heavy Creosote ('000 gal)	—	5	5	5	5	—	No separate capacity	—	—	—	840	585.2	665.7	705.9	462.3
Naphthalene ('000 Tons)	5	5	5	5	5	950	1,030	1,040	1,040	1,040	—	890	952	816	700

Capacity and Production of Chemical Industries (contd)

	No. of Factories					Capacity					Production				
	1951	1955	1956	1957	1958	1951	1955	1956	1957	1958	1951	1955	1956	1957	1958
Pitch (Tons)	4	5	6	5	5		No separate capacity				3,000	3,854	3,682	4,240	4,262
Road Tar (Tons)	4	4	6	5	5		No separate capacity				37,500	40,663	38,702	26,895	19,845
Solvent Naptha (gal)	3	4	5	4	5		No separate capacity				84,000	66,786	60,802	92,772	103,666
Toluene (gal)	3	4	4	3	3	309,500	397,000	497,000	497,000	250,000	172,000	83,102	60,578	92,267	57,082
Paints & Varnishes :															
Alkyd Resins ('000 tons)				8	8				2.4	2.4				1.8	2.3
Aluminium Paste ('000 tons)				1	1				0.5	0.5				0.5	0.3
Chrome Colours ('000 tons)				10	10									0.7	0.8
Nitrocellulose Lacquers (lakh gals)				7	7				8	8				2.7	2.9
Paints ('000 tons)				48	49				65.0	65.0				42.3	50.0
Phthalocyanine Blue ('000 lbs)				1	1									35.6	49.0
Red Lead ('000 tons)				3	3				5.1	5.1				4.1	4.7
Titanium Dioxide Anatase ('000 tons)				1	1				1.8	1.8				1.7	1.7
White Lead ('000 tons)				2	2				3.7	3.7				1.0	1.0
Zinc Oxide ('000 tons)				4	4				12.4	12.4				5.4	6.2
Dye-Stuff :															
Azo Dyes ('000 lbs)	Nil	2	2	2	2	Nil	2,090	2,593	2,593	2,593	Nil	1,589	1,779	2,181	1,802
Fast Colour Bases (lbs)			1	1	1			672,000	672,000	672,000				221,993	242,340
Fast Colour Salts (lbs)	Nil	6	6	5	1	Nil	606,000	630,000	630,000	630,000	Nil	320,578	333,812	272,340	283,079
Solubilised Vats (lbs)	1	3	3	3	3	28,800	196,200	370,500	370,500	370,500	5,900	94,216	100,915	110,989	132,113
Stabilised Azoics (lbs)	5	6	7	9	9	428,990	800,000	950,000	1,146,500	1,146,500	32,200	402,810	482,716	520,769	470,380
Sulphur Black ('000 lbs)	Nil	2	2	2	2	Nil	2,000	3,000	3,000	3,000	Nil	1,696	3,461	3,808	1,989
Ink Blue (lbs)			1	1	1			25,000	25,000	30,000			6,033	7,712	23,692
Methylene Blue (lbs)									*	*				2,612	4,800
Naphthols ('000 lbs)															
Optical Bleaching Agents (lbs)			2	2	2			2,016	2,016	2,016			188	1,285	852
Vat Dyes ('000 lbs)			1	3	3			15,000	277,000	277,000			8,358	76,826	152,753
			2	2	2			402	602	602			46.3	262.5	363.8
Aromatic Chemicals and Essential Oils :															
Rosin (Tons)		3	3	3	3		12,200	12,200	12,200	12,200		10,987	10,323	10,045	8,137
Sandal Wood Oil (lbs)	9	7	7	7	7		298,800	298,800	298,800	298,800	186,800	280,434	259,185	281,071	260,941
Turpentine (organised units) (gal)		3	3	3	3		735,000	735,000	735,000	735,000		630,443	575,162	580,103	437,727
Flavouring Essences (tons)															
Amyl Acetate (lbs)			10	10	10		200,300	200,300	200,300	200,300			100	144	188
Amyl Salicylate (lbs)				1	1			6,000	6,000	6,000				1,220	180
Aurintol (lbs)			1	1	1			14,400	14,400	14,400				2,160	1,600
Citronellal Acetate (lbs)			1	1	2			1,200	1,200	10,200			400	148	3,700
					2					6,000					160

* Combined with Ink blue

THE ECONOMIC WEEKLY

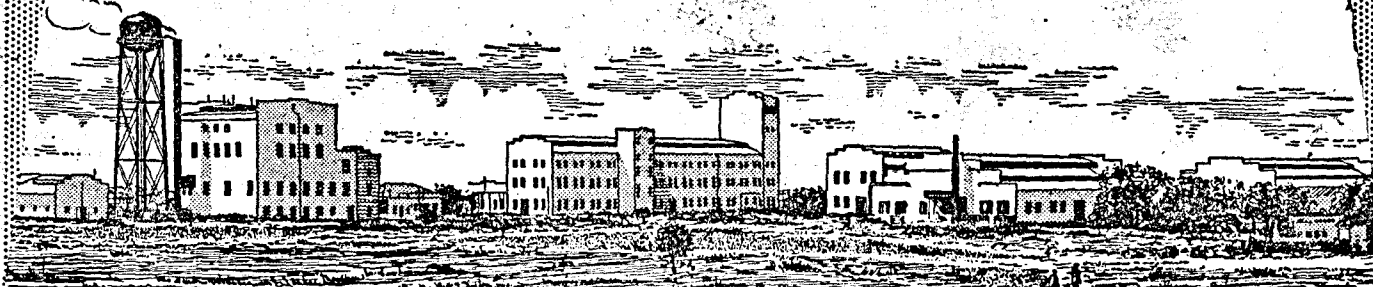
THE ECONOMIC WEEKLY

Citronellal Crude (lbs)				2	1	1			12,000	6,000	6,000			3,346	4,103	5,600
Citronellal (lbs)				1	1	1			3,600	3,600	3,600			3,305	2,350	3,520
Geraniol (lbs)				2	2	2			18,000	18,000	18,000			6,465	8,343	15,700
Geranyl Acetate (lbs)				2	2	2			4,000	4,000	4,000			2,844	1,443	2,850
Hydroxy Citronellal (lbs)				1	1	1			3,000	3,000	3,000			780	610	2,000
Linallol (lbs)				1	1	1			1,200	1,200	1,200			250	900	1,200
Cydrayl Acetate (lbs)																500
Ionone 100% (lbs)					1	1				6,000						500
Phenyl Ethyl Acetate (lbs)					1	1				9,600					4,900	5,300
					2	2				6,000						1,300
Oleo Resins :																
Benzoin (lbs)					2	2				16,000	16,000				NA	4,100
Styrax (lbs)					2	2				7,000	7,000				NA	600
Others (lbs)					2	2				6,000	6,000				2,450	2,326
Antibiotics :																
Penicillin (M U millions)				1	1	2			15	25	50			8.5	14.1	27.5
Chlortetracyclin (kgs)					1	1				9,600	9,600				1,383	1,870
Chloramphenicol (kgs)						1				3,600	3,600				1,526	1,890
Chemotherapeutics :																
PAS and its Salts (kgs)			2	2	5	5				126,000	126,000				42,890	27,576
Isonicotinic Acid-Hydrazide (kgs)	Nil	4	4	4	5	5				19,864	19,864	Nil			14,820	18,045
DDS and its derivatives (kgs)				3	3	3				7,745	7,745				2,490	1,226
Sulpha Drugs :																
Sulphapyridine (kgs)	Nil	1	1	1	1	1				75,000	75,000	Nil			17,005	21,005
Sulphadiazine (kgs)	Nil	1	2	2	2	2				105,146	105,146	Nil			19,270	41,000
Sulphathiazol (kgs)			2	2	2	2				168,600	168,600				67,191	37,603
Sulphosomidine (kgs)					1	1				24,000	24,000				1,995	19,101
Reserpine (gms)										18,000	18,000				258	3,034
Hormones (gms)										18,000	18,000				2,408	10,791
Tolvubutamide (kgs)										660	660				88	759
Dilodihydroxyquinoline and Iodochlorohydroxyquinoline (kgs)																
Galenicals ('000 gal)		44	47	47	47	47				3,086.4	3,086.4				20,190	16,009
Insecticides : BHC (tons)	Nil	2	2	2	2	2				2,500	3,000	712.0	1,191.3	797.1	863.1	963.1
DDT (tons)	Nil	1	1	1	1	1				700	2,200	Nil	1,603	1,177	2,022	2,870
Liver Extracts :																
Injections (cc '000)	17	20	19	19	19	19				31,804	104,484	10,682	24,015	24,416	28,396	38,173
Orals ('000 kgs)	17	20	19	19	19	19				708	708				112	130
Natural Drugs of Vegetable Origin :																
Carbaine and its Salts (kgs)	2	1	3	3	3	3				22,727	23,727				5,278	3,613
Ephedrine and its Salts (kgs)		2	2	2	2	2				1,777	1,777					†
Opium Alkaloids and its Salts (kgs)		1	1	1	1	1				1,364	1,364				21,231	1,288
Strychnine (kgs)	1	1	1	1	1	1				14,749	14,749				4,636	6,029

† Production Stopped

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Progress of Industries

NO one would ever say that industries are the silent partners of the economy or that they carry on their activities in quiet seclusion, beyond the public gaze, nor is information about particular industries so difficult to come by. On the contrary, so many statistics are published, so much publicity literature is issued by the industrial associations as well as the industries individually, that one almost suffers from a surfeit of information. Then there are the company meetings, and conferences of groups of industrialists where views are freely expressed. But do they add up to an answer to the question, is the development of industries well-balanced, and calculated to ensure rapid growth?

To this question, unfortunately, the usual macro-economic magnitudes, which figure so prominently in the literature of planning, can provide no answer. Paradoxically enough, one may give better credence to a certain ratio of savings as promising a likely take-off to the economy. For a mere rise of the index of industrial production does not convey an assurance in regard to industrial growth which this index purports to measure. The meaning of it is obscured by so many things—that the index should still be based on 1951 when development in so many lines had not even begun, that the weights given to the different industries should exaggerate or play down the progress achieved or that the progress itself would appear less or more according as one thinks of the situation here and now, or a year hence, or in the next ten years. In the last analysis, of course, in assessing the facts one has to be selective and the selection is naturally biased one way or the other.

Once a year a statistical collection is presented by the Ministry of Commerce and Industry which is unique in being the most exhaustive that is available in any one publication. These are the statistics of industrial capacity and production, which have been reproduced in the statistical pages over the last three weeks. The Ministry has created history this year by bringing out its report in time! And these data, nowhere else readily available, certainly merit careful analysis and scrutiny. They do not, however, give a complete picture of the industrial scene. This is partly because of certain inter-ministerial conventions, which presumably make this otherwise complete account of industrial production leave out the iron and steel industry for example, and leaves the reader guessing whether the production figures of industries in the public sector have been fully incorporated or not. The report is not specific on these points. These statistics of capacity and production also leave out the electricity, mining and food industries, presumably because of the same inter-ministerial conventions. The picture is not complete for another reason, for the report itself is on the correct official lines and information presented reads like departmental notes, prepared without a clear purpose or design. This is not to belittle the value of the report, but only to suggest how it could be enhanced.

The overall impression that one gets is one of progress. Some new capacity was set up during the year, there has been greater utilisation of existing capacity and production has increased in most of the industries. If one leaves out cotton textiles and sugar, the index of production rose, according to the report—one should not ask how the

weights were re-distributed, this is not explained—to 155.9 during the first nine months of 1958 from 146.9 in the same period of 1957. If cotton textiles and sugar are included, the index goes down to 142.7 from 144.8. As has already been mentioned, the picture one gets depends on what one considers to be important. One may take either of the figures as the more significant one. In terms of the macro-economic magnitudes, all is certainly not well; viewed as progress towards the goal of widely diversified industrialisation, the progress is not unimpressive. For one has to supplement the index by what it leaves out—the new industries that have been set up since 1951, which the index takes as its base. No one can accuse the Commerce and Industry Ministry that it is unaware of the inadequacy of the index, this the report acknowledges. But the Ministry does not think of doing the obvious, viz, revising the index.

Not many new industries were established during the year. Among those which went into production, the principal ones are in chemicals. That fewer lines of production were started during the year may or may not be due to the delayed impact of the import restrictions which were clamped two years ago. What impact import restrictions are having on industrial production in general is even more difficult to assess. True, alongside the statistics of capacity and production the report offers explanations in most cases for the rise or fall, and it is only in the case of less than ten industries that it has mentioned that production had been affected by import curbs. There are several other industries for which the fall in production is attributed to 'raw materials scarcity' but it is difficult to be sure that the scarcity was only of domestically-produced raw materials.

There was expansion of both capacity and production in 21 industries in the engineering group, in 26 industries in the drugs and chemical groups, and in a few other industries as well. Import restrictions appear to have helped many, if not most, of the industries to utilise their capacity more fully, by maintaining an increasing demand for their products. Many of the industries are working two or three shifts and at least in one, ball bearings, production is estimat-

ed at four times the capacity!

By and large, however, the explanations given for appreciable fall or rise in production, add very little to our knowledge. For example, take the very first item in the list, 'agricultural implements'. The production in 1958 shows a decline and the reason given is 'less number of units'. That is clear from columns 4 and 7 of the statements, which give the number of units in 1957 and 1958. In the case of clocks, which show an increase in production, the reason given is 'two more units came into production'. And should not production be related in the statements to the Plan targets for the various industries?

There are a few intriguing questions which require explanation. In the Chapter on 'Heavy Machinery Industries', the report states that the stainless steel utensils industry has also been brought under the purview of the Industries (Development and Regulations) Act, 1951, and that so far forty-five industrial units have applied for registration. It adds that import of stainless steel to the tune of 5,000 tons valued at Rs 4.5 crores may

be required for this industry. It passes understanding how utensils could come under 'Heavy Machinery Industries'. Is the stainless steel utensils industry in the Plan, that it is given so much importance and allowed to import Rs 4.5 crores worth of raw material?

Take dyestuffs. Production of some items is now adequate to meet domestic demand and no import of those items is being allowed, thus effecting a reduction from Rs 15 crores to Rs 12 crores in the expenditure on imports of dyestuffs. The intermediates for most of these items, however, are imported and they cost foreign exchange, and according to the Tariff Commission, in most cases the cost of importing intermediates is higher than that of the finished products. Therefore, the savings in foreign exchange cannot be as large as is claimed in the report. Since the Ministry is so eager to highlight all savings in foreign exchange, why not publish a down-to-earth study of the net savings in foreign exchange effected by the development of various industrial vis-a-vis the capital cost incurred by them in foreign exchange?

Islands in a Tangle

THE trouble in and about the Maldivian Islands has now crystallised into hard, well-defined lines. After nearly a month of the revolt in the Southern atolls, the authority of the Male Government has still not been re-established there. Indeed, the atolls have broken off and formed a rival regime of their own, for which they are seeking formal recognition from Britain. The request is backed by a promise of more or less unconditional support for British plans to hold an R A F base in the strategic island of Gan—a support which the original Government in Male is anxious to tie up with a full and formal recognition of Maldivian sovereignty by Britain.

The Maldivian Government's exchanges with Britain have been marked by an increasing amount of acrimony. London has been charged with encouraging the revolt in the south, and indeed sponsoring it through the agency of a British Major attached to the R A F as an adviser. This Britain has denied; but the defence it has put forth of the Major's activities in Gan is sketchy and lacks conviction. He has

been represented as a keen ornithologist, which as a hobby is not necessarily incompatible with political intrigue. Perhaps the Major has a good defence against Maldivian charges; if so, it has not so far been made.

Some other British activities in Gan have irritated Male. The southern atolls allege a famine, which the Maldivian Government hotly denies. But whether or not a famine in fact prevails, Britain has been rushing food supplies to the islands without the consent of Male. That is both irregular and strange. How food can be supplied by a foreign Government to a country without—and, indeed, against—its Government's expressed wishes, it is hard to explain on grounds of either propriety or political good sense. If the argument is that Male is in no position to judge the situation in the southern islands, which are out of its administrative control, and also that it could not forward food supplies sent to it, the answer surely is that it is Britain's first duty, as the "protectorate power" of the Maldives, to restore the lawful Government's authority by, if neces-

sary, military assistance. The strangest part of the whole affair is that this it has failed to do. In fact, there are reports that the rebels are being given arms, or at least not in any way prevented from acquiring them. This is a long way off from the assistance Whitehall immediately made available to another protectorate in trouble—Nyasaland.

The question of recognition of the rebel regime does not arise seriously at this stage. Britain says it has no intention of according it. Nevertheless it has put itself in a paradoxical position. It continues to recognise the regime in Male and defy it at the same time. The question of the food supplies is not the only one that irks the Maldivian Government; there is the other, and more important, question of the R A F base at Gan. Male does not want it built until the sovereignty of its Government has been conceded; but Britain, refusing this demand, continues nonetheless to build the base. This is a fantastic situation.

What is the solution to this multi-sided tangle? It is instructive to approach the issue from all the available angles. From the angle of the rebels, the position is more or less untenable. They cannot hope to extend their control over the entire Maldives; and it would be economically impractical for them to try and run a partitioned country of such meagre resources. From the angle of the Maldivian Government, the position looks intractable. The regime in Male is apparently in no position to quell the rebellion in the south and thereby reduce the issue to a straightforward one for negotiation between Britain and itself. That leaves the field free to Britain whose main interest is to secure the base at Gan, which it could not do for long in the face of Maldivian opposition. It is in Britain's own interest, therefore, to exercise its "protectorate" function on behalf of the Male Government, restore its control over the southern atolls and negotiate a straight agreement with it about the base. There should be no insurmountable difficulty about that, since Male is not in principle opposed to the installation of the base on Gan. Its only condition is that the agreement to instal the base should be freely arrived at between two sovereign States. Why not? The Maldivians are as much entitled to their freedom as anyone else; and they

are making no impossible conditions. Britain would be wise to try and achieve a settlement on the basis of the reasonable terms Male has laid down.

What about the people of the Maldives? There is no means of knowing what they think of having a permanent foreign base on their

soil. Britain's reluctance to concede them independence shows at least that popular reaction to the idea is bound to be unfavourable if not now, then before long. For that there is no help. What is certain is that it would be doubly as difficult to hold both the base and the country down at the same time.

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Weekly Notes

New Import Policy

WITH all its defects and limitations, our import policy has succeeded in achieving its main objective, which was to cut down imports to size. When it was realised during 1956-57 that imports were going up at too rapid a rate and had already precipitated a foreign exchange crisis, steps were taken to restrict non-essential and even some essential imports. It was feared at that time that the number of outstanding licences was so large that cuts effected in the new import policy would not prove effective into bringing down the total of imports very appreciably for a long time. These fears turned out to be exaggerated. Private imports went on declining continuously quarter after quarter during 1957-58. If in spite of this decline, total imports were larger at Rs 1174 crores during 1957-58 as compared to Rs 1075 crores in 1956-57, it was largely due to imports on account of the Plan. The performance in 1958-59 has been even more revealing. Private imports during this year, it is estimated, have come down from Rs 682 crores to around Rs 550 crores, though Government imports at around Rs 500 crores are nominally higher, compared to Rs 492 crores in 1957-58.

All these go to show that the amount of outstanding licences during 1958 was either over-estimated or that these licences were largely on account of the public sector imports needed for implementing the 'core' of the Plan. It is true that there has not been much of a time-lag between the adoption of stiffer import policy and actual reduction in the next import period. But this has been largely due to luck—shall we say?—because the authorities were in no position to be reasonably sure how much of the licences outstanding at the beginning of a licensing period were 'live' ones and, what is more important, how much of these would be actually utilised during that period.

Now that import restriction, and fairly strict restriction, has come to stay, and is bound to remain in force not only for the rest of the Second Plan, but also for the Third Plan period, is it not surprising that no adequate study should yet be

available of the import licences outstanding at a particular date? Or that so little should be known about the proportion of these licences which are likely to be utilised during any particular licensing period? Without such information, it may be possible for omniscient Government Departments to plan imports ahead and to phase them in such a way that foreign payments due approximately equal the foreign exchange resources available, period by period. But lesser mortals would shrink from the task.

In view of the general foreign exchange situation, it is but proper that the import policy for April-September should be no different, however much importers and users of imported materials may feel the pinch. Within the prescribed limits, however, some welcome and very intelligent adjustments have been made in the new policy which gives it an unwonted air of liberality. This has pleased the market, judging from its initial reaction. The policy, however, still remains to be announced for a number of items such as betel nuts and cloves which command premia of 500 per cent and 350 per cent respectively. In this list, curiously enough, printing paper of all sorts also occupy a prominent place. So the prayer of the paper trade may yet be answered.

But more important than what the market thinks or feels is the effect of the changes on industrial production. The freedom now allowed to actual users of imported raw materials to buy their requirements for nine to twelve months instead of for the next six months as hitherto, appears to be eminently sensible. Broadly, there has been a slight liberalisation in items in which shortage was most acute—particular items of chemicals and dyes, some engineering items like fractional motors, raw films and a number of motor vehicle parts. Also significant is the issue of licences to established importers of non-ferrous metals—hitherto a banned item—albeit with price control on their sales. This may not mean the withdrawal of the State Trading Corporation from this particular field, but it certainly advertises its failure to distribute successfully, at least to the small users.

Hussein's Visit to the States

KING HUSSEIN of Jordan's visit to the United States a fortnight ago was not impelled by any pressing circumstances such as those few dramatic weeks last year when both his life and his throne seemed at stake. All is quiet in Jordan, apparently. The Jordan-Israeli front, especially, has been very quiet latterly, despite the fact that over a million Arab refugees from Palestine live in Jordan and are a perennial source of trouble. These refugees, of course, are presently being supported by United Nations aid of which seventy per cent comes from the United States alone. Jordan itself, as is well-known, is completely and hopelessly non-viable from the economic standpoint and there is no foreseeable possibility of there being a change in the situation: for its very existence it will have to play ball with the United Kingdom and the United States and go round with begging bowl in hand.

Commenting on his visit to the States, the 'New York Times' said obliquely: "The atmosphere he (King Hussein) has found at the White House and elsewhere in Washington is indicative of the desire to be as friendly and helpful as possible, which is as it should be". It might be asked: for whom? For the vanity of King Hussein who rules over a kingdom that has no income save what is provided to it by international dole? For the strategic needs of the West which wants a foothold in the Middle East, apart from Israel? And Jordan is as useful a piece of real estate as one can wish. Or is the friendliness and help for the million odd displaced Arabs who cannot go back to Israel and do not want to remain in Jordan?

That King Hussein should be playing the Western game for a mess of pottage, needless to say, is one of the saddest chapters of Arab history. Perhaps, at some future day, this young man who has been catapulted to his throne will see the utter senselessness of stopping the surge of Arab nationalism in a Canute-like gesture. For the time being, however, he seems to be safe. Perhaps promise of American dollars has temporarily kept the Pales-

tinian refugees from exploding. Perhaps President Nasser finds it expedient to hold his tongue; Jordan, certainly, has got a breather, which King Hussein seems to be anxious to cash in on with a quick visit to the States.

The United States would need Jordan as never before; Iraq has finally backed out of the Baghdad Pact. Iraq's tenuous link with the West has now been finally broken. Iraq now insists on being completely neutral, but whether this is dictated by enlightened self-interest or is a direct result of the murderous cross-fire from two sides, the Soviet Union and the United Arab Republic, only time will tell. But while President Nasser continues sniping at Iraq, Jordan is taking time off to mend its fences—and these, the world knows, needed some mending. Kassim's misfortune is providing to be Hussein's opportunity, though, where the Middle East is concerned, no one dare make any claims with any degree of certitude.

Export Promotion & Co

EXPORT promotion is very much in the air. But export incentive schemes having temporarily suffered an eclipse, what is going to be the new formula to infuse fresh life into export promotion? Ever since Shri Lal Bahadur Shastri's loud thinking at the last meeting of the Export Advisory Committee that industries will have to export 10 per cent of their products, there has been mild speculation as to how this was to be achieved. That industry might itself take the lead had more than once been hinted, but nothing has come off yet. Heavy increases in excise duties to make the domestic market less attractive to manufacturers are not likely to be popular. Worse still, the limited experience that we have does not suggest that they can be effective either. An alternative to excise duties could be an agreement among manufacturers to raise prices internally and to use the extra profits to subsidise exports at a loss. There is no reason to suppose that collective action, even for so laudable a purpose, can succeed any better.

A hand-out issued by the All-India Exporters' Chamber about the formation of an Export Corporation as a limited liability company "to cover all functions of foreign trade with emphasis on ex-

ports of non-traditional items" is, therefore, bound to arouse keen curiosity about the possible modus operandi of the proposed Corporation. The sponsors are two non-trading bodies, the All India Exporters' Chamber and the Africa and Overseas Exporters' Chamber, and the proposed Corporation, it is now known, will have the support of the Indian Council of Foreign Trade, which also belongs to the same category. Being non-trading bodies, engaged presumably in advising traders and rendering the usual services which Chambers of Commerce are supposed to render to their members, the sponsors seem to have been fired both with enthusiasm and an idealism befitting the times. The Corporation which they propose to float, it is advertised, "will try to subsidise exports of some commodities out of the profits made in exports of traditional items." This is high idealism indeed and it is not surprising that the proposal, as reported from the same source, should have received the blessings of the Minister for Commerce and Industry. Idealism, yes, but is it also practical commonsense to use the profits on traditional exports to subsidise exports of new items? A trading firm which makes money on some exporting lines would surely have other ideas and better outlets for spending the money? No, this could not be the solution to the puzzle presented to the industries by Shri Lal Bahadur Shastri.

Amalgamated Exports Corporation Ltd is a private venture, albeit altruistic. Its aims and objectives in some ways seem to be very similar to those of the State Trading Corporation. One wonders how the sponsors view the division of functions between the two. Is it that the Government body is to confine itself to dumping exports at a loss on the planned economies with which it is better equipped to trade, while the new Corporation takes up economies of free enterprise?

Coal: the Soft Spot?

TO the extent that the different parts of the Plan, or even the hard core of it, are interdependent, the slackening in the rate of increase of coal production and the certainty that the target will not be attained according to schedule, will naturally raise grave doubts about the fulfilment of the other parts of the Plan. Then there is the slow progress in

the erection of the washeries which are primarily to feed the steel plants. On present showing, steel mills may go into commission and yet not be able to produce to anywhere near capacity, because enough coal would not be there to fire the blast furnaces. The picture may not be as gloomy as all that; for steel will get priority allocation, but depriving the other industries, or the other schedules may also be similarly delayed. Moreover, since the shortfall has so far been largely in the public sector, and the public sector has on hand a big programme of development which will take time to get into stride, the schedule of coal production may be delayed, but eventually it will be accomplished. The prospects may not be entirely dark, but they are certainly not very bright and the Ministry of Steel, Mines and Fuel could have been a little more informative in its annual Report than it has been, in view of legitimate public misgivings on the subject.

Although coal production in 1958 was higher than in 1957, the rate of increase dropped precipitously from 4 million tons to 1.7 million tons. With only two years on hand, it would be impossible to step up production from 45.2 million tons to reach the target of 60 million tons by 1960-61. The private sector has achieved more than half the target set for it with an increase of 5.5 million tons to 39.4 million tons. But the public sector production has recorded an increase of only 1.5 million tons against its target of 12 million tons. If the bulk of the increase in 1957 was in the private sector—3.4 million out of 4.5 million—the slowdown of the rate of increase in 1958 has also been in the same sector.

What led to the slowing down? The Chairman of the Indian Mining Federation, Lala Inder Mohan Thapar, puts the blame on safety measures, and on the uneconomic price of coal. (A committee was appointed to go into the question of prices about two years ago, its report is now overdue.) The safety measures, he said, were responsible for low productivity, and uneconomic price was the main disincentive to rehabilitation and expansion. All this, however, has not deterred the industry from going ahead with its plans for expansion. What did retard production were 'inordinate delays' in sanctioning opening and re-opening

of seams and shortage of electricity in the coal fields, of steel and of machinery and equipment, and 'erratic' supply of spare parts, which also interrupted the production programmes. "The need for a well devised import policy, is urgently called for."

It is the programme in the public sector, however, which needs to be watched. The output in this sector has risen from 4.4 million tons in 1955 to only 5.8 million tons in 1958. Of the 12 million tons, 1.5 million tons are to be raised from Singareni, which is a working colliery, and this part of the task should not prove difficult. And since 10.5 million tons are to be raised from new mines, production will, naturally, take time to gain momentum, even if it is properly planned. But here's the rub. There has been a big shift in the National Coal Development Corporation's programme. The coal fields in Madhya Pradesh, it was initially planned, would be made to yield 7 million tons; their quota has now been scaled down to 3.1 million tons; and, instead, it has been decided to develop the collieries of Bihar (Karanpura group) to yield 6.5 million tons. Of the balance, 0.5 million are to come from existing collieries—this has been achieved—and 0.5 million tons from Talchar in Orissa.

If the NCDC Gets to Work

IN the Bihar mines, operations on a commercial scale can begin only by the middle of this year. The shift from Madhya Pradesh to Bihar has necessitated alteration of railways programme. New lines have to be laid, bridges built, yards opened, etc., and all this requires time. The bulk of equipment to be imported, has yet to arrive. The National Coal Development Corporation will need imports of machinery and equipment worth Rs 23 crores. Of this, orders have been placed so far for only Rs 13 crores and deliveries of about Rs 5 crores have been actually received. Development of Korba mines and of the washery to be set up await the report of the Soviet experts.

Production in most of the mines in the public sector can begin on a commercial scale only by 1960, provided by then the NCDC can get the machinery and equipment needed and provided also, the railways can provide the transport needed. Even after all these, it will take time

to get the mines into full production. The production target may yet be achieved but the time schedule will have to be extended. Does it mean that all is not well on the coal front? Since the report of the Ministry does not answer the question, a statement from the Minister for Steel, Mines and Fuel should help to clear the apprehensions that have been gaining strength even in responsible quarters.

What bothers coal mineowners is not the slower rate of increase of production in 1958—indeed it is argued that coal output has kept pace with the increased requirements of industry—but larger pithead stocks. Speaking at the Indian Mining Association, Mr D Hogg asked what would have happened if an extra one million or an additional two million or a further three million tons had been raised in 1958? Pithead stocks were higher in the first nine months of 1958 than in the corresponding period a year ago. While loading on the Eastern Railway showed significant increase, for which 'great credit is due' to it, the performance of the South Eastern Railway, which serves many of the collieries of Bengal and Bihar, deteriorated. This line is preoccupied with expansion of capacity for transport of iron ore to the steel plants and this bias in its operations is likely to continue till 1961. Limited transport capacity is acting as a deterrent to higher coal output in the private sector.

What of the future? Private producers, naturally, want to increase their output, but they fear that the size of their market may be restricted. As transport capacity is limited, particular grades of coal from Bengal and Bihar fields are now being distributed largely in eastern India. Mr Hogg apprehends that this pattern may be continued, and coal from private collieries may not be permitted to be moved to other regions. Mr Hogg wants that the private sector should be allowed a greater share in the Third Plan target of expansion. It will cost the country far less, he argues, if the existing collieries of Bihar and Bengal are permitted to mine new seams, than if the entire additional output was to be raised from the new mines of NCDC. The Indian Mining Association Chairman also reiterated the private sector's willingness to enter into joint ventures with Government.

Letter to the Editor

India's Hoarded Gold

I HAVE read the interesting notes on 'Hoarded Gold' in your issue dated March 28, 1959. It is obvious that while you do not agree in toto with Mr Grantham, you do not also approve of the proposed Government plan to acquire Kolar gold. In this connexion I would draw your attention to the following considerations:

- (1) The subsidy involved in the acquisition of gold is small and is a very insignificant price to pay for acquiring 'foreign exchange'.
- (2) In countries like Canada, gold production is being subsidised.
- (3) The outlay on purchase of gold (and on subsidies) is being incurred in rupees only and involves no foreign exchange outlay.
- (4) You no doubt realize that the acquisition of Kolar gold is a first step towards a total ban on private holding of gold at a later stage—a belated but most welcome step.

One does appreciate the fears that you entertain about the possible reaction of the Government measure on the domestic gold market, on gold prices and on smuggling. But these fears, real as they are, should not make one look askance at even the little good that Government aims at doing. In any event, smuggling was with us in spite of the free flow of Kolar gold to the domestic market and it may well be with us even after Kolar gold flows into Government hoards instead of into private ones. Were Government not to buy Kolar gold, it would only reduce but not eliminate smuggling.

A real step towards reducing smuggling would be the plugging of all loop-holes which at present allow an outflow of Indian currency. A beginning may be made with the abolition of the permission to Indians going abroad to carry some Indian currency. Caution would also have to be exercised by Government while instituting exuberant export incentive schemes which lead to freer offers of Indian rupees at a discount in foreign markets. The story of art-silk fabrics incentive scheme should serve as a red signal!

'More Light'

Bombay,
April 2,

Economic Bases for Social Welfare

(From A Delhi Correspondent)

IN his address to the Social Welfare Boards' Conference in New Delhi, Prime Minister Nehru said that social progress was the bedrock of economic progress and economic progress in its turn constituted the base of political stability. This statement has a crucial significance, which is, however, often missed or ignored. Nevertheless this is the assumption behind the measures to provide and improve social services and social welfare work, especially those which benefit the socially depressed or handicapped groups.

Among these are large numbers of women, children and the physically or mentally handicapped. Promotion of their welfare is the direct responsibility of the Central Social Welfare Board, which is the principal agency set up by the State for this purpose, and its subordinate organisations in the States and districts, which function in close co-ordination with various Ministries of the Central and State Governments. In implementing its schemes, the Board utilises to the maximum extent possible the voluntary welfare organisations spread throughout the country.

After 5 years of experience in running (and assisting) social welfare programmes for women and children, there is now a definite shift in the Board's programmes in the direction of economic rehabilitation of these groups in the urban as well as rural areas. How is this rehabilitation being undertaken? In the 450 rural welfare projects set up by the Board, covering about 12,000 villages and more than 10 million people, basic welfare services for women and children have brought to them the benefits of literacy and craft skills besides amenities like maternity services. With the consciousness, thus generated, of well-being and of competence in using their hands to produce some useful articles, large numbers of women in these project areas are becoming increasingly employment conscious. They are now demanding opportunities for turning their skills to profitable economic use.

The economic programme drawn up by the Central Board in response to this demand include establishment of production units in

which women find gainful employment in such projects as ambar charkha spinning, weaving of khadi, handpounding of rice, gur packing, etc. for which grants are available from the Khadi and Village Industries Commission and the Handloom Board. The programme also covers handicrafts like toy-making, basket weaving, mat-weaving and production of various other articles for which the All-India Handicrafts Board makes grants.

The industrial co-operatives are set up with grants from the Ministry of Commerce and Industry at the rate of Rs 1,50,000 to Rs 2,50,000 per unit. The other industrial boards under the Ministry also make grants for training women workers in the industries and handicrafts which are looked after by them. For example, two regional institutes have been started by the Handicrafts Board, and another is to be set up, to train handicrafts teachers for imparting instruction to women in selected industries. Similarly the Khadi Commission has allotted six training centres for training women instructors in the mechanics of ambar charkha spinning. These centres are solely for training instructors for the Social Welfare Board's programmes.

Thus the Central Social Welfare Board's welfare programmes for women in the rural areas are gaining a solid economic base in the sense that the women are enabled to acquire skills in small industries and cottage crafts and other self-employment occupations.

Then there are the industrial co-operatives set up in pursuance of the urban family welfare scheme, under which 5 match factory units have been established in different States—two at Hyderabad and one each at Vijayawada, Poona and Delhi. Each of these units provides employment for about 500 women of the lower income group of families in these urban areas, enabling them to earn from Rs 30 to Rs 40 per month while working at home.

A scheme for the rehabilitation of women rescued from moral danger and of women otherwise socially handicapped, has been worked out and is being implemented. Attached to each of the 42 After-care Homes set up under the Social and Moral

Hygiene and After-care programmes of the Board, will be a production unit with arrangement for training of about 500 women in particular handicrafts. A sum of Rs 2.50 crores has been allocated by the Ministry of Commerce and Industry for this scheme during the Second Plan period.

Besides these schemes for which technical as well as financial assistance is available from the Ministry of Commerce and Industry, the Central Board is giving grants-in-aid from its own funds to voluntary welfare organisations for starting production units for physically handicapped persons, in respect of which the Commerce and Industry Ministry provides technical assistance and advice.

Of the assistance given by the Commerce and Industry Ministry, of particular importance is that in marketing of the articles produced by women employed in these units. In all production schemes, particular attention is given to the marketability of the articles and generally only such handicrafts are taken up, the products of which would find an easy sale locally and which would not have to compete on unequal terms with other local manufactures or large-scale manufactures. Whenever necessary, assistance can also be obtained from the National Small Industries Corporation and from the marketing organisations attached to the Khadi and Village Industries Commission, the Handloom Board and the Handicrafts Board.

These schemes may not be very spectacular either in their number or in their scope, but they fulfil the urgent and insistent need for building up the economic base for the social welfare of these sections of women, who had till now few—if any—opportunities of supplementing their family incomes with their own earnings. There is assurance from the Ministry of assistance for more production units started under the Central Board's programmes for small-scale industries and for production units started as ancillary to big industries like the Indian Telephones, etc. Shri Manubhai Shah gave the lead in this direction by suggesting to the various Economic Boards and the State Governments

that it was their responsibility to carry these schemes to the door of the needy sections of women, if the women do not come forward.

The problem of training enough women handicrafts teachers and

women instructors in other small scale industries and ambar charkha to meet the demand for such teachers and instructors in the production units in the rural and urban areas is receiving urgent attention.

Punjab Letter

The Anti-Betterment Levy Agitation Its Economic Lessons

THE Anti-Betterment Levy Agitation is over. But probably it has been the only agitation in the Punjab from which one can draw important economic lessons for the entire country. I am concerned here not with the relatively narrow issue of the obligation of Punjab Government to repay the Bhakra loan to the Centre. I am concerned with the far more vital issue of harnessing agriculture for providing resources for the planned economic development of the country. Consequently, such issues as the rates of betterment levy, modes of collection and other procedural matters, though not unimportant, are irrelevant from the point of view of this note.

It has been repeated ad nauseam that agriculture and the rest of the rural sector should contribute a larger share of the resources for planning. There is ample evidence to show that this sector is, at present, contributing very little, relatively to its share in the national income, towards those resources. On the face of it, it is quite a reasonable demand that agriculture, being the major source of employment and of national income, must be an important source from which resources for development are drawn.

The agitation against the betterment levy must show, if nothing else, that as at present constituted, the agricultural sector cannot be tapped for further resources to any significant extent. This agitation, therefore, symptomises a much deeper malady: the unsuitability of individual, small scale peasant agriculture for purposes of large scale industrialization.

If the peasantry can rise so violently against a levy which is in lieu of certain tangible benefits already obtained and which is, further, to be collected only for a limited number of years, one can well imagine the intensity of reaction against, say,

raising substantially the land revenue in lieu of the not-too-certain benefits to be obtained in future and which, moreover, is to be a permanent affair. Economics apart, which Government will be prepared to face and be able to stand the political opposition to such a measure? This is evident from the fact that State Governments have not found it possible to raise much additional revenue from agricultural taxation. During the first Plan, against a target of Rs 34 crores of additional revenue from land revenue and agricultural income-tax, the States could collect only Rs 5.9 crores. The collections from irrigation rates, including betterment levy, were equally poor, being only Rs 6.5 crores against the target of Rs 29.5 crores.

Yet, it must be clear that a programme of massive industrialisation can succeed only if it is able to feed on the resources made available by agriculture. This is not to say that the non-agricultural sector should not make any contribution, but it is simple commonsense that in a primarily agricultural country, the main burden of industrialization must be borne by agriculture.

We are thus confronted with a situation in which the aim of rapid industrialization is frustrated because agriculture refuses to bear its burden. Agriculture in India, its production trends being halting and erratic (with 1949-50 as 100, the index of agricultural production stood at 113.4 in 1957-58, 123.8 in 1956-57, 116.9 in 1955-56, 117.0 in 1954-55 and 114.3 in 1953-54), can, at best, be expected to support a very slow and fitful programme of industrialization (witnessed by a decline in the rate of growth of industrial production from over 8% in 1956 to only 3.5% in 1957 and by an actual decline of 7½% in textile production). No one can expect this agriculture to support rapid industrialization.

The difficulty in this regard, as also the difficulty in regard to marketing, are being constantly reviewed by the Central Board with the various Boards under the Commerce and Industry Ministry.

Solution must then be sought in large-scale farming. Indeed, large-scale capitalist agriculture is at least theoretically conceivable. But it would not be feasible politically, nor would it be desirable socially. A transformation of unorganised scattered agriculture into organized agriculture must, therefore, be sought on cooperative lines. (Organisation of the non-agricultural sector through cooperativisation and corporatization is also essential for stepping up domestic savings, but this problem may be ignored in the present context.) Gradual cooperativisation will promote rural saving and rural contribution to public revenues on account of a number of factors: (a) Genuine cooperative farming (not mere family or private corporatives—further, this movement should be extended to all rural activities like handicrafts etc.) will, through a fuller utilization of manpower and other resources, help expand production. A higher rate of saving and of taxation will be easily realised out of larger production. (b) Genuine cooperativization will help organize rural life. With the leadership going to people who have a developmental fervour, the whole mass of the rural population can be effectively mobilized to break through the development barrier. In such a situation propaganda for development becomes effective and people can be induced to work more and save more.

It is in the light of this necessity for cooperativisation that the implementation of the Nagpur Resolution should be taken up with zeal. The agitation against the Betterment Levy will have done great service to the cause of economic development of the country if the fundamental economic lesson, that a cooperativised agriculture is a condition precedent for economic development, is grasped.

—Narindar Singh

Book Reviews

India Has No Walls

Taya Zinkin

The Village Had No Walls by Vyankatesh Madgulkar. Asia Publishing House, Bombay. Translated by Ram Deshmukh. Pp 170. Price Rs 6.75.

THE Village Had No Walls, is the story of a school teacher who goes for three years to Bangarwadi, a very backward shepherd's village in Aundh. The story is autobiographical, there is hardly an embellishment or an omission, as one soon realises plodding through the first 20 pages.

The first 20 pages are slow, dull, devoid of action or apparent purpose, yet they are essential to the book, for they create the atmosphere in which the rest of the three years fly past as the village becomes familiar, as tension and interest grow until one is sorry to leave Bangarwadi when the school teacher is transferred.

'The Village Had No Walls' is perhaps the most important book written by an Indian about India to appear in English since Nehru's 'Discovery of India'. It is important in many ways; first, at least to the reviewer's knowledge, it is the first book written about rural India by one who really knows because he has really lived there for sufficiently long to become identified with the people. Shri Madgulkar may since have become a professional author, but this has not affected the honesty with which he records his early experiences as a school teacher in a backward village.

So few Indian novelists write about what they know at first hand, with of course the exception of R K Narayan whose experience of Malgudi is authoritative. Most novelists have an axe to grind; they want to change society, they want to complain about social injustices. Shri Madgulkar does nothing of the sort; he simply records what he saw, sometimes with sympathy, sometimes with irritation, always with objectivity.

The village is dusty, dirty, dingy, it smells of sheep's urine and the people are so poor that they are mean, miserly and suspicious. Yet, gradually, as one gets to know them, the people become human, they have character—good or bad—they have dignity, affection, decency and as the village's walls fall apart, once the teacher is accepted as a friend,

it becomes a place to live in just like any other.

Some times, the narrative soars to great heights, not by trick of style but because of the human material it deals with. There is the story of Sekhu's strapping wife harnessing herself to the plough together with the family's last ox and ploughing the day through. The author does not dramatize her action; on the contrary, the dry matter of fact way in which he describes the whole episode makes one feel that life is like that. Just as life is like that when villagers cut the nose of a woman of their own caste for eloping with a sweeper. And life is like that when the teacher's protegee and friend steals the money hidden under the teacher's chapatis, not because he dislikes the teacher but because he is a thief. Indeed, this thief loves the teacher and nearly kills the man who wants the teacher out of the village. Life is like that in the village.

There is dust and the sheep have to be fed, and the ewes must lamb and life goes on, always on the verge of disaster because of the vagary of the monsoon. When the teacher leaves Bangarwadi, he leaves nothing but mud walls; for months there has been nobody in the village except an old shepherd, too old to migrate waiting for death to dry him up like the wells and the ponds. The shepherds and the sheep have all left in search of something to drink something to graze, only the old man and the school teacher were left behind.

What makes 'The Village Had No Walls' so important is that besides describing life in a village, it also describes, incidentally, the ways by which an educated man can, with patience, honesty and humility, transform a village, get over factions and get things done. The climax of the story is the building of a gymnasium at the instigation of the teacher by the villagers themselves much along the lines of community development project. But before the teacher could mobilise the village he had to spend a whole year just letting them get used to him, and if attendance at the school was not encouraging at

first, it only became sustained after the teacher became everybody's friend. But even a friend can become suspect, especially when there is no dearth of jealous tongues. The headman, whose generous support saved the teacher from despair in the beginning, becomes almost an enemy later because of gossip. However before the headman's death the two leaders clear up their misunderstanding.

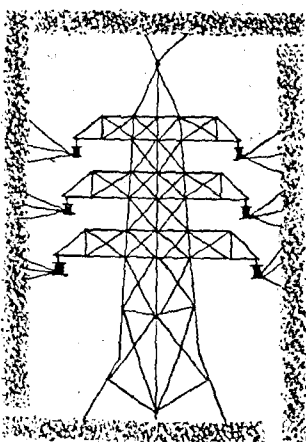
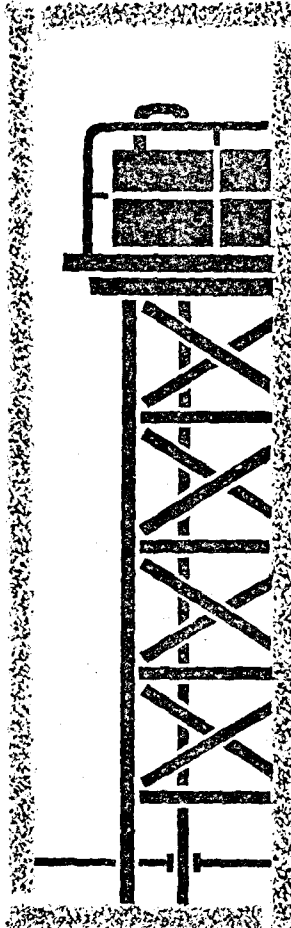
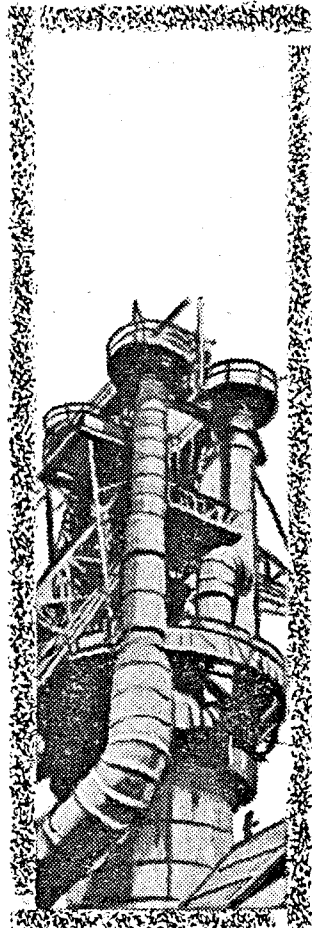
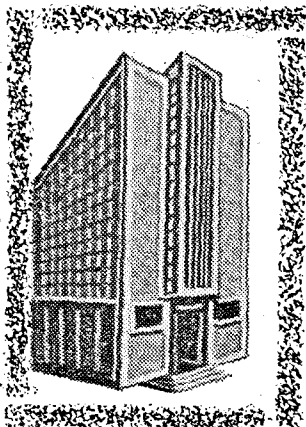
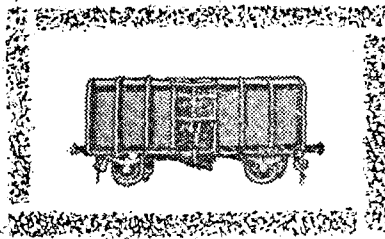
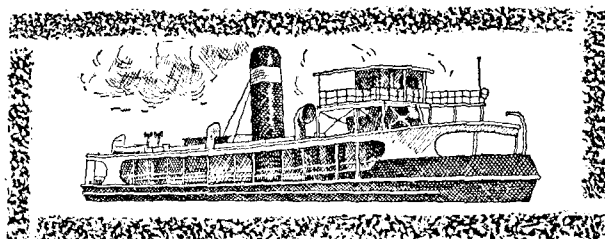
All these little squabbles are bound to arise in community life and they are bound to affect village development. The way to solve them is to befriend many people in a village, not to be dependent upon the support of one leader or one faction. In short, one must live in the village, not camp in it with an ulterior motive guiding all one's actions. It took the teacher perhaps a year before they trusted him; once they did, the whole of their savings was the limit, like the shepherd who gave all his fortune—a sizeable one at that—to the teacher to change from old silver coins into new money and was in much less of a hurry to get the money back than the teacher was to get rid of it.

And there is humour too, of a quiet dry kind, as in the story of the bania who drank himself to death on tea, or in the description of the Ruler's visit to the village for the inauguration of the gymnasium. One must congratulate Mr Ram Deshmukh for his translation and the Asia Publishing House for bringing 'Bangarwadi' to a wider public.

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Social Protection through Social Security

S D Punekar

Social Security: A Workers' Education Manual by International Labour Office, Geneva, 1958. Pp 132.
Price 75 cents or 4s 6d.

SOCIAL security is one of those modern terms, whose concept is somewhat clear, but whose definition is difficult. The difficulty has arisen mainly because of the changing coverage of the subject during the course of the evolution of social security. From birth to death, man (or woman) faces a number of contingencies or risks, such as employment injury, occupational disease, invalidity, disablement, sickness, maternity, old age, burial, widowhood, orphanhood and unemployment. These are the contingencies which make him unable to work or to obtain work. He needs income-security during these contingencies. Further, in most of these contingencies he requires medical care. Social security provisions must therefore take into account income security and medical care.

Comprehensive Measures

Though the term and modern form of social security are new, the concept is old; most of the risks against which safeguards are sought to be provided by social security confronted man from times immemorial. It is perhaps for this reason that the book under review opens with its first chapter entitled, 'Social Security: A New Name for an Old Aspiration.' To start with, man adopted crude measures to ward off the contingencies. Later he realised that the various risks could be covered by simple, solid and natural fellowship within the community. However, when the community bonds began to crack up under the pressure of industrialisation and a new class of factory hands "completely dependent on the regular payment of wages for their subsistence and therefore reduced to privation by a spell of sickness or unemployment" emerged, new forms of social security, based on savings, employers' liability, private insurance and public assistance had to be explored. Mutual aid societies had earlier grown spontaneously among urban workers at different times and at different places. These were thrown in the background by the state-sponsored compulsory social insurance systems, a beginning to-

wards which was made in 1885, when Germany introduced a compulsory sickness insurance scheme.

This idea of 'social insurance risk by risk' was accepted by many advanced countries, which enacted social insurance laws to cover the various risks. In 1935, the United States introduced in its Social Security Act schemes to cover the risks of old age, death and unemployment, and also federal subsidies to non-contributory pension schemes in the different States, thus combining social insurance and social assistance. A further step was taken in 1938 by New Zealand when it assembled in a coherent statute a number of existing and new social assistance benefits and imposed a special universal income tax to finance them. The Atlantic Charter of 1941 publicised social security, making it "a slogan voicing one of the deepest and most widespread aspirations of mankind". The Beveridge Report and the five social security laws of Great Britain (1945-48) emphasize this new concept of comprehensive social security, covering all the citizens against all the possible risks.

Highest Common Factors

It must be said to the credit of the International Labour Organisation that it played a very significant part in the promotion of the modern form of social security. This it has done through various means: discussion, Conventions and Recommendations, provision of expert assistance and guidance in framing national legislation, and publication of voluminous literature on the subject. The evolution of social security during the last forty years is reflected in the approach of the I L O to social security. In the decade 1925-34, the International Labour Conference adopted Conventions regulating workmen's compensation, sickness insurance, pension insurance and unemployment insurance. After the USA brought about a combination of social insurance and social assistance, the I L C adopted in 1944 two Recommendations on income security and medical care.

Eight years later, the I L C embodied the substance of these Recommendations into the social security (Minimum Standards) Convention, 1952, representing the highest common factors of the policies to which all countries, underdeveloped as well as highly developed, would commit themselves. The Convention provides for nine contingencies: need for medical care, incapacity for work due to sickness, unemployment, old age, employment injury, child maintenance, maternity, invalidity and death of the breadwinner. It fixes the level of benefits low enough to take account of the capacity of the less developed countries. In the words of Maurice Stack, who was then Chief of the Social Security Division of the I L O, "The standards, as regards scope of protection and benefit levels, are quite moderate and are exceeded in a number of countries. This Convention is intended to be capable of ratification by all the State Members, even those which are underdeveloped, if they can make an effort proportionate to their abilities."

The Ideal and the Possible

The book under review is largely a commentary on this Convention as well as the two earlier Recommendations. It admits that "each country has gone about the solution of its social security problems in its own way, finding its own compromise between the ideal and the possible, the theoretical and practicable and the conflicting economic interests of the parties concerned". At the same time, it presumes that each country tends towards the application of the main principles laid down in the international instruments adopted by the I L O.

The book has a special significance for India, because we are now following the path chalked out for us by the I L O. The caste and the joint family systems provided us with social security safeguards till recently. However, with their disintegration in the wake of modern industrial system, we adopted the modern systems of social security. The employers' liability

laws, such as the Workmen's Compensation Act, 1923 and the State Maternity Benefit Acts, appeared on the horizon. They were later followed by a unified scheme of social insurance, namely, the Employees' State Insurance Act, 1948 and the Employees' Provident Fund Act, 1952. Only recently, a Study Group on Social Security

(1958) suggested integration of the existing social security services, and proposed an integrated scheme providing for medical care and coverage against sickness, maternity, employment injury, old age and death. Implementation of this scheme would be a tremendous advance, though the goal of what Gandhiji called, "wiping out the

tears from every eye" would still be far off.

Related to Development

At the same time, doubts are being raised whether social security schemes are feasible in India. The International Social Security Association states that experience has shown that it would be premature to set up social security services in

unhealthy or underdeveloped countries, in which the population is under-nourished, badly clothed and where the dwelling problem is most acute; the introduction of the social security system can only fully attain its objectives, if the beneficiaries are in almost normal state of health and if they already possess means of existence which ensure them of vital minimum. Our Prime Minister appears to hold the same view: "We want social security, but we have to recognise that social security only comes when a certain stage of development has been reached. Otherwise we shall

have neither social security nor any development".

Since economic development includes social security, planning must necessarily take into consideration our progress on the path of social security. The I L O could be of immense help. Our existing social insurance legislation owes much to Professor Adarkar, who was later assisted by two I L O experts in considerably modifying his original scheme. We have now to think of making this inadequate scheme of social insurance into a comprehensive scheme of social security, by extending protection to

ever larger population, by widening the range of the risks covered, by improving the quality and quantity of benefits and, above all, by caring more for social adequacy than for actuarial equity.

In this task, the I L O book under review would serve as a useful guide. The book is primarily intended to be a manual for the workers' education courses. However, the subject has been so ably dealt that the book can meet the wider needs and fulfil the practical requirements of administrators, employers and trade unions.

From the London End

The Coal Crisis in Europe

THE coal crisis is the first serious test for the European Coal and Steel Community as also for the plan of economic integration which underlies the Common Market Scheme. In Belgium the crisis took on a political character. The sharp rise in coal stocks accompanied by falling demand resulted in the closure of a number of mines. Unemployed mineworkers, supported by a strike in Belgium's coal fields, took to the streets, and in an eventful week of demonstrations and campaigning nearly brought down the Government and made Belgium lose its membership of the E C S C. It was only by determined action and police repression that the Government could withstand the attack of the mineworkers. In West Germany, a similar crisis drove the Government to suspend coal imports from all countries outside the E C S C, while in Italy, temporary control had to be imposed on imports of coal from all sources.

The coal crisis coincides with the expiry of the terms of office of the present administration of the ECSC. The European Parliament set up by the E C S C—which will now constitute the General Assembly of the Common Market—will meet next month. It will consider whether the E C S C should maintain a separate existence or be integrated into the rapidly developing institutional framework and administration of the all-embracing European Common Market. While doing so, it will have to face and meet the severest test to which a basic sector of the European economy has been subjected by the crisis in coal.

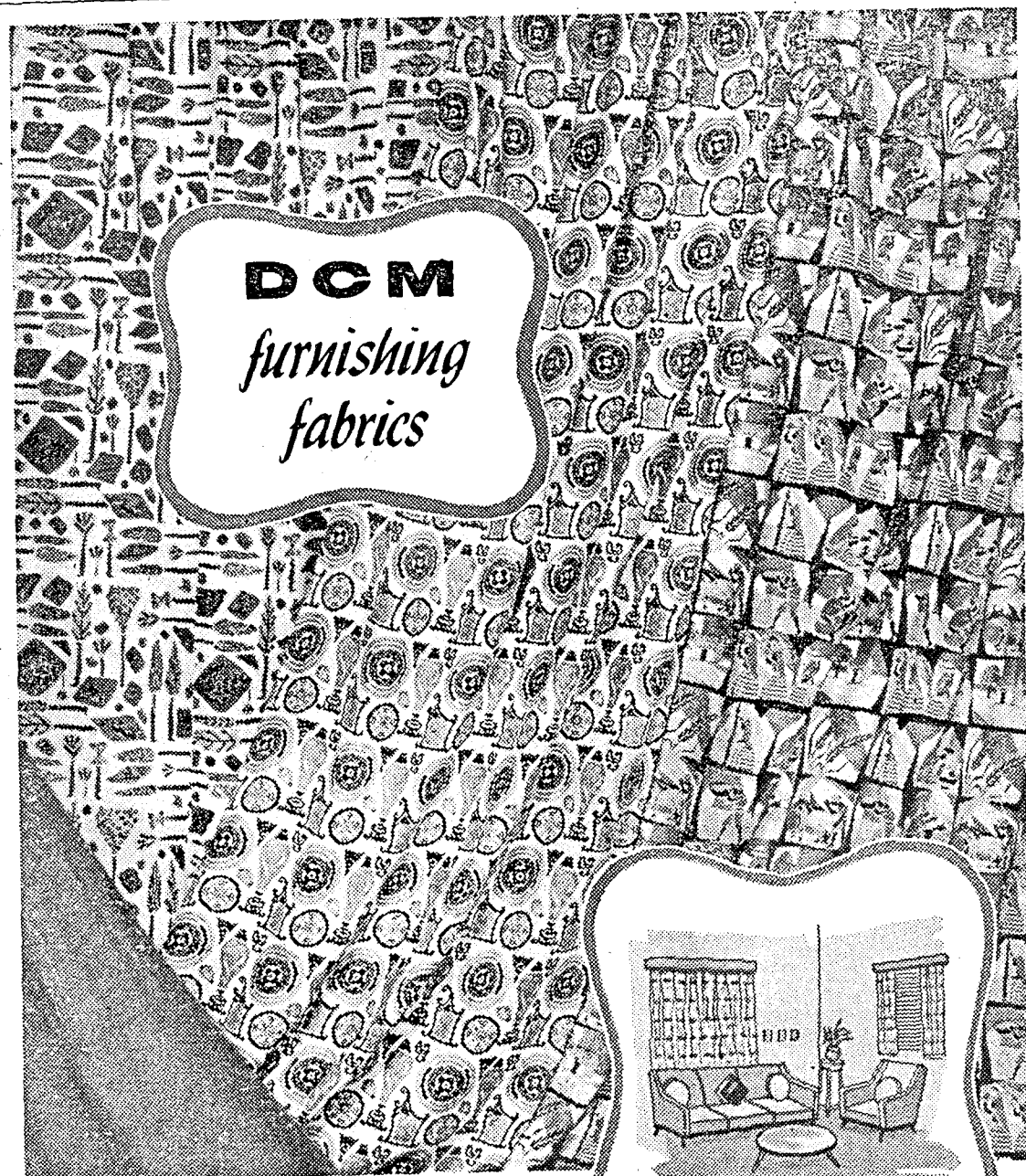
The Seventh Annual Report of the E C S C which will be placed before the European Parliament next month attempts an analysis of the coal crisis. It finds the crisis to be the result of a combination of serious policy errors and of declining demand following economic stagnation. The policy mistakes apparently took place in the 1954-57 boom period. The E C S C had no power to restrain European countries then from entering into long-term import contracts from third countries for anything up to three years ahead. These imports, contracted for at high prices, are now hampering the sale of Community-mined coal. Now, when the crisis has reached a point of climax, various governments have banned further import contracts and have raised sharply the duty on imports in excess of specified quotas. The High Authority of the E C S C realises the autarchic and anti-liberal trend in the policy of various governments and declares its conviction that the present crisis would never have arisen had there been a real economic policy combining greater continuity and forethought. The High Authority claims that during the boom, it had sought ways to arrange the means of financing stocks "in order to regularize the market and avoid unemployment." It was, however, unable to obtain the requisite consent of the governments concerned.

The High Authority, in tune with this 'I told you so' attitude now recommends the governments of the E C S C to endorse its frequently emphasised policy of creating a coal market "operating as freely as

possible by means of a co-ordinated system covering price policy and involving a certain minimum of corrective mechanism." Thus, if one is to attempt an understanding of what the E C S C advocates, the policy is a combination of market freedom and long-term planning of needs and imports. The contradictions that may emerge from such a dualistic policy are not faced by the E C S C. This may very well be due to the fact that the present crisis in coal is a symptom of the overall economic situation and which can only be attacked on a considerably wider front. The report of the E C S C does, however, state that it is working out details of a plan ensuring this relative market freedom without seriously impinging upon Europe's trade in coal in consultation with the European Common Market and Atomic Energy Community.

In 1958 the decline in the demand for coal in the countries of the Common Market amounted to 35 m tons compared to 1957. At the same time the European coal industry has had to face the competition of cheap American coal. These factors, together, resulted in an exceptional accumulation of pithead stocks, particularly in Belgium and West Germany, causing in turn unemployment in various forms.

The immediate short-term answer to the problem of abundant coal has apparently not been found. The E C S C reports that its aim to regularize imports was largely nullified by the sudden import restrictions imposed by various countries. It has attempted to "regula-



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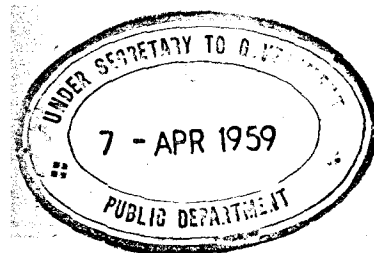
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size sales" by sponsoring and encouraging long-term contracts. Finally, the E C S C has called upon the governments to stabilize production by a system of stock-financing. In spite of all this, stocks of hard coal in the Community are extremely high. They rose from 7.3 m tons to well over 24 m tons between end of 1957 and the end of 1958.

At the beginning of 1959, coal

prices were reduced in Belgium and the Netherlands but these price reductions had not stimulated coal consumption. For Belgium, part of the immediate answer lay in a complete embargo on all imports particularly from the member countries of the E C S C. So far the E C S C have fought hard against such a remedy on the simple ground that it would cause the immediate collapse of the entire Common Market

arrangements for coal and steel. And so, with no immediate solution in sight, the European Coal and Steel Community and with it the whole concept of a European Common Market faces its first crisis. On the purely political front agreement exists for the pursuit of the Common Market ideal but the economic realities are forcing through what appear to be opposite solutions.



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First General Elections in Nepal-II

Rama Devi Pant

AS had been anticipated, with the announcement of the Constitution, the apathy and lack of enthusiasm, vanished overnight, the atmosphere changed and interest in the forthcoming elections became quite lively. The parties knew what they were contending for, the voters were less vague about what they were to vote for; and canvassing became quite vigorous. There was, in short, an air of expectancy and considerable excitement among the people. The elections which are not over yet have been conducted peacefully so far.

Organisational Difficulties

The elections were scheduled to be held in October 1957, but had to be postponed till February 1959. The voting commenced on February 18 and will be completed by April 3. To understand the reasons for the postponement as well as the spread of 45 days, one should appreciate the prevailing conditions, geographic and administrative, in Nepal.

The topography of the country—the sun-drenched tarai, deep valleys and high hills—makes communications extremely difficult. In the mountainous regions of northern, eastern and western Nepal, the snows do not melt even in March. To exercise his franchise, the elector has to walk five to six miles to the booth. Supervision of polling in 4,000 booths in these conditions is surely a stupendous job. Even so, if trained personnel were available in adequate numbers, elections might have been held earlier, and completed within a much shorter period.

Help from Outside

The administrative set up in Nepal, however, is both inadequate and antiquated. Government could not possibly spare the large number of officers which would be needed to conduct the polls, say, within a week. Anticipating the difficulties likely to be created by shortage of personnel, Government empowered the Election Commission to seek assistance from any Government Department. This the Commission did. It sent officers to different parts of the country to make the preliminary preparations. The officers had also to do propaganda work, conduct mock elec-

tions, etc, to prepare the people for exercising their franchise for the first time.

The personnel loaned by friendly Governments have been helpful. At the request of the Government of Nepal, both India and Britain sent wireless detachments. In eastern Nepal, fifteen wireless stations with central control in Kathmandu, were provided and operated by the British Gorkha detachment. The Indian army signal detachments are working in western Nepal. Their assistance has made it possible to speed up the election work, to maintain contact between different booths and to announce the results over Radio Nepal without any loss of time.

Response of the Electorate

At this writing, the results of 62 (more than half the total) constituencies have been announced. From the voting, it is clear that people took much greater interest in the elections than had been expected. Apart from Kathmandu and other district towns where the masses are supposed to be politically conscious, even in remote constituencies, both in the hill regions and the Tarai plains, nearly 40 per cent of the electorate exercised their franchise. True, in some places voting was below 25 per cent, but then, at others it exceeded even 40 per cent. This is certainly surprising in a country where only six per cent of the population is literate and elections are being held for the first time. In many booths, quite a large number of people had to return disappointed as their names were not on the voters' list. In some booths even those eligible to vote could not exercise their franchise because the polling could not

be continued beyond closing time. But for the inefficiency of the returning officers who did not know the practical procedure and administrative lapses, the percentage of polling would have been higher.

The following will probably bring out how enthusiastic people have been in the exercise of their franchise. In a remote mountainous village, out of 819 persons on the voters' list, as many as 818 persons exercised the franchise. This is perhaps a world record. In India, even in the second general elections, in some booths all the boxes were returned empty, while in Nepal's first elections (as seen after the polling in 94 constituencies), not even a single ballot box has come back empty. Despite their illiteracy and complete absence of democratic tradition, the Nepalis have shown admirable political consciousness. This is partly a result of the prevailing political instability (between 1951 through 1958) which probably made them realise that representative government was the only solution of their problems.

How They Voted

Polling commenced on February 18. 109 candidates are to be elected to the House of Representatives (the lower house) from as many single-member constituencies. Out of the estimated total population of 8.55 million (1954) the electorate is 4.25 million, about half the population of the country. It was expected that about 15 per cent of the electorate in the hilly regions, about 35 per cent in the Tarai and about 40 per cent in the Kathmandu Valley would vote. However, so far (March 22) the percentage has been much higher. Out of 2,492,850 voters in 62 constituencies 1,056,898

Election Results as on March 22, 1959

Political Party	Seats won	Seats lost	Votes cast	Percent- age
(Including Independents)			(Total)	
Nepali Congress	41	20	391,788	37.06
Gorkha Parishad	12	33	161,140	15.62
Samyukta Praja Party	4	47	120,133	11.36
Nepal Communist Party	1	29	84,130	7.98
Praja Parishad (Mishra)	1	20	39,182	3.70
Praja Parishad (Acharya)	1	23	22,920	2.16
Nepal Prajatantrik				
Mahasabha	0	41	40,260	3.80
Tarai Congress	0	11	22,478	2.08
Nepali National Congress	0	11	4,764	0.07
Independents	2	156	165,123	15.62



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have cast their votes, that is 42.39 per cent have exercised the franchise. In certain constituencies, the percentage has, of course, been as low as 20. But on the whole the Election Commission has also estimated that probably the average will be about 50 per cent.

The results announced so far clearly indicate that the Nepali Congress, as the single largest group, would be able to form the Government, though it may not get an absolute majority. This will, in other words, remove all doubts raised earlier by various groups that no single party would be able to command a majority. The results also make it clear that those parties which wished to postpone the elections did so to enable them to continue in office. They have also clearly exposed themselves, and now every Nepali knows the extent of exaggeration in their claims of influence with and support from the rank and file of the people.

Prajatantriks Routed

The results prove that certain leaders did not want elections, because they were afraid to go to the polls. It is an irony that leaders like Acharya, Regmi etc, should forfeit their deposits! So far Nepal Prajatantrik Mahasabha has lost all the 41 seats it contested and excepting its president, Shri Ranga Nath (who saved his deposit by only 9 votes) the party has lost deposits in all the seats, as it was not able to secure one-sixth of the total number of votes cast in each constituency. Two ministers (Regmi and Pande) in the existing Council of Ministers have already lost and in all about a dozen Ministers (both ex- and present) have lost their seats. Shri Subarna Shumsere (Nepali Congress), Chairman of the Council of Ministers, has won from a Gulmi constituency and all his opponents forfeited their deposits! With the liquidation of mushroom parties, the emergence of two or three important parties is on the cards, (whether they will have solid adherents, it is too early to say) and should this happen, Nepal politics may become stable.

Coming of the Nepali Congress

What would be the general trend of the country's development during the next five-year period, if the Nepali Congress forms the Ministry? Nothing can be predicted at this stage, since as explained in the previous article, the programmes given in the Manifesto do not appear to

THE ECONOMIC WEEKLY

be realistic and in any case they are just brief outlines. But future developments in the country will in all probability be oriented towards 'socialistic aims and ideals'. It is likely that the thirteen-point agrarian reform programme will be put through. Needless to say, in an agricultural country with 95 per cent of the people dependent on agriculture, agrarian reform is the very core of all the reforms.

Basic industries, according to the party's manifesto, are to be state-owned with a bias on the development of cottage and small-scale industries. Foreign capital will be given suitable protection. In foreign affairs the Government will not be committed to any power block and will work for friendly relations between Nepal and other countries on terms of equality and mutual respect. Promises are also there to eradicate corruption and nepotism from administration. The party also envisages a decentralised pattern of administration.

The New Constitution

The new Constitution is only a little over a month old. Different views have been expressed regarding the centralisation of power with the King. However, in the light of political events during the last ten years, if transition from more or less feudal stages to constitutional monarchy in Nepal is to be through a democratic process, this concentration of authority would appear to be a safeguard rather than a limitation to its progress towards democracy. What a constitution provides for in effect is more important than the limitations contained in it. It is a big advance that, notwithstanding the special prerogatives given to the King, the Constitution provides, for the first time in the country's history, for the evolution of a popular democratic rule.

Thus the over-all effect of the first general elections in Nepal will be the emergence of two or three political parties, and if the present trend continues, the country will have a Nepali Congress Ministry. With the establishment of some sort of political stability greater attention will be paid to the working of the Five Year Plan (which is almost half way through) as well as to social problems.

(Concluded)



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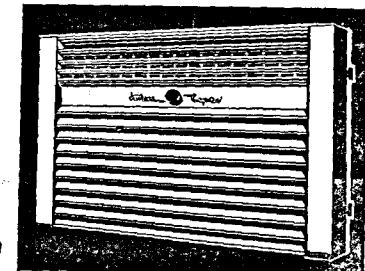
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Housing and Slums in Poona

D R Gadgil

THIS note deals with the problem of housing in Poona, in particular with the problem of clearance of slums*. It presents factual data which are available for a period covering nearly 20 years. The Gokhale Institute conducted a socio-economic survey of Poona in 1936-37 and a resurvey in 1954. It helped the Poona Municipal Corporation authorities to conduct a housing survey in 17 wards of the city in 1956. The information available from these surveys is condensed in the accompanying tables.

As all the surveys followed a proper sampling procedure the proportions revealed by these data can be taken to represent the conditions in the whole of the area surveyed. The area of the Municipal Corporation at the time of the 1954 survey was larger than the area included in the survey in 1937. However, the 1954 data, in all the tables have been separately tabulated. The area of the 1956 survey was slightly smaller than the 1937 and 1954 area represented in these tables. It omitted wards in which town planning schemes were under execution. It may, therefore, be said to represent conditions of somewhat greater congestion of population than the average of the omitted areas. In interpreting the data, the slight modification made necessary by this disparity as well as the greater extent of non-reporting in the 1956 returns, should be borne in mind.

High Density per Room

Table 1 gives the types of tenement classified by the number of rooms occupied by families surveyed, the number of occupants in the various types of tenements and the number of persons per room in each type of tenement. The data indicate that an overwhelming proportion of the total population lived in 1 and 2 room tenements and that there was high density per room. There appears to have been some decline in the percentage of one room tenements in

the total number of tenements as between 1937 and 1954. This might have been, perhaps, due to the enforcement of certain municipal regulations; but the improvement is not marked if the 1 and 2 room tenements are taken together, and there is definite deterioration in the situation between 1937 and 1954 if the numbers of persons per room, either in the group of 1 room or of two room tenements, are compared.

The density of persons per room in 1954 appears much worse than in 1937, and in 1956 it worsened still further. Since the difference in the area covered in the two surveys would lead to some differences in the average conditions, it may not be possible to state definitely that, on a comparable basis, the conditions in 1956 would have definitely appeared worse than in 1954. However, the 1956 data refer to 17 wards in which by far the largest bulk of the population of Poona lives, and reveal the great congestion in the existing housing situation.

Table 1—Tenements of Various Classes and Their Occupants in 1937, 1954 and 1956

	Tenements		Occupants		Persons per room (Nos)
	Nos	%	Nos	%	
1937					
One Room	2,555	56	8,232	46	3.22
Two Rooms	1,135	25	4,815	27	2.12
Three Rooms	405	9	2,107	12	1.73
Four Rooms	185	4	1,078	6	1.46
Five Rooms or more	249	6	1,663	9	1.34
1954					
One Room	2,281	52.5	8,451	42.9	3.74
Two Rooms	1,191	27.4	6,072	30.8	2.59
Three Rooms	443	10.2	2,599	13.2	1.95
Four Rooms	200	4.6	1,259	6.3	1.57
Five Rooms or more	232	5.3	1,349	6.8	1.16
1956					
One Room	1,093	37.3	4,330	49.6	3.96
Two Rooms	485	16.6	2,419	27.7	2.49
Three Rooms	161	5.5	964	11.0	2.00
Four Rooms	75	2.6	513	5.9	1.71
Five Rooms or more	64	2.2	498	5.8	1.31
Not stated	1,050	35.8			

Table 2—Median Rent (Rs) per 50 Sq ft Paid by Sample Families Classified by Duration of Stay in the Tenement

	Since:—1956	1953	1952	1951	1945-50	1939-44	1938
1954 Survey		4.39	4.37	4.19	4.00	2.19	2.00
1956 Survey	4.40	4.22	3.54	3.53	2.81	1.97	1.74

Table 2 refers to the rents paid by tenants. Because of the operation of rent control legislation, these data have been tabulated in relation to the time since which the tenant had been occupying his tenement at the time of the survey. Presumably the older occupant is protected by rent control. However, those who seek tenements of recent construction are not protected in the same manner. This is indicated in the table by the steady increase in median rents paid as the duration of the occupancy of the tenement shortens.

There are two points to which special attention may be drawn. Firstly, the level of median rents per 50 square feet area for recent occupancy is over Rs 4. This means that the minimum tenement of 200 square feet per family would cost well above Rs 15. Secondly, in the median rents paid, difference in occupancy from 1951 to 1956 makes a difference of about 25 per cent. This may be taken as a measure of the rate of increase in the average rentals charged during recent years.

Water and Sanitation

Table 3 shows the availability of water taps and latrines per family. There has been some improvement in the overall position since 1937 in relation to water taps, but none in relation to availability of latrines in houses, though this is a matter in which enforcement of municipal regulations should bring about a change much more readily and easily than in the supply or quality of tenements themselves.

The most important feature of this table, relevant for the purpose of the note, is the large number of tenements to which no latrines are made available by the landlord, and the very large proportion of families which share a latrine with 3 or more other families.

Plight of Low Income Groups

Table 4 shows income distribution of the surveyed families in 1954 and 1956. What is striking is the enormous proportion of families which have total incomes below Rs 2,000 and Rs 1,000 per annum. Even if allowance is made for a degree of understatement in incomes reported, it is clear that the bulk of the housing problem in a city like Poona is provision of housing for families whose incomes fall below Rs 100 per month and who could not, therefore, afford to pay monthly rentals of Rs 15 to Rs 20. This appears to be the prevailing level of rent for minimum accommodation in recently constructed houses,—of even subsidised rentals in government housing.

Spreading Slums

The problem of the slums has to be considered against this overall background. For slum dwellers conditions of housing and of public amenities are such that their description in terms of the standard form—such as that used for house surveys whose results have been condensed above—is neither relevant nor significant. These conditions are far below any level which could be described even as barely tolerable. This is so in all respects: as regards the extent of the area, the height of the dwelling, the quality of the material used in providing the shelter and the surroundings in which it is placed. It is, therefore, difficult to give statements relating to conditions in slums in the form given above. However, we are fortunate in possessing more data than are usually available. Along with the socio-

economic survey conducted by the Institute in 1937, a detailed spot count of all the slum-like localities was taken, and a detailed family survey was made of a sample of these slum localities.

On the basis of these data, it may be confidently stated that the number of families living in what might be described as slums in 1937, was less than 1,000 and more probably about 800. The Corporation also conducted in 1951 a survey of slum areas. This survey revealed that 6,304 families were living in these areas. A recent survey, by a private agency, of slums in Poona is said to have indicated that nearly 9,000 families are at present living in slums.

From Bad to Worse

It must be pointed out that because the agencies conducting these surveys were not the same and no rigorous definitions were framed, the three results are not necessarily comparable; but they seem to indicate the broad trends correctly. Between the two surveys conducted by the Institute, i.e., in 1937 and 1954, the number of families in Poona appears to have increased from the level of about sixty to sixty-five thousand to about a lakh and a lakh and five thousand, that is a net increase of about forty thousand. That this increase should add 5,000 families as slum dwellers is not an unexpected result.

Table 3—Availability of Water Taps and Latrines (Per cent)

	1937	1954	1956
(1) Families which did not have a water tap	18	9	10
(2) Families having one or more water taps	16	34	47
(3) Families sharing a water tap with another family	17	6	8
(4) Families sharing a water tap with two other families	21	6	7
(5) Families sharing a water tap with three or more other families	28	45	28
	100	100	100
(1) Families which did not have a latrine	18	10	11
(2) Families having one or more latrines	7	11	8
(3) Families sharing a latrine with another family	11	6	7
(4) Families sharing a latrine with two other families	12	9	6
(5) Families sharing a latrine with three or more other families	52	64	68
	100	100	100

Table 4—Distribution of Sample Families According to Total Family Income

Total Family Income (Rs)	Poona City & Suburban Area 1954 Survey		1956 Survey	
	No of families	Percent-age	No of families	Percent-age
Upto 250	206	4.7	58	1.7
251—500	441	10.1	312	9.3
501—1000	1332	30.6	1168	34.9
1001—2000	1349	31.0	825	24.7
2001—3500	588	13.5	250	7.5
3501—5000	221	5.1	137	4.1
5001—7500	90	2.1	27	0.8
7501—10000	29	0.7	7	0.2
1001 and above	34	0.8	7	0.2
Income in kind only	3	0.1	—	—
Income not stated	54	1.3	550	16.6
Total	4347	100	3341	100

*Prepared for a Conference on Housing in Poona, this note would be found of particular interest as there are very few cities for which similar data are available—Ed.

On the basis of the facts stated above, the following conclusions may be said to be fully warranted. Poona city and presumably all other towns and cities in India are suffering from great inadequacy of housing supply. A very large proportion of urban families are living in highly congested conditions and with great inadequacy of amenities. Finally, this situation appears to be getting not better, but progressively worse.

Lag in Housing Construction

A priori consideration indicates the basic factors which are responsible for the steady worsening of the situation. It is generally agreed that the rate of growth of urban population in India is currently much larger than the rate of growth of the rural population. The average rate of growth of the Indian population is estimated to be between 1.5 and 2 per cent per annum. The average rate of urban growth may, therefore, be put safely at 2.5 and 3 per cent. If we assume that in Poona there were, in 1951, about 1 lakh families, then an annual addition of about 2500 families would be a modest estimate.

The picture as revealed in the 1954 and 1956 data is that the private and public building activities are not commensurate with the additional demand created by the increase of population. An important feature of private building activity is the construction of houses which benefit largely the middle and the richer classes. It seems very likely that current private and cooperative activity is meeting comparatively adequately the needs of the middle and richer classes, while leaving unsatisfied to a greater and greater extent the requirements of the poorer and the lower middle classes. The recent level of median rents taken together with the increasing number of persons per room in our tables would support this contention.

Policy Must Change

In the circumstances, there is nothing surprising in the trend for the number of slum-dwelling families to grow. As the Resurvey of Poona showed, immigrant families in the city usually come from the unskilled and poorer strata. The bulk of these would not find fresh accommodation suitable for themselves and would add to existing congestion. And, in particular,

when they belong to the untouchable or similar communities they have inevitably to resort to the slums.

In relation to policy all this must lead to the definitive conclusion that present programmes are utterly inadequate to deal with the problem. They are inadequate even to prevent a steady worsening of the situation. If it is desired to bring about an improvement in the situation within a reasonable period of time not only must the existing programmes be overhauled but the whole approach to the problem of slum clearance and housing for the poor will have to be altered.

Not by Private Effort Alone

It must be recognised that this problem can be tackled only if the responsibility is undertaken by public authorities. Private effort, and in relation to slum dwellers and the poorest, even cooperative effort, would prove infructuous. Secondly, the problem must be treated as a problem of extreme urgency. Thirdly, the provision of housing in the immediate future for these classes must be conceived on a short-term basis at a minimum level of comfort, durability and amenities. This

minimum level, however, would itself constitute, if properly conceived and implemented, an enormous improvement on the existing conditions of the slum dwellers. The approach has essentially to be that adopted in such emergencies as that of refugee settlement, or even in conditions as that of a new industrial settlement.

The present programme is inadequate largely because it is too costly and it is too costly entirely because it sets for itself a standard of durability and quality of construction and amplitude of amenities which, as the above picture shows, the large majority of our city dwellers do not possess and cannot afford. The immediate need, therefore, is to first clear the slums, which are like plague spots in our midst, and, at the same time, to provide the slum dwellers immediately, with dwellings with minimum space and with pooled amenities but which are clean and are adequately looked after by public authorities. It is only when such a programme aiming at a cost of less than Rs 1,000 per family is conceived that clearance of slums and improved housing supply may be thought of in realistic terms.

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From the Chair

The Indian Mining Association

Speech of the Chairman, Mr D Hogg

THE following is the speech of Mr D Hogg, Chairman, Indian Mining Association, delivered at the 67th Annual General Meeting of the Association, held at the Bengal Chamber of Commerce and Industry, Calcutta, on March 26th, 1959: Gentlemen,

On the occasion of the last Annual General Meeting held just over a year ago, I had the pleasure of saying that coal production had increased during 1957 by just over 4 million tons, of which 3.1 million tons was produced by the Private Sector. At that time, I ventured to say that a progressive expansion of output from the Private Sector could be expected for the Second Five Year Plan period, provided that we were given sufficient inducement and incentive and many of our handicaps were removed.

A year has passed and, from a study of the activities of this Association given in the Annual Report, you will be aware of the energetic efforts made by this Association to bring our difficulties to the notice of Government. It is tedious to recount them as they are so well known to you but it is disappointing, to say the least of it, that so few of our obstacles have been removed in spite of repeated representations.

Decline in Rate of Increase

The all-India total of coal production increased in 1958 to 45.3 million tons against a target of 60 million tons which has been set for the Industry for attainment by the end of the Second Five Year Plan period. The increase was only 1.8 million tons in 1958 or 4% compared with 10% increase achieved in 1957. Nevertheless, 75% of the 1958 increase in production was achieved by the Private Sector. To those outside the coal industry the increase of 1.8 million tons may appear to be insignificant. However, I feel that those of you within the coal industry will agree with me that it was a remarkable achievement in view of the many handicaps which stood in our way. As to whether our increase in production was adequate for the country's needs, it is sufficient here for

me to pose a simple question on behalf of those of us who have to carry the financial burden of pithead stocks and ever increasing costs and ask what would have happened if an extra one million or an additional two million or a further three million tons had been raised in 1958.

The fact which must be faced is that pithead stocks were higher during 9 months in 1958 than they were during the corresponding months of 1957. During the past year, the Railways in general, with certain exceptions to which I will refer later, have achieved remarkable results. It has been stated on innumerable occasions in the past that coal production can only keep pace with transport availability. However, with the expansion which has taken place on the Railways, it appears that on some occasions during their "slack" season there was, in certain directions, an availability of wagons for the movement of coal in excess of the demand which existed for coal on those routes. During the past year, the coal industry has felt that their production capacity has kept pace with industrial demand. It has been reported recently that the general index of industrial production registered an increase in 1958 but the rate of increase was lower than in 1957. This temporary slowing down in the tempo of industrial development in 1958 has been very noticeable not only to the Coal Industry whose duty it is to feed almost every industry but also to the Railways. But with the gigantic plans which have yet to materialise before the end of the Second Five Year Plan period, the industrial tempo can rapidly increase again. Will the Coal Industry be able to regain its momentum and meet all demands, not only for the Second Five Year Plan but also for the third?

Planning Must be More Detailed

I do not question whether 60 million tons of coal is required under the Second Five Year Plan or whether 100 million or 110 million tons of coal should not be the target for the Third Five Year Plan—there is

no doubt about these targets—such quantities must be planned for in order to achieve our Government's objectives but such targets cannot be attained unless effective steps are taken now to give remedial treatment where help to the industry is required. Also, planning must be more detailed than we have seen in the past so that collieries may know by whom their increased production is to be consumed and when it will be required. So far, the industry has been unable to obtain any indication of the targets which may be required to be achieved in the various coal-fields and States in the Third Five Year Plan.

Certain collieries mining coking coal have recently had the unfortunate experience of having almost their entire production diverted to the Steel Works, only to find that, shortly after their other orders had been transferred to non-coking coal collieries, the demand from the Steel Works was reduced and a large percentage of their production has had to be put into stock. There is not only a limit to which collieries can afford to finance the holding of stocks but there is also a physical limitation to which a colliery can stock coal when production exceeds demand. For most of last year, pithead stocks averaged about 3.2 million tons, of which the Private Sector held about 95%.

Inadequate Assistance for Stowing

Before proceeding further it is necessary to review the trend of coal production noticeable during the last year. It is apparent that the output of Selected "A" and "B" grades of both coking and non-coking coal showed little or no increase. Many of the collieries mining these grades are burdened with heavy stowing expenditure for which inadequate assistance is paid to them by the Coal Board. In addition, many stowing collieries incur additional expenditure on account of the fact that they are gassy mines.

Consideration of representations for increases in stowing assistance and the revision of coal prices, to which I will refer later, has been

protracted. I would be failing in my duty if I did not ask Government to bear in mind that Coal Companies must balance income and expenditure and they cannot embark on an indefinite policy of deficit financing.

Collieries mining Grade I coking coal will be unable to increase their production substantially until the Central Washeries, which have been under discussion for so many years are put into operation. The delays which have occurred over the setting up of these Central Washeries are regrettable and it is now apparent that the three Central Washeries which were to be installed during the Second Five Year Plan will not materialise for some years yet. The tender for the first washery has been decided only recently.

Progress of Sand Stowing

The latest Annual Report of the Coal Board for the year ended March 1958 reveals some interesting information. Assistance towards voluntary stowing was sanctioned in 1957/58 for 110 collieries, of which only 81 collieries carried out stowing. The other 29 collieries had not completed their arrangements for stowing. There are many valid reasons why these collieries had not commenced stowing; in many cases they are waiting for the Coal Board's Central Sandstowing Schemes to materialise. Others were waiting for the necessary import licences or for the arrival of plant and machinery from abroad. Despite this, a larger quantity of material was stowed underground, and 6.3 million tons of sand and other materials were stowed to produce 3.7 million tons of additional coal from the stowing areas. In fact, almost one colliery in ten undertook stowing and as a result of their efforts about 10% of the country's production was raised, which without stowing would otherwise have been lost. In the year 1958-59 the number of collieries carrying out voluntary sandstowing increased from 81 in the previous year to 95.

I apologise for enumerating so many statistics over stowing but I feel that the efforts made by the industry to attain safety in their mines and to conserve our mineral wealth are not sufficiently well publicised. There has been so much ill-informed criticism of the industry in the past over these matters and, unfortunately, this tendency

of the general public and certain quarters to make little effort to understand our problems still persists. Only recently, I have noticed a statement made in the Lok Sabha by the Minister of Steel, Mines & Fuel, Sardar Swaran Singh, who, while defending the high costs of a certain colliery in the N C D C, stated that the Corporation is unable to adopt the private owners' attitude of exploiting only those mines where the working conditions are easy. I would ask if such a remark is not unjustified when 90 collieries in the Private Sector, i.e., more than 10%, are undertaking stowing, inadequately compensated, and many of them at uneconomic costs and many other collieries in the Private Sector are running at a loss, in the same way as Giridih Colliery, due to their difficult working conditions. It is easy to criticise but we would prefer that criticism should be accompanied by constructive suggestions and help.

Increase Rate of Assistance

I appreciate the problems of the Coal Board and my criticisms of their efforts are made with the best of intentions and in an effort to underline their problems. It is now over a year since this Association placed a case before the Coal Board for increased assistance for sandstowing and while they appeared to appreciate the need for revision in view of substantial increases in labour costs as a result of the Award of the All India Industrial Tribunal (Colliery Disputes) and the Decision of the Labour Appellate Tribunal and other increases in costs, the change in the rate of assistance is still awaited. The industry continues to bear the burden of these heavy imposts on stowing collieries and suffers delays in payment.

A further reference to the last report of the Coal Board will show the delays which occur. Out of Rs 81 lacs paid in the year to stowing collieries, less than a quarter of this amount was on account of stowing charges incurred during the year and over Rs 60 lacs covered assistance for stowing carried out in the previous three years. The Coal Board is, fortunately, well endowed financially and its income has always exceeded its expenditure. The total funds available now amount to nearly 4 crores of rupees. Any reluctance to increase the rate of assistance to stowing

collieries is probably the Coal Board's fear that large sums will require to be expended for the two proposed Central Stowing Schemes in the Ranigunge and Jharia Coalfields. Adequate funds are available to meet the industry's claim for increased assistance but, if there is any reluctance on the part of the Coal Board to face criticism in requesting for an increase in the Stowing Cess now being levied on consumers, I would humbly submit that the statistics which I have inflicted upon you earlier, amply bear out the industry's sincerity of purpose in carrying out voluntary stowing for safety and conservation of our mineral wealth. Such stowing has resulted in additional production for which the industry can rightly expect the Nation to bear an increased share of the cost as and when the occasion arises, particularly as this form of mining is being carried out more and more extensively.

Price Revision

Apart from stowing collieries, there is also the question of deep and gassy mines and the problem that the present price structures do not provide them with sufficient resources to enable them to increase production. By their very nature and working conditions, they are placed at a great disadvantage over shallow mines, inclines, open cast quarries and non-gassy mines which are not required to instal the expensive flame-proof equipment and employ the additional staff required under the Mines Regulations. Unfortunately, some of these mines, such as those working the Dishergarh Seam, whose coal will be required in larger quantities in the future, have not only to bear these increased costs because they are deep and gassy but have to bear heavy sandstowing costs also. Such mines have not been abandoned, as might be imagined from the recent statement in the Lok Sabha, and some of them continue to work at a loss, obviously in the hope that their case will receive active consideration eventually. It is hoped that the Coal Prices Revision Committee will find a solution to the problem of collieries whose mining conditions of necessity entail high costs.

Last year I stated that the fate of the Coal Industry then rested with the Coal Prices Revision Committee and although they submitted their report to Government in Dec-

ember 1958, their findings are not yet known to the industry but they can only be more out of date now than they were a year ago when I mentioned this point. As you are aware, this Committee was constituted in 1957 with instructions to submit their Report within two months. The complexity of the problem before them was known to us, and it is understandable that they could not complete their investigation in so short a time but the industry awaits with keen interest the report of this Committee and to hear what action Government intends to take on their report. It is difficult to appreciate the inordinate delays which have taken place over this matter but let us hope that the time has been well utilised and that such detailed consideration has been given to this matter that it will result in a clear-sighted and wise decision being taken by Government which will enable the industry to expand to meet its commitments in the future.

Import Restrictions

A major handicap which has prevented many collieries from increasing their production has been the Import Control Policy and the delays which have occurred over the granting of licences. While the grave shortage of foreign exchange is appreciated, it is felt that sufficient priority over the granting of import licences has not been given to the Coal Industry during the year. There is a continual demand for imported spares and items of plant and machinery used in the mining industry for which foreign exchange will continue to be required until the Government factory, to be located in Durgapur, is in production and other indigenous manufacture increases.

Unfortunately, the Coal Industry has been unable to utilise the credits offered by the Export/Import Bank of the United States of America. As our mines have standardised largely on equipment from the Sterling area, it would not be practical, at this stage in view of the advent of increased indigenous manufacture, to change to American equipment as a wastage of foreign exchange would only result. Machinery already purchased must be provided with the necessary foreign exchange to keep it supplied with the spare parts required and less wastage occurs if the present standardisation of types of machi-

nery is allowed to continue and is intensified rather than if new manufactures and types are introduced. It must be remembered also that the Coal Industry is working on the basis of controlled selling prices and cannot afford to purchase machinery which is more expensive than that available from the Sterling area.

Performance of Railways

While great credit is due to the Eastern Railway for the increased coal loading achieved during 1958, loading on the South Eastern Railway showed a reduction in 1958, when compared with the previous year. In view of this, I would ask how collieries served by the South Eastern Railway could be expected to increase their production in 1958. Unfortunately, despite the strongest representations made, the Railway Board appear to be able to offer little hope for improvement during the Second Five Year Plan period and the collieries served by the South Eastern Railway in Bengal and Bihar have had no alternative but to defer their schemes for increased production. The South Eastern Railway have been engaged in major construction work in connection with the movement of ore and increased capacity for the Steel Works. In the meantime, there has been little or no progress by the South Eastern Railway over comparatively minor alterations to railway yards which require to be expanded to meet the increased demand for coal from the Steel Works.

While the Railways are to be congratulated upon their improved operational efficiency, I feel that some of the credit for their achievement should be passed on to the Coal Industry. Greater operational efficiency has been achieved as a result of the introduction of certain schemes, to which collieries have given their wholehearted support, in most cases at the expense of their personal interests and with considerable sacrifice to themselves. The Coal Industry offered their co-operation in the hope that the result might be a greater wagon availability for the movement of coal. To cite a few examples, these are Five Hour Loading, Block Rake Loading and rationalisation of movement. In some respects, as far as the collieries have been concerned, I feel that these schemes have proved to be double-edged and while improv-

ing wagon availability have acted to the detriment of the coal industry. These innovations have resulted in a financial strain being placed on Coal Companies. In addition, the Coal Industry has been burdened further financially over the provision of colliery sidings and weighbridges. Whereas it was possible previously for collieries to be provided with Assisted Sidings, in recent years they have been compelled to construct sidings on Private Siding terms at their own expense. They have even had no alternative but to make additions and alterations at their own expense to their old "Railway-assisted" Sidings.

Future Expansion

I can only record grave concern over certain aspects of the rationalisation in the movement of coal and the further limitations which are likely to arise as production increases in the outlying coalfields and coal mining commences in new coalfields. As I see it, there is a danger that, in time, the outlet for the coal production of the States of Bihar and West Bengal may be confined to consumption within Eastern India and probably these States only. Already, we are bound by such rules that certain grades of coal can only be transported in this or that direction and such rules appear to be a pointer to the fact that, if such planning continues, coal from the States of Bihar and West Bengal will be eventually given little opportunity to move to other States where consumption will increase due to industrialisation. As I have said before, the Coal Industry has no idea yet of the detailed plans which are being considered for the Third Five Year Plan but I feel that the future of collieries in Bihar and West Bengal should be considered carefully before plans are made for opening up further new coalfields. The economics of such proposals should also receive detailed consideration.

The capital requirements of new coalfields exploited by the N C D C appear to be Rs 60/- for each ton of coal and I would ask whether it would not be better to give more opportunity to existing collieries in Bihar and West Bengal to mine their other seams and nearby areas during the Third Five Year Plan, resulting in less capital expenditure, rather than launching out into expensive schemes involving vast

expenditure of foreign exchange to produce low grade coal in new coalfields. I appreciate the arguments which have been put forward in the past over dearer railway freight for long distance hauls but I feel, however, that as the railways are now removing their old bottlenecks such as Waltair, Moghalsarai, the Ganga Bridge, etc., they will soon be able to transport Bihar and West Bengal coal at cheaper cost to the consumer than if industries are compelled to accept inferior coal from a shorter distance. In addition, the latter coal can only become high priced eventually in view of the capital cost incurred and when deeper mining becomes necessary. I trust that this will be examined in great detail when finalising the Third Five Year Plan, as well as the economic distress which may result if existing collieries are not allowed to expand or replace their output from available coal reserves. Increased production from new coalfields should not be allowed at the expense of existing units and their potential, otherwise economic distress and unemployment will only result. It is usually cheaper to expand existing units than to start new ones. The Private Sector of the coal industry have expressed willingness in the past to enter into joint mining ventures with Government and I sincerely hope that this suggestion will be considered while formulating the policy for the Third Five Year Plan.

Low Returns, Small Reserves

On the occasion of this meeting last year, I took the opportunity to give particulars taken from an analysis of the financial accounts of 19 Coal Companies of this Association to show the serious depletion of their resources which was taking place on account of capital expenditure incurred by them. These detailed particulars have been supplied to the Coal Prices Revision Committee. In support of our case, I would draw attention to the latest Reserve Bank of India Bulletin dated February 1959 which shows some interesting information regarding the sources and uses of funds of selected industries during 1957. These statistics show that the Paid-up Capital of 39 Coal Companies increased by only 1.9% compared with the previous year, whereas, in the case of cement and iron and steel, increases of 21.5% and 27.3% respectively were record-

ed. New capital for coal mining is naturally shy in view of the treatment which the industry receives and our sources of funds for increasing output are, therefore, limited to current profits, where attainable.

In addition, these statistics show that the increases in Free Reserves and Surplus were 0.8% for coal and 14.9% and 29.9% respectively for the other two industries which are part of the core of the Second Five Year Plan and are further proof that the current controlled selling prices for coal are inadequate.

Again, to quote from another Reserve Bank Bulletin dated September, 1957, the average rate of dividend for the coal industry was shown as 7.1% on Paid-up Capital and to be lower than most other industries. More recent figures supplied to the Coal Prices Revision Committee showed the dividends paid to the shareholders of our 19 Coal Companies, which together raise about one third of the total production of the country, to be 6.3% on the Paid-up Capital involved but, on the capital employed, the average dividend represented 3.4% only. In view of the increase in costs which have occurred subsequently on account of the Coal Mines Regulations and other items, the return on capital employed is now even lower.

I would ask if this is a fair return to the shareholders who have invested in Companies mining coal which is a wasting asset. In order to attract money to the mining industry and keep it in a healthy state, there must be a more than average return on the sum invested. It is to be hoped that the Coal Prices Revision Committee have taken these points into account and that they have not based their findings entirely on past statistics but have looked ahead to the future requirements of the industry.

Low Productivity

Apart from the question of inadequate earnings, another factor which is impeding progress in the coal industry is low productivity. Although the wages and emoluments of our workers have increased by about 75% during the last six years, output per man has risen only slightly, which in part is attributable to increased mechanisation, and absenteeism has increased. Unfortunately, the stand-

ard of living of miners remains static and as long as their known wants are met, they do not appear to show any desire to work harder to earn more.

Here, the problem appears to be one of changing the habits, outlook and attitude of the workers so that they may appreciate the value of a higher standard of living. Our industry is fortunate in having the Coal Mines Welfare Organisation to help in this direction as one of their many functions. It is disappointing that some of the facilities offered by this Organisation are not being fully utilised but the activities of the Organisation are increasing. A new housing scheme was sanctioned last year to construct 30,000 houses during the next 5 years and this scheme is now well under way and over 7,000 houses are expected to be completed this year.

The Coal Board

Earlier this year our Coal Controller and the Chairman of the Coal Board, Mr. P. M. Nayak, was transferred for service to his State Government and on your behalf, gentlemen, I wish Mr. Nayak every good wish for his future career. I have always felt that the Coal Board's Annual Reports read little differently from the reports of the old Coal Mines Stowing Board but I feel Mr. Nayak is to be congratulated over the increased activities of the Coal Board while under his care. You will note from their last report, the activities which the Coal Board have undertaken and the various sub-committees which were formed, supported by technical experts from the Private Sector, in addition to its normal advisory bodies. These include one to make detailed surveys and investigation regarding the winning, transportation and distribution of sand from the Damodar Valley Corporation river deltas and another two committees to work out Central Schemes for the supply of sand to collieries in the Jharia and Ranigunge Coalfields and so on. The widening activities of the Coal Board are apparent from their latest report. In welcoming on your behalf, gentlemen, the new Coal Controller and Chairman of the Coal Board, Mr. A. Zaman, I am sure you will join with me in extending to him our offer of continued help and assistance and that you will wish me to assure Mr. Zaman of our desire for

even greater co-operation in the future.

I have just mentioned certain sub-committees on which our representatives have joined in the deliberations. Their reports have been submitted and have been accepted but it is my painful duty to point out that action, which is long overdue, must now be taken on these reports. It appears to me that there is an urgent need for the Coal Board to be reconstituted, so that greater attention can be paid to its activities which have widened and become more extensive since it was first formed. I would ask if the time is not now opportune for the Coal Council and the Coal Board to be merged and for a larger executive committee to function under them than exists in the present Coal Board. There are so many problems to be tackled in order to achieve future coal production targets and I feel that success cannot be achieved unless one unified high-powered body consisting of both the Private Sector and Government is formed to coordinate all matters concerned with the Coal Industry.

Technical Personnel

The Committee on Production and Preparation of the Coal Council have assessed the Technical Personnel required for the Third Five Year Plan. They have estimated that by 1965-66 an additional 3750 Mine Managers, 2000 Electrical Engineers, 2000 Mechanical Engineers, 950 Surveyors, 7000 Overmen, 30,000 Sirdars and Shotfirers will be required for the Mining Industry. They have also predicted that, in view of the limited training facilities existing, this number of personnel may not be trained in time and, even in the lower technical categories, have estimated the shortfall to be 5150 Overmen, 300 Surveyors and 27,900 Sirdars and Shotfirers. Yet the latest Mines Regulations have laid down that a greater number of technical personnel must be employed in mines—they must be employed according to Statute and mine owners are faced with prosecution or the closing down of their mines unless the required number of technical personnel are provided. I would humbly submit that the time has now arrived when one high-powered body should be formed to coordinate requirements and look into the problems of the Coal Industry and that

a strong executive committee should work under them to see that their policy is carried out. The Executive Committee should also be sufficiently strong in numbers to ensure that quick and effective action can be taken on the accepted recommendations of sub-committees and their reports should not be allowed to remain mere blue-prints for the future. This has been the tendency so far and it can only remain so until the Coal Board is reconstituted.

Release of Foreign Exchange

THE demarcation of functions between the Reserve Bank and the Government of India in regard to release of foreign exchange for various purposes has been clarified in a Ministry of Finance press note as follows:

While the Government of India are concerned with the policy, with the laying down of general regulations and with requests from vari-

ous departments of the Central and State Governments, applications for all private releases are dealt with by the Reserve Bank.

Members of Parliament and of State Assemblies, however, should apply to Government of India, in the Finance Ministry, (Department of Economic Affairs) and the Rulers of former Indian States should apply to Government in the Ministry of Home Affairs.

Test for Pure Ghee

THE formula for testing adulterated ghee that had been evolved by the Central Food Technological Research Institute, Mysore, was given out by Shri Humayun Kabir in reply to a question in the Lok Sabha. It is as follows:

"The test consists of the addition of small quantities of hydrochloric acid and a chemical known as furfural, to a small sample of ghee. If adulterated with vanaspati, the ghee will give a pink colour."

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Around Bombay Markets

Dalal Street Turns Erratic

Thursday, Morning

DALAL STREET has begun to blow hot and cold in the same breath. Cash shares continue to hold remarkably firm and not many are easy to obtain in big lots due to the scarcity of offerings. But fluctuations in the speculators' favourites have turned quite erratic. While some of them are still trying to seek new high levels, others have begun to falter. Apparently the market is now finding its upward journey to be a slippery one.

The last account ended on Thursday, March 26, on quite a firm note and the market made a new high mark on Monday. But down came prices tumbling in Tuesday's kerb dealings. Tata Steel dropped from Rs 186.50 to Rs 180 and Indian Iron from Rs 24.48 to Rs 23.88. Other counters also followed but business was limited, the market being closed. Wednesday's trading made a mixed showing, with Steels subdued and Textiles remarkably firm.

Although still inconclusive, the recent behaviour of the market seems to suggest that it will perhaps pause here to allow technical forces have their play before making further headway. How long the market might take to regain its vitality is difficult to say. The amplitude and the duration of the major bull phase do not seem to warrant a secondary type of correction. Only a minor reaction seems likely and the minor trend is illogical and hard to predict.

Many observers have felt intrigued by the spurt in equities after the Budget since the changes in corporate taxation are generally thought to weigh against the shareholders. They attribute the rise in prices to a mere change in the mood of the speculator. But considering the staggering rise in cash shares, and their list is formidable, the speculator would seem to have been going rather slow.

Cash Shares Impress

Mention has already been made in these columns of the impressive performance of cash shares like Indian Aluminium, Dunlop Rubber, Mahindra & Mahindra, National Carbon, Structural Engineering and

Indian Dyestuff. Even the most optimistic investor could not have dreamt of Indian Dyestuff shooting up from Rs 203 to Rs 410 within just one month. It is the continued strength in cash shares which encourages the hope that the major bull phase in shares will carry prices to much higher levels with occasional technical adjustments.

While technical considerations alone can explain Dalal Street's recent vacillating mood, sentiment has also been affected by rumours about restriction on bank advances against shares and talk of fresh capital issue by the Tata Iron and Steel Company. With the turn in sentiment, speculators have begun to talk anxiously about the anomalies created by the different rates for the deduction of income tax on dividends paid to individuals and companies. This perhaps follows the announcement by the Governing Board of the Bombay Stock Exchange that the buyers of Government Securities and bearer and registered debentures will make payment after deducting income tax at the rate of 30 per cent on interest accrued during the broken period. This is what the Reserve Bank wants to be done.

Oilseeds

Export Quotas Ill-timed

THE oilseeds market showed an irregularly lower tendency last week. That prices eased despite the announcement of very generous export quotas for several items will surprise only a few. This only underlines the disappointing export performance and the unencouraging outlook. Exports have been faring badly not because of the lack of quotas but because of the high internal prices.

In fact New Delhi's decision to release export quotas for groundnut oil and H P S and allow the export of groundnut expellers under the incentive scheme in the ratio of 3½ tons for each ton of oil betrays gross ignorance of the market conditions here and abroad. Already large quantities of H P S and groundnut oil remain unsold out of the quotas released many months ago. Estimates range between 10,000 and 15,000 tons of

H P S out of a quota of 35,000 tons and 16,000 and 18,000 tons of oil out of a quota for nearly 25,000 tons. To these have now to be added nearly 12,000 to 15,000 tons of H P S and 15,000 to 20,000 tons of oil. And these are to be shipped before the end of June. The concession for expellers quota is valid only against March-May shipments of groundnut oil.

Government's anxiety to boost exports is understandable and it is widely shared. But the announcement of quotas alone cannot do the trick. The release of additional quotas in face of the huge quantities already remaining unsold makes little sense. If anything, it creates a feeling of abundance among the overseas buyers without creating a demand for them. The high internal prices explain the disappointing performance, particularly of oils. And exporters of H P S have been faced with the problem of reviving a market which had been lost due to the continued ban on exports by India. Time was when the popularity of the Indian material gave it a near-monopoly position.

Missed Opportunity for Expellers

No less amusing than the release of additional quotas in the enhanced export quota for expellers under the incentive scheme which was allowed to lapse at the end of February. About the middle of January India could have sold any quantity of oil and oilcake if only the Government had linked the export of expellers entirely with the export of oil and fixed a ratio which made the export of oil remunerative. At that time the trade would have been more than satisfied with two tons of cake for each ton of oil against the one to one ratio.

The export of groundnut expellers then yielded a profit of nearly £ 10 to £ 11 per ton while the loss on oil varied from £ 11 to £ 13 per ton. That was the time when U K was anxious to buy expellers and it paid upto £ 40-10 per ton for 54 per cent. But to-day the U K quotation is mentioned barely around £28-15 and the Indian parity works out to around £28-10 to £28-15. Indian groundnut oil

is about £7 below the U K price. Therefore even the enhanced ratio of 3-1/2 tons of expellers for each ton of oil is now of little value.

One does not have to be a serious student of market affairs to know that the U K, our chief customer for expellers, ceases to be an important buyer after February because of the start of the grazing season. And demand from this source is unlikely to revive till about the middle of August. The announcement of export quotas therefore could not have been more ill-timed.

Of course it is different with regard to the export quotas for 15,000 tons of linseed cake, 15,000 tons of coconut cake, 10,000 tons of niger seed cake, 5,000 tons of kardiseed cake and 4,000 tons of other oilcakes. This is the season for these commodities here but prospects of export are rated low except perhaps for linseed cake even though that is also out of parity at present. Against the U K quotations of £30 and £22 for linseed cake and niger cake, the Indian parities work out to around £32 and £26 per ton respectively. Mention might be made here that in the whole of 1958 shipments from Bombay of linseed cake, kardi cake, niger cake, copra cake totalled only 5,350 tons, 95 tons, 201 tons and 7,527 tons respectively. The figures for the period January to March 26, 1959 are: linseed cake 2,163 tons, kardi cake nil, niger cake 345 and copra cake nil.

Subdued After Liquidation

To come back to the market story, groundnuts were generally subdued by bull liquidation which was provoked partly by the weakness in food grains and increased hedge pressure in other seeds and partly by the prospect of tender of inferior Kanpur material against the maturing April-May contracts. Spot prices were also easy even though the pressure of arrivals continued to be poor. Buyers were inclined to hold off the market. Groundnut oilcakes were slightly easier due to the continued lack of export interest. Groundnut oil was affected by weaker advices from Calcutta and North India, presumably due to improved supplies of rapeseed oil. The strict check on smuggling into Eastern Pakistan has also affected the demand for oils in Calcutta.

Castor futures receded due to the steady increase in hedge pressure and the continued lack of any fresh export business in castor oil. Occasional rumours of some business with the U K and talk of inquiries from the U S due to lack of any important offerings by Brazil for near positions produced small rallies at times but the general tone remained subdued. The weakness was particularly pronounced in linseeds. This is because the crop is normal and it is now on the move. There seems little chance of selling linseed oil abroad. Australia will probably continue to take its requirements from here but its total off-take is not very large. Cottonseeds held comparatively steady. This reflects mainly the downward revision of cotton crop estimates to around 47½ lakh bales. But market reports also indicate a tight bull grip on this commodity. This has led crushers to complain about the crisis in the industry. Linseed futures have also been brought under margin at above Rs 33 per cwt.

Fluctuations in oilseeds futures last week up to Wednesday, with the previous week-end figures in brackets were as follows:

Groundnut May: (Rs 186.62) 185.75, 186.75, 184.50, 187.37, 184.50, 185 per candy;

Castor May: (Rs 156.25) 155.62, 155.87, 153.62, 155.75, 153.75, 154.12 per candy;

Cottonseed May: (Rs 131.25) 130.50, 131.50, 130, 131.25, 130 per candy;

Linseed May: (Rs 32.69) 32.56, 31.87, 32.44, 31.81, 31.87 per cwt.

Cotton

Irregular But Firm

LAST week's erratic fluctuations in cotton futures reflect the vacillating mood of the market. This is because conflicting influences are at work. With the latest estimates placing the crop at between 47 and 48 lakh bales, the supply position is not considered quite comfortable. This naturally acts as a check on the decline. But the current high prices leave hardly any margin to spinners of below 38 counts. This makes it difficult for the market to push its way substantially up.

Fine and superfine units alone are doing well. That is why superior cottons have been showing remarkable strength. Indeed few varieties can be had much below the ceiling

rates. Reduced supplies of imported cottons have also contributed to the firmness in superior varieties. Bears seem content with covering their sales when prices come down and bulls are equally anxious to liquidate their holdings when prices move up. Hence erratic fluctuations.

After being done down to Rs 674.75 on March 26 Jarilla May moved irregularly up to Rs 684 by March 31 but reacted to Rs 677.25 the next day. It was up again at Rs 681 the same day in kerb dealings. Trading in the August contract was allowed from March 26. Throughout the week it was quoted at a premium ranging between Rs 6 and 7 per candy. After being done at Rs 682 on the very first day it rose to Rs 688.50 and later hovered at around Rs 686 most of the time.

Notwithstanding the vacillating mood of the futures market, the spot market generally held steady-to-firm. Mill inquiry was quite satisfactory, with interest mainly in good quality cottons which are getting increasingly scarce. Foreign cotton also attracted good attention, particularly because of the expiry of the contracting period for Egyptian cotton at the end of March. The shipment period for East African cottons has been extended by a month to May end.

U S Export Policy

Washington's cotton export policy, involving heavy subsidy, has not only provoked comment in the other cotton producing and export countries but also in the U S itself. An expert estimate puts the cost of export subsidy to the tax payer at a minimum of 100 dollars per bale. The total cost of the CCC is placed at \$1,400,000,000 in the last two years and the cotton price support programme for 1956-57 alone cost \$1,708,509,000 whereas the total value of the 1957-58 crop was only \$1,853,708,000. The total net farm income from all sources in 1958 was \$13.1 billion.

According to the President of the New York Cotton Exchange the official price policy has seriously reduced the volume of business on the exchange and if the deterioration continues, which is likely under the present legislation, the exchange may be ruined and forced to close. The president, Mr William K Love Jr adds: "What is needed? Markets. How may they be ob-

tained? Through a freely operating one price system for cotton. When is it needed? Now."

Money & Bullion

STRINGENCY in the short-term money market persists and borrowers are unable to get all they need at the quoted rates which are at the agreed ceiling. The response to the 91 days' treasury bills continues to be poor and the bill rate is as high as 2,760 per cent. With advances moving up, banks are being forced into the Reserve Bank to meet their requirements. They have huge holdings of Government Securities but since the seasonal demand is expected to last only for another two months they prefer borrowing from the Reserve Bank to liquidating their investments in Securities. That also explains why the Gilt-edged market has been able to put up a steady show despite the growing stringency in the short-term money market.

Bullion prices showed an irregularly lower tendency last week. The preceding rise had been quite steep and it was only natural that bulls should cash profits. After all an uptrend cannot be expected to continue indefinitely. Gold is already at around its all-time high and silver too has come to within a striking distance of its all-time record. By all tokens the current levels would seem to be on the very high side.

But apart from technical considerations which warranted a halt to the rising trend, sentiment was affected by the start of trading in three settlements simultaneously, which is aimed at discouraging bull manipulation. Jeth is a month of slack off-take and it is still far off. It is therefore generally thought that bulls might not find it easy to maintain their hold as tightly as they could if they had to take care of only one or two settlements. Of course bulls have still a firm hold on the market. This explains the high backwardation charges in both the metals.

Some of the important fluctuations in gold and silver Chaitra delivery were as follows. Figures in brackets indicate the previous week-end closing rates:

Gold Chaitra: (Rs 119-1) 119-1, 118-1, 118-12, 118-7½, 118-11;

Silver Chaitra: (Rs 201-8) 200-11, 198-11, 200-3, 199-11.

Forward Markets Bulletin

THE Forward Markets Bulletin, a monthly, issued by the Forward Markets Commission will be welcomed by all market men and students of market affairs. It contains in an integrated form reviews of all the markets under the Commission's control as well as a variety of statistical data relating to the supply and demand position, exports, prices and futures dealings.

The reviews of the markets, however, are merely descriptive and not analytical. This is an unfortunate feature of all the publications by official agencies. They fail to give any impression that markets are living organisms. The value of the Bulletin, however, lies mainly in the statistical data that it contains.

The Bulletin should stimulate better understanding of the working of forward markets and the inter-relationship of markets in different centres. But the Commission will have to strive hard to bring the information more up to date, if the publication is not to remain merely a work of reference. The March issue, for instance, contains information only up to the end of January. This is a regrettable feature of most of the official publications.

The Bulletin can be improved considerably and it is to be hoped that it will, with time and experience. The beginning is certainly promising. Wider information about foreign markets and prices should help the cause of exports. The inclusion of the daily highest and lowest rates along with the opening and closing rates will win for the bulletin better appreciation from technical analysts. Opening and closing prices alone cannot give a complete idea of the market's vitality. Graphic illustrations of price trends and other statistical data will greatly enhance the attractiveness of the publication.

Nobody will question the need for regulating dealings in futures in commodity markets, but is not the Chairman being unduly modest in saying that the Commission has been working unobtrusively. When Shri Natu says that "the role of the Commission is mainly supervisory", one has to draw attention to the qualification, 'mainly', for the Commission has not been as non-interfering as all that. That's

why it is more dreaded than respected.

In view of the power it has over the markets which is not merely theoretical, is it right and proper for the official organ of the Commission to canvass advertisements from parties some of whom would certainly like to curry favour with it, and none of whom can afford to give it any offence, real or imaginary?

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Industrial Capacity and Production—III Metallurgical and Other Industries

Current Statistics

	No. of Factories					Capacity					Production				
	1951	1955	1956	1957	1958	1951	1955	1956	1957	1958	1951	1955	1956	1957	1958
Metallurgical Industries															
(a) Virgin Metals															
Aluminium ('000 tons)	2	2	2	2	2	4.0	7.5	7.5	7.5	7.5	3.8	7.2	6.5	7.8	8.0
Antimony ('000 tons)	1	1	1	1	1	7.00	7.00	7.00	7.00	7.00	328	504	589	502	545
Copper ('000 tons)	1	1	1	1	1	6.0	7.2	7.2	7.2	7.2	7.1	7.3	7.6	7.8	7.7
Lead ('000 tons)	1	1	1	1	1	7.0	6.0	6.0	6.0	6.0	0.9	2.2	2.5	3.0	3.0
(b) Semi-Manufactures															
Aluminium Sheets, Circles, etc ('000 tons)	8	6	7	7	8	7.0	11.7	17.4	17.4	18.0	7.0	10.1	10.5	11.0	12.4
Aluminium rods & sections ('000 Tons)	—	1	1	1	1	—	0.96	0.96	0.96	0.96	—	0.12	0.37	0.73	1.0
Aluminium wire rods for ACSR ('000 Tons)	—	2	2	2	2	—	10.8	10.8	10.8	10.8	—	0.84	2.4	3.3	1.6
Aluminium Foils ('000 Tons)	—	1	1	1	1	—	1.2	1.2	1.6	2.6	—	1.3	1.1	1.4	1.7
Brass and Copper Sheets, etc ('000 tons)	14	19	19	17	19	48.0	45.0	46.0	45.0	46.0	16.4	15.0	16.1	20.7	23.6
Brass and Copper Rods (Tons)	4	5	3	3	3	3,500	5,477	5,240	5,240	5,240	800	1,295.9	1,620.3	1,775.0	2,059
Brass and Copper Pipes and Tubes (Tons)	1	1	1	1	1	360	360	360	360	360	20.0	62.4	52.2	63.0	55.0
Brass and Copper non-electric Wire (Tons)	4	4	4	4	4	2,200	1,958	1,958	1,958	1,958	1,400	339.7	538.4	676.0	930.0
Lead Sheets (Tons)	2	1	1	1	1	2,800	1,092	1,092	1,092	1,092	118	102	38	43	143
Lead Pipes and Tubes (Tons)	3	3	3	3	3	4,800	4,800	4,800	4,800	4,800	200	283	340	335	270
Zinc Sheets and Strips (Tons)	1	1	3	4	4	300	4,410	3,700	5,700	5,700	36.0	41.7	90.7	1,799.0	1,962.0
(c) Non-Ferrous Alloys ('000 Tons)	13	15	15	15	15	68.0	69.0	69.0	69.0	69.0	11.7	13.9	17.2	16.7	21.4
(d) Steel Castings ('000 Tons)	10	8	9	10	14	27.0	15.0	18.6	18.8	32.0	10.0	15.0	20.5	23.3	28.3
Rubber Manufactures															
Aero Tyres ('000)	—	2	2	2	2	—	5.3	5.4	6.2	6.2	—	4.4	3.4	4.5	2.7
Aero Tubes ('000)	—	2	2	2	2	—	3.6	3.6	4.4	4.4	—	2.4	2.3	2.1	1.3
Automobile tyres (lakhs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Giant	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Motor	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Motorcycle	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Automobile Tubes (lakhs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Giant	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Motor	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Motorcycle	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A D V Tyres ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A D V Tubes ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tractor Tyres ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tractor Tubes ('000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bicycle Tyres (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bicycle Tubes (mn)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dipped Rubber goods (mn doz)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ebonite (lakhs lbs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Belts (lakhs nos)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fan	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vee (industrial)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Latex Foam Sponge ('000 lbs)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Capacity and Production of Metallurgical and Other Industries (Contd.)

	No of Factories					Capacity					Production				
	1951	1955	1956	1957	1958	1951	1955	1956	1957	1958	1951	1955	1956	1957	1958
Hoses:															
Radiator (lakh)	8	7	9	9	9	3.5	—	5.9	5.7	5.7	2.2	1.8	2.4	1.7	1.5
Vacuum Brake (lakh)	3	4	4	4	4	5.9	—	10.8	10.8	10.8	4.7	8.0	5.5	7.8	5.8
Others (mn ft)	—	—	—	14	14	—	—	—	11.3	11.3	—	—	—	8.0	8.8
Waterproof Fabrics (mn yds)	—	12	12	13	13	—	5.7	6.6	6.3	6.3	—	2.1	2.6	3.1	3.4
Mineral Industries:															
Abrasive Grains (tons)	—	—	1	1	1	—	—	864	864	864	—	—	527	655	827
Asbestos Cement Sheets ('000 tons)	5	6	6	6	6	170.0	141.0	141.0	210.0	210.0	83.2	103.5	119.8	157.6	184.4
Ceramics															
(a) Whitewares ('000 tons)	—	—	38	37	42	—	—	17.4	20.8	29.7	—	—	15.1	15.8	17.9
(b) Glazed Tiles ('000 doz)	—	—	4	4	4	—	—	870.0	559.3	559.3	—	—	454.7	520.5	527.3
(c) Sanitary wares ('000 tons)	—	13	14	16	18	—	2.6	2.7	4.5	8.5	—	2.6	2.7	3.5	4.4
(d) Stoneware Pipes ('000 tons)	—	—	18	19	19	—	—	56.4	58.1	—	—	—	36.7	43.9	53.2
(e) Stoneware Other kinds ('000 tons)	—	—	26	24	24	—	—	15.8	11.5	11.5	—	—	7.1	8.1	8.4
(f) H T Insulators ('000)	—	—	6	6	6	—	—	512.2	2,089.3	2,089.3	—	—	62.2	192.9	1,454.9
(g) L T Insulators ('000)	—	—	11	12	13	—	—	7,324.5	12,076.3	12,076.3	—	—	4,733.1	4,685.4	5,254.9
Cement ('000 tons)	—	27	28	28	29	—	4,743	5,700	6,332	6,832	—	4,496.1	4,928.5	5,601.1	6,380.5
Enamelware (mn)	—	22	22	22	22	—	30.0	30.0	30.0	30.0	—	15.7	15.2	14.1	17.1
Graphite Crucibles ('000)	—	—	12	15	15	—	—	—	800.0	1000.0	—	—	—	400.0	1,000.0
Glass Industry															
Sheet Glass (mn sq ft)	—	4	4	4	4	—	100.6	100.6	106.6	106.6	—	38.9	47.6	54.2	70.0
Glass Shells (mn)	—	3	3	3	3	—	27.4	27.4	27.4	27.4	—	26.1	35.9	39.1	30.0
Laboratory Glass wares (tons)	—	12	12	12	15	—	6,024	6,024	6,744	6,744	—	2,496	3,357	3,115	4,000
Thermos Flasks ('000 doz)	—	—	2	3	3	—	—	77.3	107.3	107.3	—	—	48.3	53.4	65.0
Bottle wares ('000 tons)	—	90	90	92	92	—	140.5	140.5	143.5	163.2	—	55.3	62.4	70.2	80.0
Table and Pressed wares ('000 tons)	—	—	75	79	80	—	—	40.4	46.4	63.8	—	—	28.2	31.7	34.0
Lamp wares ('000 tons)	—	81	81	82	82	—	33.2	34.7	34.7	34.7	—	16.7	19.9	17.9	18.5
Miscellaneous Glass wares ('000 tons)	—	28	28	29	29	—	19.9	19.9	21.4	21.4	—	2.3	3.0	4.0	4.0
Pencils ('000 gross)	—	12	13	13	14	—	1,082.7	1,330.2	1,330.2	1,570.2	—	377.0	580.7	715.1	716.9
Refractories ('000 tons)	25	32	33	33	35	293.6	329.4	444.0	464.4	579.2	238.2	275.6	318.4	363.7	425.6
Timber & Cellulose Industries:															
Rayon Yarn															
(a) Viscose Yarn ('000 tons)	—	2	2	3	3	—	7.9	8.1	12.8	16.2	—	5.7	7.3	9.4	11.9
(b) Acetate Yarn ('000 tons)	—	1	1	1	1	—	1.8	1.8	1.8	1.8	—	1.0	1.4	1.6	1.7
(c) Viscose fibre ('000 tons)	—	1	1	1	1	—	5.4	5.4	14.4	21.6	—	5.7	7.9	8.0	12.6
Paper & Paper Board ('000 tons)	—	—	21	19	19	—	—	211.9	250.0	268.6	—	—	193.4	210.1	250.0
Newsprint ('000 tons)	—	—	1	1	1	—	—	30.0	30.0	30.0	—	—	10.8	14.5	20.0
Battery Separators (wooden) (mn)	—	3	3	3	3	—	20	20	20	20	—	9.2	9.0	4.6	8.8
Cork:															
(a) Stoppers ('000 gross)	—	—	2	2	2	—	—	—	1,200	1,200	—	—	511.3	638.1	1,249.6
(b) Discs ('000 gross)	—	—	—	—	—	—	—	—	3,000	3,000	—	—	1,908	2,425	1,993
(c) Sheets (mn sq ft)	—	—	—	—	—	—	—	—	*11.5	11.5	—	—	—	*	1.7
Tea chests (mn sq ft)	—	—	65	67	67	—	—	150.6	150.6	†250.0	—	—	98.8	95.0	87.6
Leather Industries:															
Vegetable Tanned Hides (mn)	26	24	24	23	29	3.18	3.30	3.42	3.18	3.85	1.70	1.64	1.68	1.79	2.00
Chrome Tanning of Hides (mn)	16	13	13	12	13	1.98	1.68	1.68	1.64	1.58	0.88	0.68	0.74	0.63	0.71
Leather Footwear:															
(a) Western type ('000 pairs)	—	—	12	12	12	—	—	5,975	5,975	6,688	—	—	3,620	4,370	4,467
(b) Indian type ('000 pairs)	—	—	12	12	12	—	—	not known	not known	37.0	—	—	2,911	3,038	3,089
Glue ('000 cwt)	—	9	9	9	8	—	48.1	48.1	48.1	37.0	—	19.5	21.8	25.8	23.2

* Production started in 1958.

† Three shift basis; previous figures on single shift basis. Production started in 1953.

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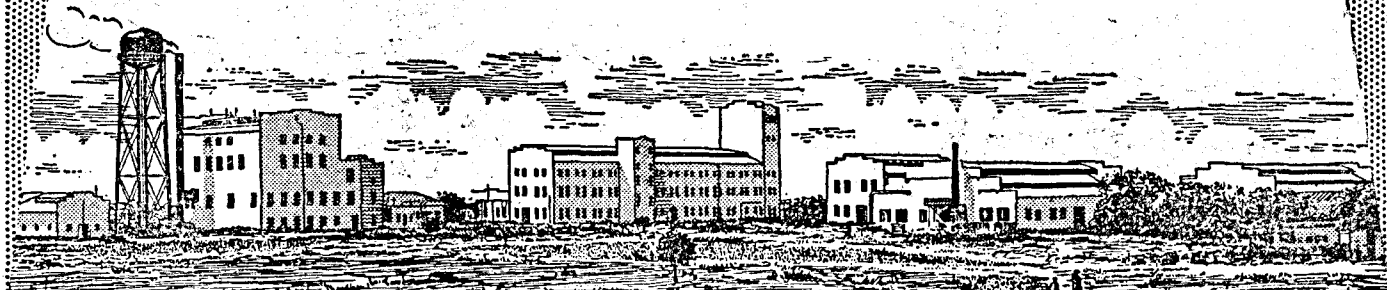
* In terms of seeds

‡ In terms of extracted oil

Source :.Ministry of Commerce and Industry

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The Iron Chancellor

THE week's big question is: why has Dr Adenauer sprung on a completely unprepared world the sudden surprise of accepting the Presidency of West Germany? It is doubtful if anyone can really give the correct answer to the question at this stage, for it seems almost incredible that the Chancellor who a bare six weeks ago was trying to push Professor Erhard into the job and, from all appearances, looking confidently forward to contesting the 1961 elections and starting off another term at the age of 83, should have suddenly accepted the position for himself. What could possibly be the reason behind this abrupt shift?

The field is necessarily that of conjecture; and various shots in the dark have been taken. One popular explanation is that the West Germans were tiring of Dr Adenauer's obsessive rigidity in foreign policy, that this dissatisfaction had become so widespread that it forced his exit from the position of power and pushed him into the purely honorific one of President. Another explanation put forward as a possibility is that the post of the West German President is, in fact, not so powerless as is generally imagined, and that all that the change means is that Dr Adenauer will henceforth direct the destinies of his people from the presidency instead of the chancellery. Naturally, this particular line of thought implies that no change of policy is to be expected from the development, and presumably also that any dissatisfaction which may be prevalent in Bonn against Dr Adenauer's handling of foreign affairs is being grossly exaggerated.

The difficulty about these two explanations is that they are completely contradictory. To accept the one is completely to reject the other. Nevertheless it might be instructive (and perhaps helpful) to examine the merits of each.

The first explanation sounds plausible enough and is, besides, particularly tempting for us, as a neutral people dedicated to the cause of co-existence, to accept. Adenauer has been inflexible in his attitudes on the German and other questions, and is obsessed by the distrust of the Soviet Union. As long as he is in effective power, the efforts of other Western nations to seek at least a workable basis of peace with Russia are foredoomed to failure. As an example, the current Anglo-German quarrel is the direct result of Adenauer's disapproval of Mr Macmillan's efforts to facilitate a summit meeting at which the German question might be somewhat freshly approached. The West Germans who are fed up with the present impasse on this issue thought it a good idea to push the Iron Chancellor out of the way and elect the person for a possible solution. All this makes fairly good sense, but there is more than a little probability that such thinking on our part may be at least partly wishful.

What is there to invalidate such an explanation? Simply this that Dr Adenauer is at present too powerful to be pushed around in this manner. His power over the years has been steadily diminished; and it seems hard to believe that a man who was so confident of himself just six weeks ago, is now suddenly finding the bottom knocked off from under his support. The explanation also presumes that the dissatisfaction against his policy has penetrated deeply into the Christian Democrat party, and effectively undermined his power. While it cannot

be denied that there was some amount of dissatisfaction in the party against his policies, it seems unlikely that this had become great enough to threaten his position.

One must not forget what manner of man Adenauer is. He is self-willed, arrogant, dictatorial and obstinate. If a small group in his party had tried to do away with him as Chancellor, or to undermine his power, he would have forced a showdown and effected a purge. Even if one accepts the unlikely presumption of the opposition having grown too large for such action, one can only deduce that he would have forced a showdown earlier when the threat to his position was still controllable.

The other picture is that of the emergence of a German de Gaulle, a man combining every power in himself. This picture has at least the merit of fitting in with Dr Adenauer's personality and character. Unfortunately, there are two strong snags in accepting this as the true picture of events. First, that Dr Adenauer already had all the power he could possibly have; secondly, how is it that it is only now, after ten years in

office, that he has suddenly discovered that the Presidency is in fact much more than an honorific position, and that it can be used for the wielding of great power? Indeed, it is hardly necessary to go back ten years. Dr Adenauer's efforts to nominate Professor Erhard for the Presidency would suggest that even six weeks ago, the Chancellor was ignorant about the tremendous potentialities of the Presidency as the seat of power. That seems as absurd as we feel sure it is.

The truth of the matter may be infinitely less interesting and ingenious. It may simply be as follows: Dr Adenauer is 83. The question of seeking a new President was already in the air. Professor Erhard had successfully dodged the appointment. At the same time, the question of finding a successor to the greatly ageing Adenauer would have to be faced before long, whatever his own views on the matter. So the pundits of the party put a rather simple proposition before him: Why should he not appoint his own successor, or successors, and watch over his performance from the Presidency to see how it goes? Such a procedure would

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ensure the continuity of Adenauer's policy after Adenauer; and, after all, that is what really matters to the Chancellor. He is an intelligent man, and while his enormous ambition might goad him on to take another term in office, he must know that at 83 he could not launch upon the task of becoming a Fuehrer. Enough that Adenauerism should survive Adenauer.

We cannot suggest that this is definitely what happened. But, considering everything, it seems the likeliest explanation. Dr Adenauer's own adherents in the party could well have persuaded him into a course of action to which his opponents could never have driven him under compulsion. Adenauer, it would seem therefore, has receded into the background (perhaps only temporarily) to try and ensure the survival after him of Adenauerism. From his point this would be far more preferable than risking that a struggle for power should immediately follow his death—a struggle in which, who knows?, Adenauer might have been buried at the same time as Adenauerism.

Words, Words, Words

THE Planning Commission may regain its lost prestige, judging from the manner in which the National Development Council, the highest deliberative body in the country, has been behaving. The role that this Council has is not that of giving a lead to the country—that should be left to others. Its function is to give a lead to the collective executive of the country, if one may use such an expression. What else are they supposed to do when Chief Ministers of the States and the Cabinet Ministers of the Centre gather in conference? Of course, the NDC gives a lead to the country also, but that is secondary, this being the primary function of the Congress, the political party, whose aims and aspirations the Government endeavours to put into practice. The politicians and political parties in a country in ferment that has still to be re-built cannot just go on playing politics. To sort out these functions is certainly not hair-splitting and drawing the dividing line too fine, merely because the same leaders of the Congress, at least most of them, also run the government of the

country, at the Centre and the States. The Planning Commission performs the role of an intermediary in this august company. That their members are present at the meetings of the National Development Council is not mere formality, protocol or courtesy. It is the function of the Planning Commission to sift, examine and put together and recommend how best the aspirations of the people and how much of them could be given concrete shape and realised in practice.

Words are curious things. With repetition they sometimes gain potency and become powerful instruments of action and social change. But with repetition, their appeal may also die down and men, who could have been moved by them, may come to dismiss them as mere piffle, so quickly does their potency peter out. This has happened with a group of words which between them were to energise the people and set the entire rural sector, and more than the rural sector, on the path to developing a self-sustaining economy. Co-operative farming,

co-operatives, one for each village, to cover the entire rural population in a couple of years, and State Trading in foodgrains—these were the fulsome phrases which were to bring about a complete economic and social transformation. This, it had been given out, was a matter of great urgency and a time schedule had been laid down by which all these were to be completed. The Third Plan was going to be a very big plan and it could not be implemented, unless agricultural transformation preceded it. That food imports, even under PL 480, could be a substitute for growing more food, was becoming too much of a joke. It could not go on if development was to be self-sustaining.

When these proposals came to be put forward seriously for the first time, there were noticeable reactions. The talk of co-operative farming raised the scare of class war; that of State Trading in foodgrains alerted the wholesale traders, who smelt danger, and though the proposed orientation to co-operative movement had not

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created the same stir, there was uneasy suspense and anxiety among those who had patiently planned out development on different lines. One by one, all the misgivings that had been unnecessarily aroused have been laid. Co-operative farming is put off. Ceilings on land holdings and service co-operatives must precede them. Even when ceilings are imposed, not much land would be available for joint cultivation. And no one knows yet what would happen to the co-operative movement if each village had its own co-operative to be run by the villagers themselves. The co-operators may yet have the last laugh. They may legitimately chuckle to

find that State participation is coming back, not merely in the supply of funds—that has always to be—but also State representation on boards of management.

In the last meeting of the National Development Council, the members of the Planning Commission must have been amused spectators. Was it not the NDC which had started the hare of doubling foodgrains production by the next Plan? Nor was co-operative farming their baby. Over State trading and food control, they had in the past wanted 'a firm and clear policy' and 'an assurance of continuity in that policy', and it is the Ministry which had overruled them.

Weekly Notes

Departmental Management—Or Corporation?

NO Government in a federal set up can be indifferent to taxation of State commercial undertakings, particularly a government which is committed in principle to the progressive extension of such undertakings. The case for handing over such undertakings to separate statutory corporations, however, does not rest primarily on this aspect of the question, though until now, in this country Government commercial undertakings carried on departmentally have not been liable to taxation. The corporate form is suggested and recommended as a desirable measure of decentralisation, to ensure better efficiency and to cut out red-tape. The idea is that decisions should be taken by those who are entrusted with the responsibility of running these undertakings, untrammelled by interference from the secretariat in not only day-to-day operation, but also in policy matters, subject only to the broad demarcation of functions prescribed in the statute of incorporation.

To this measure of decentralisation, there has been considerable reluctance both at the Centre and at the State levels. Nor have the corporations always exercised the degree of autonomy in practice which they are supposed to enjoy in theory. It is not that all experts on administration accept unreservedly the superiority of the corporate form. Professor Appleby, for one,

held for departmental operation in certain circumstances as against the corporate form. At least the West Bengal Government could cite his authority in support of departmental working of State transport. West Bengal State transport has done very well indeed, considering the magnitude and complexity of the problem of urban transport in Calcutta and the limitations under which it has to operate with private bus owners still running the most paying bus routes in the city.

But is the decision in favour of departmental working strictly on the merits of the case? Much more enters into it than considerations of efficiency or economy of operation and administrative convenience. Politics must play its part in such decisions as elsewhere, and it is conceivable that in some cases—perhaps West Bengal is the only example and a shining one—it is politics of the good sort which weighs the scale. It is not every State which can get public men of experience, proved business ability and integrity to run a Corporation and run it for the benefit of the State and the public, and not tie it up with their various private business interests. But politics of a different sort also plays a part, and often the dominant part, in such decisions, as has been brought out clearly in response to the pressure from the Planning Commission on the State Governments—politely put up as a recommendation—to divest them-

The Planning Commission of today may not share these views, but, then, it had never solemnly proclaimed either that the "State should take over wholesale trade in foodgrains." That was the decision of the National Development Council, at its previous meeting, six months ago. And this was now being watered down. As a matter of fact, the Council decided nothing. It merely approved of the whittling down and reversal of its own decisions. In the circumstances, would it not be reasonable to expect that, if only by contrast to the Council's performance, the Planning Commission should go up in stature?

selves of the responsibility of running road transport departmentally and handing over the job to separate Corporations. More correctly, the directive has gone to such of the State Governments as have not yet done so. By the way, it is now almost forgotten that the idea behind the Road Transport Corporation Act, 1950 under which these corporations are formed, was to secure road-rail coordination by having the railways as partners along with the State Governments and representatives of railways on their boards. Some of the States, which run their road transport departmentally, have declined to comply on the ground that they did not want any outside interference. This is rather curious when the party from whom protection is sought is the Government of India!

But think of the advantages to State Governments of having road transport under their complete control. Fleets of streamlined buses going to the remotest villages, running on schedule, offering comfortable travel at a very moderate charge to all and sundry. What better propaganda there could be for socialism for the mobile sections of rural population? And if socialism is too nebulous and vague, think of the advantages to a political party at the time of elections of having road transport under the full control of the political bosses. One need not go further and imagine such unworthy practices as put-

ting key men from the party at all the key points of the road transport system! Is it any wonder, then, that not only U P, but so many other States—Orissa, Assam, Kerala and Punjab, to name only a few—should decline to toe the line?

The point raised about the liability to taxation of road transport run by State Governments, should not be difficult to solve, whether such undertakings are given a corporate form or not. All that the Finance Ministry has to do is to draw up a bill. But what about the original purpose of securing coordination between rail and road transport through these corporations? The question has not yet, and is not likely to, come to a head until road transport is in a position to make serious inroads on the goods traffic. State Governments had to withdraw from this field, not very willingly, some time ago, and they have to keep out of it in any case until the end of the Third Plan.

Long Distance Road Transport

SOME day, road rail competition will come to this country as it has come to U S and Western Europe. But that is not yet. So what the Railway Board has been doing is partly shadow-boxing and partly preparing itself well in advance—say, five years before time—for this eventuality. The road operators are meanwhile to be thanked and complimented for alerting the railways and provoking them into offering an express goods service between Bombay and Delhi and Bombay-Bangalore-Hyderabad, which would be followed up, let us hope, by similar services between other important centres.

That road operators have been active for some time is common knowledge. Road transport services have come up which guarantee delivery of goods in a specified number of days and apart from other services which they are well-equipped to render, such as picking up freight from the despatcher's godown and giving delivery on the premises of the consignee, they have been enterprising in overcoming the hesitancy on the part of their prospective customers in other respects. A handicap for the road operators is the lack of insurance cover on goods in transit under their care. Some enterprising operators have been known to deposit with the party in cash the full value of the

goods entrusted to them on condition of return on delivery of the goods in question. These operators have not only been active, they had also been widely advertising in the papers and canvassing traffic.

But how are they able to carry them and how much do they actually carry on the long hauls, say, between Calcutta, Delhi and Bombay? No one seems to know for certain. No Government department, not even the R T O, is charged with the responsibility of keeping track of long distance goods traffic by road. But observation, and such estimates as are available suggest that the actual volume of such traffic is quite magnificent. The surprising thing is not that there should be so little long distance road transport, but that there should be any at all. This is for the simple reason that licensing of road transport is done by State Governments, and inter-State movement is very severely restricted, both by the licensing procedure of the different States and by the lack of uniformity in the matter of permissible loads, etc. True, an inter-State Transport Commission has been set up for the purpose of 'development, coordination and regulation of road transport services on inter-State routes', but it was set up only last March, and it could not have done anything yet. Even the ad hoc Committee, under the Chairmanship of Shri M R Masani, which was to advise the Government on the reorganisation of transport administration in the States, has yet to submit its report. All that the Ministry of Transport and Communications has to say on this point in its latest Report is as follows:

"The State Governments have been advised to relax their licensing policies so that more vehicles may be brought on the road. Restrictions on the long distance movement of motor vehicles have been further relaxed and the Regional Transport Authorities have been allowed to issue permits freely, subject to the demand being there, for distances upto 300 miles or for operation within a radius of 150 miles."

So obviously, long distance road transport has started, albeit in a small way, long before anything has been done to make such transport possible. How could it? Well,

there are several reports current, and one that is widely in circulation is that road operators get round the restrictions on inter-State movements in various ways, e g, by taking temporary permits, using different number-plates, and so on.

Apart from the legal and administrative obstacles to inter-State road transport, how are the private road operators able to offer superior quality of service or service at a lower cost compared to the railways? The explanation is two-fold: first, there are the usual complaints, naturally by those who do not like the private road operators to come up, viz, that they are not handicapped by labour laws, minimum wages or hours of work; that they supplement their incomes by carrying contraband and other prohibited stuff and so on and so forth all of which have an element of truth, of course. Second, the freight rates on railways may be low, in fact they are not related to cost of carriage on short hauls, but in practice, they work out much higher than the official rates, for the 'extras' have to be paid, which raise the cost of rail transport to most consigners. Wagons are available in plenty, but never at the official rates. So the Railway Board should look nearer home for the source of road competition instead of raising false scares about wasteful competition and trying to meet it by spectacular offers to the public.

High Level Confusion

THE automobile industry in India has always been out of gear. No wonder it gives constant headache to some high-ups in Delhi. During the last two days the Ministry of Commerce and Industry has obliged us with two communiques. The first one aims at stopping the scandalous system of payment of 'pugree' without which one cannot buy a car or truck these days. And the second announces the appointment of a Committee to examine (a) the feasibility of producing a low-cost car within the price range of Rs 5,000 to Rs 7,000; (b) the targets of production for different types of vehicles in the Third Five Year Plan; (c) measures for reducing the cost of different types of vehicles—cars, jeeps and trucks—which are being manufactured by the automobile industry; (d) the more appropriate pattern of

organisation for the future expansion of the industry to ensure low-cost production; and (e) the financial implications including the foreign exchange cost of different development programmes which the Committee might suggest. If these communiques are to be taken only as an indication of Government's anxiety to set things right, we have no quarrel with them. But we are not sure that either the Committee, or the new distribution system is going to give us a cheap car. The main source of trouble in this industry is the lack of clear thinking at the policy-making level.

Neither the Government nor the Parliament has any clear idea whether the motor car is a luxury or a necessity. This is the root of all trouble. A car may be a necessity under various circumstances. But is a car a necessity for a private individual? If so, what class of private individuals requires a car? Only in the light of an answer to this question, can the examination of any programme of passenger car industry be realistic and the reasonableness of price be determined.

If the passenger car is considered a luxury item, the whole rationale of the present price control on such cars disappear. Why should not the manufacturers make a little more money on them and use the proceeds to develop the industry faster? And if it is thought that the manufacturers should not make any extra profit from the shortage of cars, since cars in short supply will in any case command a heavy premium, why not mop up the premium by imposing a stiff excise duty rather than allow undeserved gains to pass on to middlemen? To repeat, the issue is whether a passenger car is a luxury or not. If it is a luxury, well, those who can, should pay. In any case so many of the cars are purchased on company account and do not touch individual pockets. Why then so much bother about a few thousand cars? If passenger car is considered to be an article of luxury in the present stage of our economic development, the right solution to the problem of profiteering in car prices is an excise duty, not price and distribution control.

When we criticise the progress of automobile industry in the country, we often compare the conditions on the Continent and U S A, forgetting that we have no automobile industry in this country, in the sense in which

the term is understood in those countries. The development of this industry in this country is conditioned by factors like the design and technical know-how furnished by foreign manufacturers, volume of demand, availability of foreign exchange etc. This industry can be developed only by laying down certain priorities as was done by the Tariff Commission in 1956 but which were not adhered to in practice. Attempts to develop many types of vehicles at the same time will only retard progress. One clear example of how progress could be made quickly is shown in the case of Tata-Mercedes vehicles. They concentrate on one type of commercial vehicles, and though a late-comer in the field, they will be placing in the market by the end of this year a vehicle with the largest indigenous components—85 per cent and at a price comparable to the Continental prices.

The Committee now appointed to go into the whole question of the development of the industry is for all practical purposes a departmental committee. The inclusion of an ex-member and a sitting member of the Tariff Commission does not change this complexion a bit. When a high level standing Committee consisting of the representatives of the Ministries of Commerce and Industry, Finance, Transport and Defence is already there, what fresh light can the new committee throw on the subject? Really, is there anything in the terms of reference to this committee, which does not ordinarily come under the constant examination of the departments concerned? The appointment of yet another committee in the circumstances is only a confirmation of the confused thinking prevailing at the higher levels.

Decline in World Trade

THE latest Statistical Year Book, published by the United Nations, which relates the story of a large part of the world in figures covers so many things that one has to be apologetic for fixing on any one thing and that, too, some thing so unexciting as the position of underdeveloped vis-a-vis developed countries. But since the cobbler must stick to his last, one may be excused. A press release on the subject—the book has not been received yet—notes that the volume of world exports declined a little in 1958 and so did export prices, thus

causing a notable interruption to the steady expansion which had been a feature of world trade in the years since World War II. The reduction, needless to say, is due to the fall in economic activity, initiated by the recession in US, which began in the last quarter of 1957 and reached its trough in the second quarter of 1958. While exports were lower in 1958 than in 1957, the nature of the reductions differed between the industrial countries and the non-industrial countries. In the industrial countries, the insensitiveness of prices of manufactured goods to reduced demand, which has been a feature of the industrial economies in recent years, resulted in a situation where their exports, although lower in volume (3 per cent), brought prices almost the same as in 1957 (or slightly less). Exports of primary products, however, responded to the fall in demand by reductions in price to the extent of 6 per cent with the result that, although exports of primary products were in fact slightly greater in volume than in 1957 the primary producing countries lost about 5 per cent in export proceeds.

Comparing 1957 with 1953, there was an increase in volume of 35 per cent and an increase in price of 5 per cent for the exports of industrial countries; and a 22 per cent increase in volume and no difference in price for the exports of the non-industrial countries. The faster growth of imports as compared with exports in the non-industrial countries was reflected, both in absolute and in percentage terms, in the growth of the trade deficit of these countries. Whereas in 1953 the trade deficit of these countries was only 2 per cent of current exports, it had increased to 16 per cent by 1957.

During this period the exports of the industrial countries to the primary producing countries increased less than the trade of the industrial countries with one another, but the primary producing countries showed a greater increase in their trade with one another than in their exports to the industrial countries. About 60 per cent of the total exports of industrial countries was trade among themselves while, on the other hand, the trade of the non-industrial countries with each other accounted for only 25 per cent of their total exports as a group.

Why Not Do Something?

THE ECAFE Survey for the year which had come out a little earlier had noted that the exports of the primary producing countries of Asia and the Far East have "grown comparatively slowly when world trade was expanding and fallen more sharply when it declined." It also made the point that Asian countries, have a particular weakness, as compared for instance with primary producers in Latin America, since they lack capacity or willingness to hold stocks for substantial periods. Their bargaining position is further hampered by their constantly growing needs for the exports of industrialised countries which on their side have "ample room" for manoeuvre.

The Survey also attempted to measure the losses which the countries of the region have suffered from the deterioration of their terms of trade. The deterioration in this respect from a base figure of 100 in 1953 is seen as follows: 104 in 1955, 100 in October 1956, 94 in April and 78 in December 1957, and 69 at the end of the first quarter of 1958. These declines were partly due to the United States recession. If this declining trend in the region's terms of trade persists, it can only accentuate the continuing imbalance between earnings and payments which seems to be "deeply embedded in the trade and payments relationship of the primary producing countries of the ECAFE region with the rest of the world".

True, despite the relative deterioration of import earnings, the flow of capital into the underdeveloped countries through aid, loan and grant has substantially increased over the last few years. To that extent the loss is made good, but not in full, only partially, probably very partially. That is to say, these countries get back in the form of aid or loan what they would have earned in their own rights under more favourable conditions or in a changed set up. Is it surprising, then, that the generosity of the West appears in some Eastern eyes as suspect? "Who pays? The people. Whose is the generosity? The King's." That used to be the ancient order. It may be unkind to suggest such a simile in this very different context but the situation does seem to have some points of similarity.

Now why isn't something done about it, or can anything be done?

Schemes of price stabilisation for raw materials have by now become a standing joke, though they have been advocated with earnestness and supported on perfectly valid economic grounds from Keynes to Harrod, to name only a few. The GATT has for long been concerned at the progressive deterioration in the position of underdeveloped countries that results from these movements of relative prices. The Panel of Experts, headed by Professor Haberler, whom the GATT had appointed to report on this important question, uttered some home truths which do not appear to have gone home yet. Instead of adumbrating ambitious valorization schemes and the like, the experts picked on the protectionist policies in the industrially advanced countries as the villains of the piece. They suggested that if the agricultural protectionist policies as well as the protectionist measures in favour of mining and coal industries in the developed economies were modified, there would be a substantial increase in the exports of the underdeveloped economies. The agricultural and tariff policies of the European Economic Community, for example, should be such as not to discriminate against the products of the underdeveloped economies; its present suggested policies, they said, would be definitely harmful to the exports of the underdeveloped economies. Further, they suggested that the industrial countries should put no obstacles in the way of their importing manufactured products from the newly industrialising countries.

Much the most important finding of these experts from India's point of view was that the revenue duties and internal taxes on primary products like coffee, tea and tobacco in the European countries were such as to discourage greatly their imports of these commodities from the underdeveloped economies. The duties on coffee, for example, range from 70 to more than 100 per cent in the continental European countries. The experts believe that if these duties are reduced, there could be a considerable increase in the exports of these commodities by the primary producing countries.

Shouldn't we take up this question with individual countries concerned as well as with the GATT?

Letter to the Editor

Anti-Betterment Levy Agitation

THE Punjab Letter in your last issue tries to draw certain economic lessons from the anti-betterment levy agitation and comes to the conclusion that if Indian agriculture has to bear its due burden, as it must, the individual, small scale peasant agriculture is going to be least suitable and that the solution must lie in organised, large-scale, cooperative agriculture. And on this ground, the author emphasises the need for taking up the Nagpur Resolution with zeal.

First of all, it should be noted, that so far experience has not proved that cooperative farming can produce best results for all crops produced in India and under all variety of social and geographic conditions that are to be found in this country. On this ground alone, a doctrinaire attitude towards this problem cannot be supported.

Secondly, by making a general statement that the agricultural sector is at present making very little contribution to the development programme, the author has oversimplified the whole issue. Everybody knows that our agricultural population is not of a homogenous character and that the capacity to pay for the national programme of development varies greatly from section to section. According to the Rural Credit Survey Report, about 58 per cent of the total sown area is cultivated by large cultivators constituting less than 1/4th of the total agricultural population. As Professor K N Raj points out, it is this section which is lightly taxed compared to its urban counterpart in terms of annual income.

Thirdly, the capacity of agriculture to raise resources for our industrial programme will not be markedly increased if we rely only on reorganising agriculture on co-operative lines. In fact the agricultural reorganisation, though very essential, has to be a part of a wider rural developmental programme which alone can mobilise the present unutilised labour to create capital. Consequently, this interrelation between agricultural reorganisation and the general rural development has to be emphasised, lest one loses a sense of perspective.

R P Kamat

Bombay

April 8.

State Trading in Foodgrains Scheme Cut Down to Size

(From a Special Correspondent)

THAT the National Development Council's decision in November last on State Trading in foodgrains was a "snap" decision is more than confirmed by the Report of the Working Group in the Food Ministry, which was entrusted with the job of drawing up the scheme, and by the Government's decisions thereon. The Council was either blissfully unaware of the practical implications of the proposal—and of all that had to be done for its implementation—or took inadequate cognisance of them. The Working Group gave the reasons why the proposal could not be implemented: first, the absence of an adequate administrative machinery; second, the lack of adequate storage facilities; and third, the absence of adequate buffer stocks. It has thereby cut the State trading proposal to size for which it deserves to be commended. The Government of India had to take note of these inescapable limiting factors in considering the scheme, and the National Development Council in its latest meeting likewise accepted them.

If one does not accept the necessity of socialisation of the foodgrains trade, the realistic character of the Government's decisions would be obvious. And even if one does, it would be foolish to disregard the existing deficiencies in the administrative set up for foodgrain purchases and distribution or to attempt a major modification in the prevailing pattern without due regard to the practical limitations. To do so would not only upset the foodgrain purchase and distribution apparatus, it would amount to a dangerous leap in the dark. But what, then had the National Development Council thought of in the first instance?

The administrative machinery which could undertake purchase operations for the Government does not exist on the scale that would be needed, if Government were to assume the role of a monopoly producer of foodgrains nor can it be built up overnight. The storage accommodation for stocking huge quantities of grain—the marketed surplus in a normal year has been estimated at about 18 million to 20

million tons—does not exist nor can it be constructed in the course of a few months. Much less can buffer stocks in adequate quantities necessary for Government undertaking distribution of foodgrains on its own responsibility be built up in the space of a few months.

Phased Programme

The phased programme of State Trading recommended in the Working Group's Report, and accepted by the Government of India, is thus a concession—it may be under duress—to hard realities. The Food Minister's statement does not make it clear what quantities would be procured; but it is quite evident that it cannot be anything like an appreciable part of the marketed surplus. At a liberal estimate, it can be put at 2 million tons of both rice and wheat, which is approximately what it has to be in view of the storage accommodation currently available and the progress so far made in purchases of rice and paddy by the Central and State Governments. This in itself would involve an investment by the Government or the wholesale dealers of a sum of Rs 125 to 140 crores. Last year the quantities of foodgrains distributed amounted to something like 3 million tons but this year it should be much less than that—though we are importing about 3 million tons of foodgrains—in view of the better crops and the prospects of reasonable price levels being maintained. The satisfactory position anticipated this year affords time for the Government to review the situation, to make up the leeway in godown construction and building up buffer stocks as much as possible and to straighten out difficulties disclosed by the implementation of the interim scheme during the year.

It has been accepted by the Government of India, firstly, that any scheme of State Trading should provide for an equitable price to the producer of foodgrains and fair price to the consumer. It involves, necessarily and inescapably, the responsibility on the part of Government to ensure that prices of foodgrains do not soar up at any place, at any time of

the year. Secondly, that special attention should be devoted to deficit areas and pockets of scarcity in different States to ensure that they do not experience shortages owing to lack of supplies or a breakdown of the supply or distribution arrangements. It is absolutely essential, State Trading or no State Trading, that the price line should be held, and held firmly throughout the year.

Strengthening Buffer Stocks

To this end Government should gradually acquire a position of strength in the foodgrain market by building up adequate stocks and keeping them at places commanding areas where a heavy demand for foodgrains at particular seasons of the year is likely and which, if not satisfied, would result in shortage of supplies and even starvation and deaths. These stocks should be built up by organising the purchases of rice and wheat internally and by imports of wheat and other grain. This should be accompanied by speeding up of the programme of godown and storage accommodation, so that by the end of the current year, there would be storage space for at least 5 million tons of foodgrains. Stocks of this magnitude should be sufficient in any normal year to maintain a comfortable position and during a bad year, it should be in maintaining supplies to deficit and scarcity areas and to prevent high prices.

For the realisation of the above objectives, the interim scheme is to intensify purchases of foodgrains mainly through licensed wholesale dealers, and on the distinct condition that they would make available prescribed proportions of their stocks to Government, at prices fixed by the Government. It is good as far as it goes, even if it means only an extension of the existing system.

The Ultimate Pattern

The ultimate pattern envisaged is that of a cooperative organisation at various levels, from the village to the main storage and consuming centres at one end and for retail distribution at the other. While it is more than clear that to build up this cooperative organisation would

take a fairly long time, it is not at all clear when is the process of effectively binding up the various loose threads hoped to be completed. There are no target dates for the completion of the different stages of cooperativisation, which induces the feeling that an indefinite period of experiments and gaining experience is envisaged. It is, however, quite possible that this transition from wholesale dealer to service co-operatives and then to marketing co-operatives may not necessarily proceed at the same pace in every State. Where the cooperative movement has already made satisfactory progress, it should be possible to introduce the pattern more quickly than in others.

The interim scheme proposes State Trading only in rice and wheat and also that it does not essay the formidable task of control over retail prices and distribution of foodgrains. Rice and wheat are India's principal crops and are produced in large and well-defined areas. Their purchase, therefore, does not present the same number and variety of complex problems which would indubitably arise if other coarse grains, gram and pulses, which are grown in smaller quantities and in limited acreages, are also to be purchased in bulk as part of the State Trading scheme.

Retail Trade Left Out

The question of control over retail distribution is admittedly complex, and the mention of it conjures up the horrors of rationing, queues, corruption and malpractices, both official and non-official, of a decade back. Nevertheless, State Trading would be an empty phrase if it does not provide for control over retail sales and distribution, if not immediately or as a permanent measure, at least as a measure which should be resorted to in the deficit areas and industrial towns and during times of food scarcity and high prices.

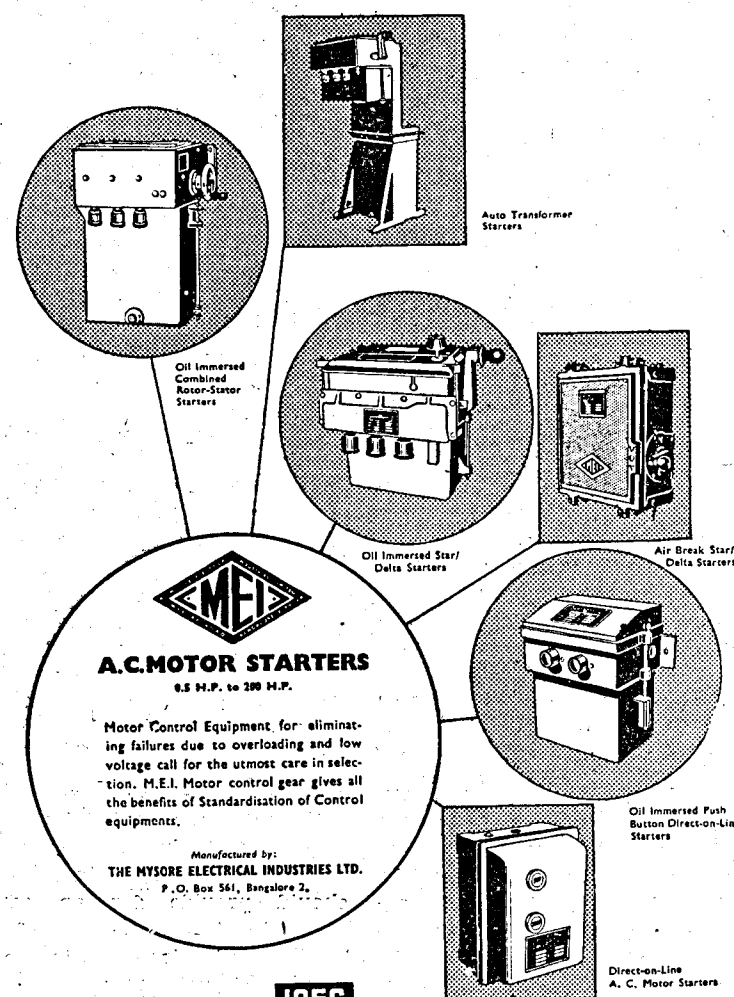
If the official scheme avoids a firm decision and leaves the question to be decided, in consultation with State Governments, as and when the need arises, or if a State Government is given the liberty to experiment with it, it is a measure of caution, and only puts off the evil day.

While this year, because the crop is good, soaring food prices may not present a problem in the hydra-headed form which it did during

1958 in some States like U P, Bihar, West Bengal, Rajasthan and Delhi, it would be extremely unwise to bank on prices not rising next year or the year after. Instead of being caught napping, Government should utilise the interim to build up an effective distribution machinery in the form of a network of consumers' co-operatives as outlined in the Working Group's report. Such organisations, should cover the country but while hoping for the cooperator's paradise, it would be wise to gear up the machinery of fair price shops in the meantime, so that they can be made use of, if a need for Government distribution of foodgrains arises.

At the meeting of the National Development Council, the question was discussed if the decision on State Trading should involve the break-up of the food zones, and in

particular the Southern Rice Zone. Actually, the only zone, which can be called as such, is the Southern Zone, because it comprises a group of four States, as with the make-up in February last, of the Western Wheat Zone, practically every other State now constitutes a Zone by itself. Procurement of rice in Andhra had reached a dead-end with the insistence by the State Government that, if it was to undertake purchases vigorously, then Andhra Pradesh should be recognised as a Zone by itself. While State Trading is intended to be an all-India scheme, it also provides for regional or State-wise variations in its implementation. There is no reason therefore why a zonal system, which may have served other times and other purposes, should still remain in force, and remain in force in only one region.



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From the London End

German Aims and East-West Negotiation

THE slow and at times faltering pace of the West towards the Summit is partly indicative of the sharp disagreement between each of the Western approaches to a settlement of the German question. In recent despatches your correspondent attempted to show how the Soviet proposal for a change in the status of West Berlin has introduced an element of finality and, indeed, of gravity in European relations. The chances of war have now been enhanced by the emergence of a West German point of view, emphatic, and almost overpowering, duly supported by a vigorous diplomacy in every Western capital. This is a new and unexpected development in East-West negotiations.

Contest for Leadership

Press reports from New York suggest that the principal feature of the Western Foreign Ministers' meeting there was the West German attempt to isolate Britain in the formulation of a concerted Western policy when the Big Four Foreign Ministers of the Big Four Powers meet on May 11th. The 'Times' carried a report from Bonn of the increasing unpopularity of Britain in West Germany. It is reported that Dr Adenauer recently told a small group of German politicians "that the British should learn that they could no longer lead on the continent. Germany and France are the leaders on the continent." This is a strange state of affairs indeed, just when the Nato Alliance is celebrating its tenth anniversary, designed, as President Eisenhower made it out to be, a demonstration of the unity of the alliance. There is a feeling that Dr Adenauer, through an astute combination of bluff and threats, has now secured the right of veto over Western policies. Dr Adenauer has declared himself to be America's most dependable ally and competes heavily for an intimate connection with America which, ipso facto, must undermine the British claim to be the most intimate with the US.

The rise of West Germany to this powerful position appears to be of recent origin. For sometime now West Germany has made its pres-

ence felt, but it is only in the past year or so that, in the context of a developing Franco-German co-existence, it has become the most effective participant in Nato's military posture by virtue of the emergent Bundeswehr armed with nuclear weapons. This fact, taken in conjunction with France's decision to remove its Mediterranean Fleet from Nato's command, has made Germany the largest contributor to the armed forces of General Norstad.

To Secure 1936 Status Quo

With this resurgence of Germany in European politics, it is well to attempt an analysis of West German aims at the present time. In a remarkably forthright article in 'Foreign Affairs', the West German Defence Minister, Herr Strauss, has declared without ambiguity or qualification that German policy aims at fighting Communism. Communism per se is an enemy which gives Germany a Christian responsibility in Europe. Therefore, commencing from this proposition there is implied in German aims that the present strategy of deterrents is not enough. It is known that in so far as the strategy has been formulated, it is contingent on the simultaneous operation or existence of three factors: first, the possession of the necessary weapons, second, the determination to use them, and, third, the existence of a cause strong enough to justify their use and to make the probability of their use reasonably certain to the other side. Herr Strauss argues that if any one of these factors is missing, then the strategy of deterrents loses all its value.

West Germany is now prepared to take over the mantle of the anti-Communist crusade which many others in Germany had donned before in championing a cause (strong enough) to justify the employment of force for securing other aims. These aims include, again without ambiguity, the unification of Germany to be secured by the device of what is termed "free elections" and international acceptance that united Germany will be free to pursue its own military and political policy that is, a

policy unencumbered by Great Power restrictions on its armaments, alliances and frontiers. In a word, Dr Adenauer's aim is to secure for his Government the 1936 status quo.

Franco-German Entente

These aims are far reaching and naturally they will find little tolerance among the peoples of the West. It is here that the diplomacy and tactics of West Germany come to play. By accepting France's leadership in the political field and by rendering financial and other supports to France for exploitation of the Sahara, Dr Adenauer has been able to achieve what no German Chancellor has achieved since 1871. He has effectively won over the French Government to a line of action which establishes or attempts to establish a rigid Western policy vis-a-vis the Soviet Union and which postulates the dominance of the Western economic and political system in Central Europe by a unified Germany. To secure French support, the Germans have also entered into an economic arrangement with France which grants mutual privileges to the exclusion of extra-continental European powers like Britain.

There is equally an indication that Dr Adenauer has won over the United States to a policy of eschewing German unity except unity of the sort which would automatically involve the liquidation of the East German regime and the economic and social system which has grown up in that part of Germany. It is, however, clear in Bonn that the pursuit of this policy to the point of making it a fundamental demand at the present moment must involve war; a war which, as President Eisenhower recently recognised, cannot be fought by conventional arms alone. Hence it is recognised that it is preferable to accept the status quo. Any change in the status quo, however, must be in the direction of the long-term aims of West Germany and this should be rigidly adhered to.

Against Disengagement

It is known that one thing which the Bonn Government fights with considerable vehemence is military

disengagement even in the highly watered down version of a freezing of arms in Central Europe. The Bonn Government is aware that any form of military disengagement must inevitably jeopardise German aims and ambitions in Europe, in particular, the growth of a German army. The Germans argue that military disengagement, apart from discriminating against West Germany, is meaningless without a corresponding political disengagement. This latter term means, according to the Germans, an acceptance by the Russians of a European detente in which the Russians will leave Eastern Germany and reduce their influence in Poland and Czechoslovakia. This concept of political disengagement is in essence the "rolling back" theory which for a time Mr Dulles had espoused.

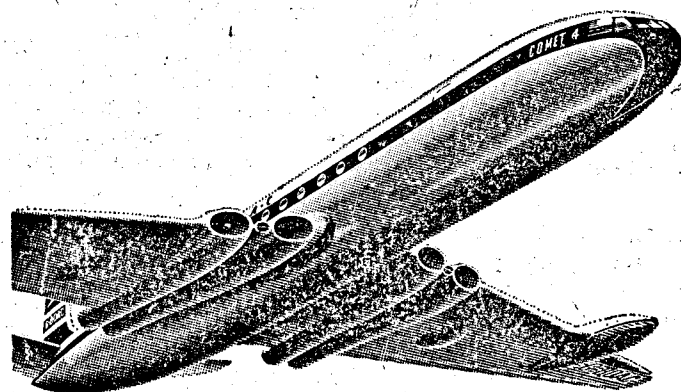
Negotiation from Strength

Next, on the question of European security, the West Germans argue that there can be little purpose in arriving at an agreement with the Russians for a system of security in Europe which does not take into account questions of international security. In other words, the Germans stand against any arrangement which seals off Europe from the cold war. Rather it should bring to the forefront the whole question of the success of Western policy of undermining Soviet influence in other areas of the world as a pre-condition for a settlement along the lines of present British plans or along any lines which do not include the absorption of Eastern Germany into the Bonn system paralleled by freedom to re-arm and, once again, to occupy a position of decisive power in Europe. One remembers well the highly pregnant declaration of Dr Adenauer:

"It is the duty of Catholic Christians to help in word and deed; the question is whether Europe shall remain Christian or not. We must help to build the dam against Soviet nationalism... this Soviet nationalism is no longer marked by European features. It bears the mark of the culturally backward part of Asia. It is, therefore, my conviction that all negotiations with the Soviets must be based upon strength."

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Book Review

Does History Repeat Itself?

Robert Terry

* The Evolution of Political Thought by C Northcote Parkinson. University of London Press, 1958. Pp 316. Price Rs 14.40.

THE author who created a minor sensation with 'Parkinson's Laws' by which bureaucracy grows regardless of workload, challenges more conventions in this useful volume addressed to students and general readers. Because India is one of the few open forums remaining in Asia for debating political thought, 'general readers' — administrators, economists, sociologists, and political and social workers — should give Parkinson a hearing; he gives fresh perspective to current discussions about democracy and local self-government.

His treatment displays two principal virtues. First, he does not limit himself, perhaps because he studies and teaches history, to restating the notions of the standard-textbook array of political theorists in the Western tradition; he avoids theory for the sake of theory, and discusses only those thinkers who are clearly useful in explaining political realities. And, perhaps because he teaches in Asia, at the University of Malaya, he examines not just Western experience but also that of India, China, and Latin America.

Second, abandoning the textbook framework of chronology, he analyzes four types of political organization — monarchy, oligarchy, democracy, and dictatorship — arguing that they evolve one from another, in that order. Each has strengths and weaknesses; each — its form varying in response to circumstances of the society in which it appears — arises to solve certain problems; each collapses when the problems change.

So, for example, Republican Rome's democratic institutions disintegrated when shouldered with problems of the sprawling Empire. In 19th-century Latin America, the liberators who ousted the Spanish modelled their new governments after the American constitution; but, since the necessary social conditions for democracy were lacking, dictatorships soon emerged. Although horrified, Simon Bolivar himself recognized that democratic forms could not handle

Columbia's problems and thus allowed himself to be enthroned as king. Studying evolution of forms rather than chronology of history, Parkinson skips nimbly across centuries, continents, and civilizations, for his evidence. Buddhist monasteries are excellent incubators of the procedures and attitudes needed in the councils of parliamentary democracy. Communism stands not with Nazism as a form of dictatorship, but alongside Calvin's theocratic institutions of 15th-century Geneva as a form of oligarchy. With Locke and Jefferson, Gandhi receives full treatment as an original thinker — the only one in our century — on democracy.

In the light of the recent outbreak of coups d'etat in Asia and Africa, and of the debates about the development of political institutions in the new India, Parkinson's insights are provocative. His analysis of the weaknesses of the welfare-state form of democracy is devastating. He finds no one type notably superior to the others; in any event, contrary to the sense of the word 'form', no form is static. A form may be long- or short-lived, but, since it is a living organism, change is certain.

By implication then, monarchy must evolve into oligarchy, oligarchy into democracy, democracy into dictatorship, and dictatorship again into monarchy; not an encouraging message. But Parkinson doesn't abandon the reader here. In his Epilogue, he exchanges the role of coolly-disinterested historian for that of a citizen and commentator. He argues no dogma; we need not resign ourselves to running on the evolutionary treadmill without hope; the circle can be broken.

The subtle Chinese mind, he feels, will probably not long submit to the straightjacket of Communist dogmatism. On the other hand, no bold new thinking has come from the Western world during this century. For the next major step in the evolution of political thought he looks to India.

Despite his high opinion of Gandhi, he sees little possibility of turn-

ing the clock of industrial development back by returning to village republics. But, although closing this rear exit, he does not slam the front door leading to some development of India's recent experience — which must draw upon the Gandhian concern with villages as well as from Western experience with urban industrialization.

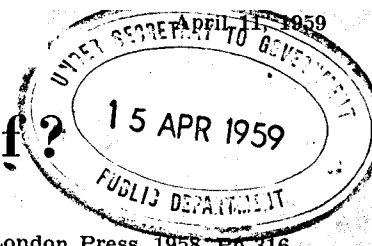
Probably to the disappointment of some readers, Parkinson does not propose his own solution — a complete system, a glittering theory about which study circles could discuss, dissect, and dispute for weeks. In an era of isms, he avoids such temptations. Instead, he suggests how social scientists must evolve solutions in each society. As a true democrat, he concentrates upon means rather than ends, upon method rather than Utopian results. For he finds that studies in 'political science' are generally more political than scientific.

The first step is simple in theory but challenging in practice: to gather the facts. We are largely ignorant about most forms of political organization, past and present. We hark back so often to Greece and Rome simply because Greek writers left some records of their experience; not so elsewhere.

One source of facts — generally of dubious value — are political theorists, sociologists, ethnologists, physiologists, philologists, historians, geographers, and economists; for political organizations serve whole societies, and no one discipline can describe societies as a whole.

Having collected all facts possible, scientific political thinkers must verify them, compose a picture of the system being studied, and then analyze whether it succeeded or failed in solving the problems of its society. Thus armed with experience, we can better examine the problems we face and, using the scientific method, seek to create solutions without erring in the footsteps of our forefathers.

Parkinson leaves us with this combination of analysis and suggestion. How to apply it in India?



Experienced rural development workers readily admit that they do not know enough about the people they serve; some realize, too, their ignorance of field research techniques of the social sciences. Most hold high an ideal of local democracy, but few are confident about how it can be established.

Along with 'devolution of power', 'people's programme', and 'planning from below', we hear daily of the glorious panchayat democracy of ancient times. We are assured that it existed, but we hear little about how it worked. The history of attempts during the past ninety years to establish local self-government is dismal. Scholars would do great service by digging up the details about these ancient panchayats. If reliable documentation does not exist—as is probable—they can turn for clues to the traditional receptacles of history—folk legends and epic poems. Even clues are desperately needed.

Rank weeds of dictatorship are strangling loosely-rooted democracies around us. Will we see the same drama here? Parkinson tells the hows and whys from history, and shows how to challenge the saying that history repeats itself.

Atic's New Dyes Plant

THE extension to the Atic Industries Private Ltd dyestuffs plant at Bulsar, Bombay, which was formally opened on the 9th by Shri Manubhai Shah, Minister of Industry, will manufacture a wide range of vat dyes. The dyes include vat purple, blues, blacks, browns, olive, yellow, orange and some solubilised vats. The monthly installed capacity is approximately 3,15,000 lbs and the project has cost Rs 1.3 crores.

The new plant, which has taken two years to complete, will strengthen the country's dyestuffs industry and save a substantial amount of foreign exchange previously spent on importing these dyes. The extension has been built alongside the original Atic plant, opened in 1956, to make Atic Jade Green dyestuffs.

The new plant is housed in a three-storeyed manufacturing building with a floor area of 47,000 square feet. Ancillary buildings include an electricity supply sub-station, a chilled water plant, compressor

house and a cooling water recovery plant. New storage facilities have been provided for raw materials and engineering stores.

A well-equipped laboratory for the testing of raw materials and finished products, with facilities for dye testing and dye application, forms a part of the project.

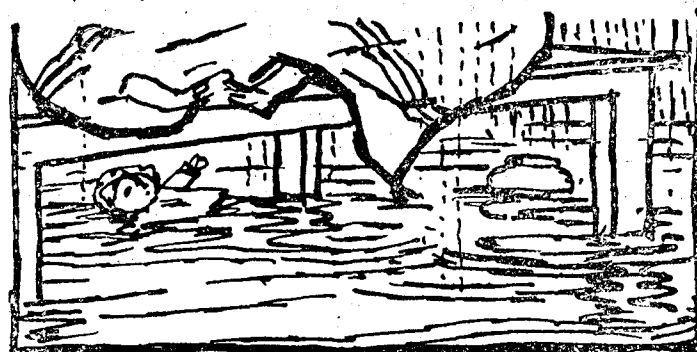
The new plant will consume indigenous raw materials such as sulphuric acid, bromine, chlorine, methanol, rectified spirit, caustic soda and sodium acetate.

Atic Industries Private Ltd is a joint enterprise of Imperial Chemical Industries (India) and Atul Products Ltd.



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STP 42

The Tibetan Struggle

William H Newell

IT is not widely realised that the religious and political boundaries of Tibet are not identical. Within the 580,000 square miles of the area of Tibet controlled by the Dalai Lama and his governors, there are almost certainly fewer than two million Tibetans and probably not many more than one million. But if one includes those followers of the lamaist faith living outside the present boundaries of Tibet in Bhutan, Sikkim, Kashmir and the Chinese provinces of Shikang, ShinKiang and Mongolia who owe religious allegiance to the Dalai Lama and the Panchen Lama, then the number of the faithful is probably nearer four million. The majority of supporters of the lamaist faith therefore live outside the boundaries of modern Tibet under the political control of other countries, especially China. It is thus of importance to the Dalai Lama as a religious leader to have good relations with China as the majority of his "subjects" live outside the boundaries of his political domain. This explains why the Tibetans were prepared to sign a treaty with China after the invasion of Tibet, which appeared to be so unequal to the outside world.

The principal feature of the lamaist religion is the establishment of monasteries to which a certain proportion of local villagers are admitted as monks. The monasteries are also important as a store of foodgrains against bad seasons, as a military establishment in which villagers can take shelter in time of war and as centres of learning through which villagers can attain high rank in the State and in religion. Little administrative control is exercised by any one monastery on another and the success or failure of the monastery depends upon the character of the monks and the degree of local support for the order. There are as many lamaist monasteries outside the boundaries of Tibet as within it. The followers of the faith inside and outside Tibet are linked together by a common spiritual allegiance to the Panchen Lama and to the Dalai Lama. The relative importance of these two dignitaries has varied in different periods of Tibetan history but at the present time

the power of the Panchen Lama is probably weaker as he has been brought up by the Chinese on Chinese territory and has no political power to accompany his spiritual eminence. Although the religious leaders of Tibetan Buddhism wish for political power to accompany their spiritual power, their success or failure as religious leaders does not depend on their control of the State. The nearest parallel is perhaps the Pope, whose importance does not rest on the area of land he controls in the Vatican.

Political Relationship with China

The Chinese attitude towards Tibet is a clear one. This is that Tibet is politically part of China as result of military conquest in the past and that it is only because of the difficulties that China had to go through in the last fifty years that Tibet has become independent. This independence has been encouraged by imperialist intrigues, especially by Britain. This view is held as much by the Kuomintang in Taiwan as by the Communists. The Tibetan attitude is that large numbers of supporters of the lamaist faith live in the confines of the Chinese empire and that it is of importance to the supremacy of Lhasa as a religious centre that there should always be peaceful relations between the celestial empire and the Dalai Lama. Thus as long as the Dalai Lama's spiritual integrity remains unaffected the Chinese and Tibetans may co-operate. This integrity was threatened by his reported attempted arrest by the Chinese. To look upon the present difficulties of the Chinese Government in Tibet as merely the difficulties of controlling a backward people would be to oversimplify the situation. It is essentially a religious problem.

The political relationships between Tibet and China have a long history. There are recorded instances of Sino-Tibetan relationships prior to the 3rd century BC, but it was during the T'ang and Sung dynasties (7th to 13th centuries A D) that the Tibetans (who were then known as the Turfans) became so powerful that they invaded China. At that time their empire stretched from the Kansu-Shensi border in

the north, to India in the south and to the Tatu river on the Shikang-Szechuan border in the east. This was the period of the Tibetans' greatest spread and during the eleventh century they invaded and sacked Chengtu, the capital of Szechuan. But almost immediately afterwards they began to sink in importance threatened by the new NanChao empire in the east and the ShiHsia Empire in Kansu and Shensi (983-1277).

Long History of War

During the Chinese Mongol Yuan dynasty they retained their independence (as the Yuan rulers were lamaist by religion) although they were loosely included within the Mongol dominions. After the collapse of the Yuan dynasty in China, the Mongols still retained control over the western region. In 1643 the Mongol, Gusri, organised a lamaist state with four separate regions, Kokonor (ChingHai), Balkam (Shikang), Wei (Western Tibet) and Tsang (Eastern Tibet). Remnants of this administrative organisation remained up to the nineteenth century. In 1637 after the conquest of ChingHai, Gusri sent a messenger and tribute to the new Manchu ruler of China. In 1653, after the total conquest of Tibet, the Manchu ruler officially appointed Gusri as the governor for the Chinese court. He died three years later. This period of history is important in order to understand how the Manchus laid claim to rule Tibet. The conqueror of Tibet, Gusri, became also the liege of the Manchu Emperor. Thus it is argued Tibet also became a province of China.

This is why when in 1719 the Manchu Emperor, KanHsi ordered a Mongolian general to enter Ching-Hai with 25,000 men to quell a Tibetan rebellion organised by the Dalai Lama, the Emperor of China considered that this was not a war between two sovereign states but a rebellion by contumacious subjects. From 1719 to 1792 the history of Sino-Tibetan relations became nothing but a series of wars. Battles or wars were fought in 1700, 1719-20, 1723, 1728, 1730, 1745, 1776, 1778 and 1791. The zenith of Chinese imperial power over the Tibetan government



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at Lhasa was reached in the period 1792 to 1894 when a viceroy took up imperial residence at Lhasa and consulted with the Dalai Lama about administrative appointments. The final choice was made by the imperial court. (There are details about how this system operated in M Huc's 'Travels in Tartary, Thibet and China', London, 1856.) It is perhaps important to observe that even during this period the Chinese government did not try to remove the Dalai Lama completely because of his religious importance but tried to control him. A new Dalai Lama could not become reincarnated into a new body without the permission of China and in any case relatives of the previous Dalai Lama were excluded from the succession.

Counter-offensive by Lhasa

With the growing weakness of China towards the end of the last century the power of the Chinese to control the Tibetan government also became weaker. The Chinese took over the complete administrative control of Shikang placing Chinese officials in control instead of the previous Khamba chieftains. The Lhasa government tried to drive the Chinese completely out of Shikang and recover its administration and wars or battles were fought in 1894, 1905, 1906, 1908, 1909, 1910, 1911, 1918, 1930 and 1932 without any marked success.

This counter-offensive by the Lhasa government was made possible by a new factor on the scene, the growing interest of the British Government in India in Tibetan affairs. In 1871 a Russian Colonel called Prejevalsky entered Tibet by its eastern border through Kham and reached within 500 miles of Lhasa. He was forced to return the way he had come but the British government at this time were very concerned about a possible invasion of India by Russia. In 1906 they sent an expedition under Younghusband whose aim was to discover whether there was any route by which the Russians could invade India. The Tibetans, however, considered this to be an invasion and the Dalai Lama fled from Lhasa for safety. In the long run, however, this invasion proved to be a blessing in disguise to the Tibetans because they were able to play off the British against the Chinese to their own advantage. It is perhaps worth noting however that this has been the only important invasion

into Tibet ever to have taken place from the south (if one excludes the invasion of Ladakh by the Sikhs in the nineteenth century and the Nepali invasions) and that it is China which has been the Tibetan's traditional enemy. India has been the traditional exporter of religious ideas to Tibet; China the exporter of political control. The strengthening of the government of China and the change of attitude by the government of India has resulted in the return of Tibet to the situation as it was prior to 1894.

'Great Han Chauvinism'

The majority of foreign visitors to Tibet have taken a strongly anti-Chinese attitude when they have expressed any opinion. The Abbe Huc, Ford, the radio officer who was captured by the Chinese on the invasion of Tibet, and Bell, the British Consul in Lhasa, are three among many. The only extreme supporter of the Chinese policy towards Tibet was the French woman, Mme. Alexandra David-Neel. In her two Penguin books and in some of her subsequent books published in France, she considers that China had a duty to completely reform the antiquated Tibetan political system. She felt that the main reason why this was not accomplished earlier was the policy of British in India in sealing off the Tibetan frontiers and that if only Tibet had been opened up earlier by China, much of the present difficulties could have been avoided. Speaking as a Buddhist, she claimed that removal of Lhasa's political power could do nothing but good to the spirit of true lamaist Buddhism. If this were really the case, then one would have expected that those Tibetans who were sincere Buddhists would have welcomed the arrival of their Chinese co-religionists even in a Communist guise. But far from this being the case, the Chinese Communist Government seems to have failed to gain the allegiance of even the minimum number of Tibetans necessary to set up a semi-autonomous republic as they have succeeded in doing in other parts of China with their minorities. There is no mention of Tibet in the last five year plan published by the Chinese last year other than a statement that nothing is to be done within those five years.

The truth of the matter appears to be that in spite of the strong economic ties joining Tibet to

China (See Chen Han Seng's study of the tea trade between China and Tibet), the characteristics of the Chinese and Tibetans are very much opposed. Robert K Ekvall, the son of a missionary among Tibetans, who spoke perfect Tibetan and Chinese from birth and who intervened as a peace-maker in many disputes between the two races, gives many examples of the difference in attitude in his 'Tibetan Skylines' (London, Gollancz, 1952) and in his earlier works. While the Chinese despise the Tibetans for their barbarism and disorganised habits, the Tibetans in their turn resent the intolerance and the superiority of the Chinese about their own civilisation. 'Great Han chauvinism' as Mao Tse-tung calls it, does not die out just because the Chinese become Communist.

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Marketable Surplus in Co-operative Farming

Deb Kumar Bose

THE question of marketable surplus of agricultural produce has assumed added significance in view of the proposed move for co-operative farming. Rapid industrialization as envisaged in the five year plans is expected to lead to an increase in the rate of urbanization. The problem of marketable surplus will, therefore, loom large in any consideration of economic development in our country. We shall examine the suggestion for co-operative farming in this context.

Great emphasis is often placed on the pooling of land and joint cultivation in co-operative farms in such a way that this aspect blurs from view the basic principles on which the whole system of agriculture rests. This tendency possibly arises out of the precarious nature of our agriculture which is plagued by extensive fragmentation of lands. While it is impossible to ignore the need for consolidation of holdings, co-operative farming need not be identified with pooling of lands in a mechanical way.

Re-allocation of Resources

The principal virtue of co-operative farming lies in the scope it offers for re-allocation of resources in agriculture so that the maximum benefit can be reaped with the existing resources. With the help of such co-operation, it should be possible to use in common cattle, ploughs, or other implements by the peasants without incurring debts or paying of rents as before. This will also enable effective utilization of lands which now lie idle wholly or partially because of inadequacy of the owner's resources. A considerable part of the land of peasants on the margin go uncultivated because the owners neither possess the capital equipment nor can they afford to hire them at a cost. Per acre input in co-operative farming is thus likely to increase. What should be the optimum size of a farm has been a matter of interest to the agricultural economists for long. One would doubt if the question of appropriate size of farm can be examined without paying due regard to the institutional set up behind the concept of the "farm". The resources, in the present set-up, are distributed and utilized most unevenly. This goes, in part, to explain the

apparently paradoxical situation in Indian agriculture, where small farms in certain instances fare better than the larger ones. The question of optimality is inextricably linked with the allocation of available resources. What could be considered as an optimal size for individually owned scattered plots of land would not stand comparison with optimal size of land in a situation where resources are pooled.

In view of the cultivation on a larger scale, the labour input would not require to be reduced. Improved practices like Japanese method of cultivation, on the other hand, would demand more of labour input than before. Such has been the experience in India also. Recent Chinese experience adds further strength to such belief. Intensive cultivation and increased production would make it possible to support more men per acre than before. So long as mechanization is not widely resorted to, man-land ratio would not be affected seriously in the short period.

Marketable Surplus

Co-operative farming is expected to raise production to a high level. It is undeniable that there will be more egalitarian distribution of the produce to the co-sharers than before. But this certainly will reduce the need for marketing the surplus by a considerable amount. Rural population is indeed an important customer of the agricultural surplus. It has to be considered how far this system would augment the supply of produce for the urban sector.

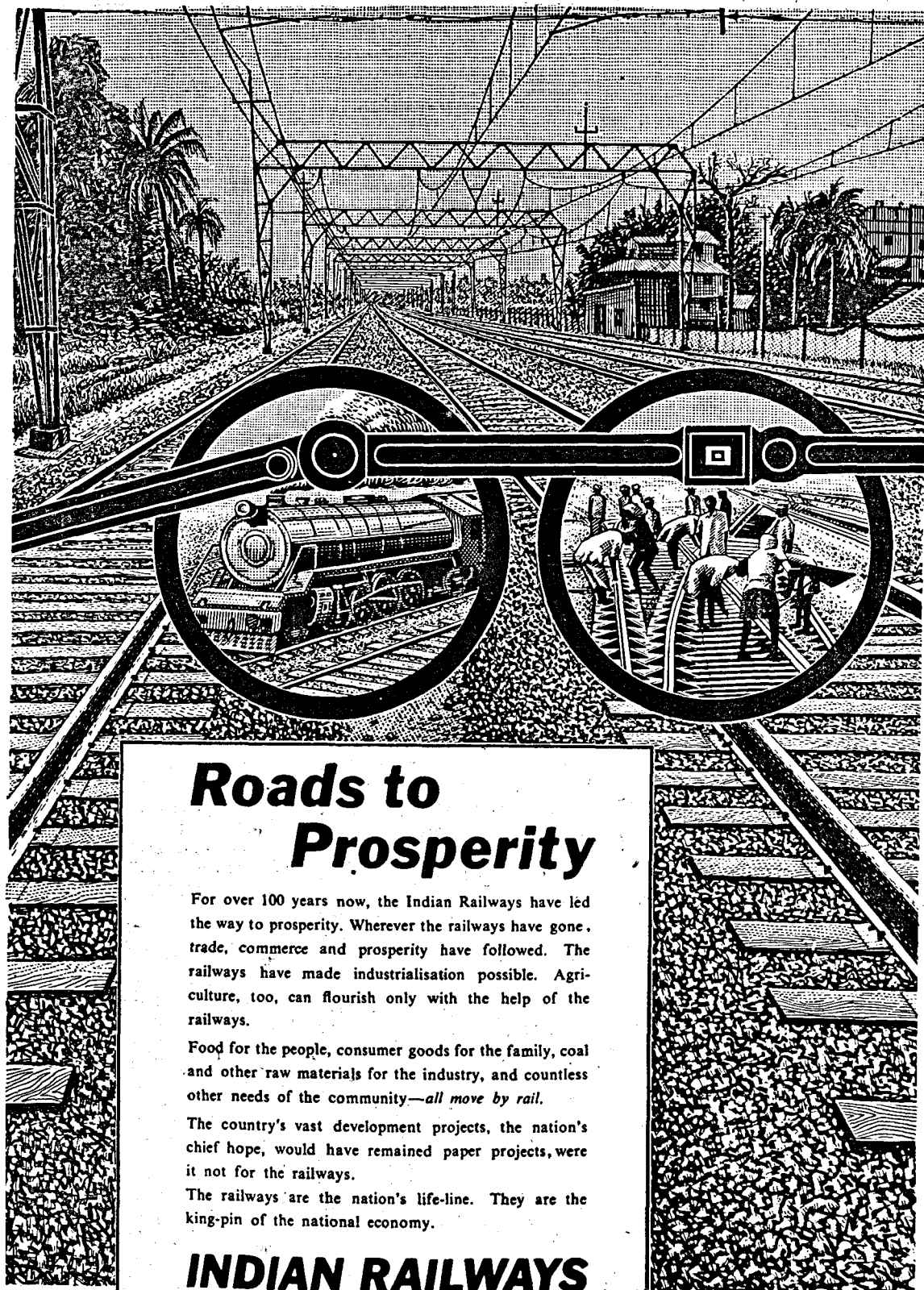
Besides the volume of production, the marketing of surplus is largely determined by the distributors in the channels of trade. Cornering of produce and indulgence in speculative activities are common features in our trade in food grains. A considerable part of the produce is withheld from the pipeline in the process. A vigorous policy for State Trading can be effective in regulating the supply of surplus to the urban sector, when it is linked with the system of co-operative farming.

An important consideration for an agriculturist in deciding upon the amount of produce to be released to the market is (apart from the cash liabilities like past debt, rent, tax etc) the prevailing or expected

level of prices of his own produce as well as those of the other products required by him. Even the poor peasants have to purchase certain essential commodities, e.g. clothing, kerosene, etc. It has been observed that with the improvement in level of living, the whole of the extra income does not go to acquire more of food. It has been found that a person devotes increasingly larger proportion of his expenditure on non-food items with increase in his level of living. The cash requirements for the agriculturist is therefore likely to increase with higher production. The marketable surplus would increase in such a case. Further, undertaking of developmental activities will now be more convenient in view of the fact that a larger share of the ultimate value of output will now accrue to the co-operating primary producers. This will mean firstly, a generation of demand for capital goods giving fillip to these industries; and secondly, this will involve savings by the community manifested by release of more of agricultural produce for the market.

Price Policy

In the event of falling prices for agricultural commodities, however, the peasantry is likely to withhold produce from the market and hold to it in expectation of better prices in future. Such a situation would discourage it from increasing production in the next season. A relatively high level of price for industrial goods would also lead the agriculturist to postpone purchases of such goods for future. The net effect would be a reduction in the marketing of the surplus. It is now widely acknowledged that the price policy pursued by the State is a major factor in influencing the flow of agricultural produce to the market. The argument does not lose any force because of the introduction of cooperative farming. The existence of co-operatives on the other hand would provide the Government with an organized medium through which the price policy could be pursued successfully. An effective price policy, supplanted by the State trading in major agricultural produce, will encourage the co-operative farms to supply more of surplus to the market.



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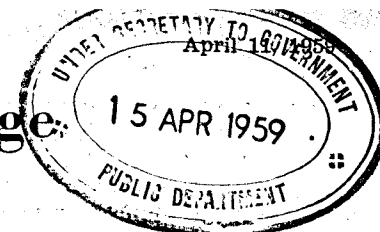
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Dowry in Hindu Marriage

As a Social Scientist Sees It

Louis Dumont

NOT only in India, but very widely in the world, marriage is an important social event, an occasion of feasting, gift-giving, and display. Among Hindus this is especially the case, to the extent that marriage expenses are one of the main factors of indebtedness. Hindu reformers, fresh converts to the values of the homo oeconomicus, were struck by this and strongly advocated curtailing this "wasteful" expense. But apparently they failed: everything goes on as before; people go on ruining themselves when necessary in order to marry their daughters decently and honourably.

This is an interesting, and not so exceptional situation for the social anthropologist. (See Marcel Mauss, 'Essay on Gift', Engl transl Caunison, London, Cohen and West.) Why is it in marriage especially that Hindus ignore economic considerations? It might be argued, for example, that in the upper classes a real economic asset, a highly educated son-in-law, is bought with the big dowry. But our answer to the question will rather concern the traditional social organisation in its relation to marriage.

Marriage and Caste.

Firstly, marriage, or rather a marriage of a particular type, is essential to the maintenance of status; if the status of the children is to be the same as that of the parents, both parents must belong to the same group: marriage has to be endogamous. This is not the only rule regarding marriage, but it may be regarded as fundamental, and it is common to all groups, while the other rules vary from one group, or one social level, or one region, to another. The birth of children allows a group to endure through generations, but socially, only endogamous marriage allows one group to endure through generations distinct in status from another; in particular, endogamous marriage enables one group to claim a status superior to another.

To go further, there exists a relation between the events in an individual's life on the one hand and

the basic values of the caste system on the other. The caste system is based on the opposition between (religious) purity and impurity. A division of labour expressed in terms of this opposition implies a hierarchy. The same impurity, which leads to the segregation of permanently impure persons as socially inferior, arises also from crises in the individual's life, such as death or childbirth. These crises are the object of ceremonies through which, with the help of impure specialists and the passage of time, impurity is finally cleansed: the mourner, and the mother of a new-born baby, regain their ordinary status. (See M N Srinivas, 'Religion and Society among the Coorgs', Oxford, 1952.) As Professor P V Kane so forcibly wrote, there is an analogy between the temporary state of the mourner and the permanent status of the untouchable. (See his 'History of Dharmasastra', II, 1. Poona, 1941. P 179.) We see that some of the ceremonies which mark the transition of a person from one position in the family and social order to another, and which are technically called rites de passage, entail, in traditional Hindu India, something similar to a temporary loss of status.

The Marriage Rite

Marriage is one of the important rites de passage, but, contrary to those mentioned, and in common with the initiation or upanayana, it involves no impurity of any sort. There are elaborate preparations and purifications, as for offerings to gods. Indeed in the orthodox form the sacrificial fire is made to witness the ceremony and gives it the character of a sacrament. The bride and bridegroom are offered respect and honour as the most distinguished guests, indeed as gods themselves are. The bridal couple is actually identified with a divine couple, not only in Vedic songs used on the occasion, but more widely; or, among other groups, the bridegroom is more or less identified with a king; and one of the law-books declares that the bride carried in procession has precedence over the king and the brahman (Kane, op cit, II, 1 p 147). My

contention is that we are confronted here with a circumstance symmetrical to that of death: just as the mourner is temporarily like an untouchable, the bridal pair here are like a royal, or brahmanical or divine, pair. It is true that the aura which shines around them also touches the members of their families. Marriage is an occasion in family life when the Hindu is temporarily lifted out of his ordinary status.

This picture may seem idealised, because it is still a very general and abstract one. To be more precise we shall have to make some distinctions. To begin with, the above is true of only the first or main marriage, not of secondary marriages. This distinction is made throughout India in different ways: among some people polygamy is not allowed, nor is divorce nor the remarriage of widows, so that marriage is unique, irrevocable and, at least in the case of the woman, cannot be renewed after the death of the husband. This can be taken as the limiting case, since commonly secondary marriages are recognized in different ways in different places. But they are always carefully distinguished from the primary marriage. The distinction may apply even to several brothers taken together: only one brother, the eldest, makes a main marriage while all his younger brothers do not (e.g. Nambudiri Brahmins). Finally, when the actual marriages are not of the best possible kind, ritual is severed from actuality, and a token-marriage is gone through as first or main marriage in order to give the person the freedom normally associated with secondary marriages only.

Marriage as Gift

One must also take into account the natural asymmetry of marriage and distinguish between what happens on the bride's and on the bridegroom's side. There is a difference if one considers the cost of marriage. Although different arrangements are found, the preference is generally for the bride's side to spend more, by giving a 'dowry' rather than receiving a 'bride-price',

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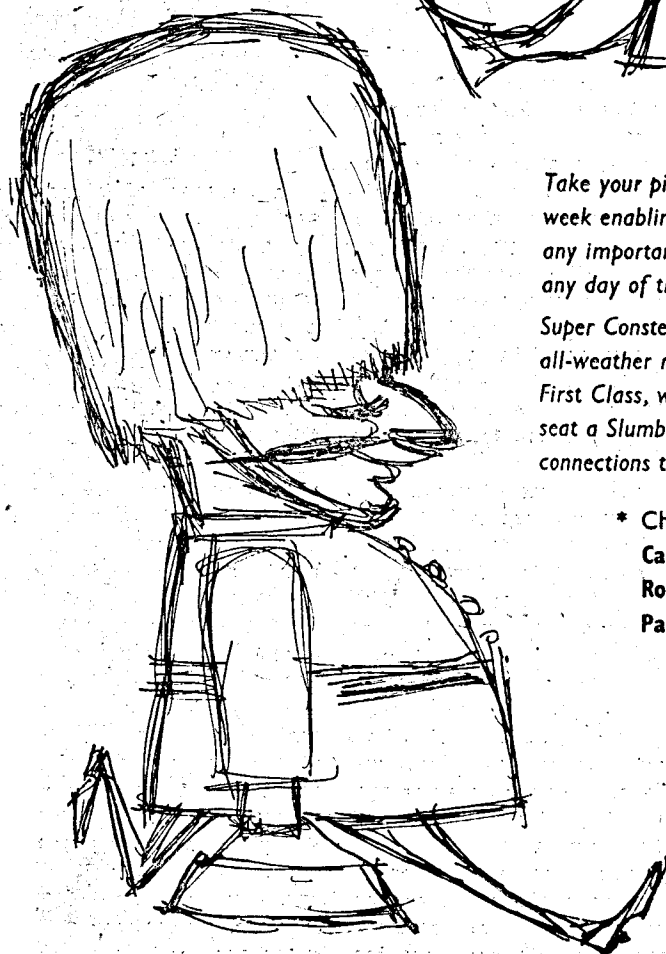


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AIR INDIA



and by having the ceremony performed and the guests entertained at her home. This ceremony is called the 'gift of a virgin', and is considered a highly meritorious action; at the same time it is regarded socially as the proper and prestigious way of acting.

The theory of marriage as gift is found in the Shastras, where it is part of the theory of gift in general. Gift, dan, is celebrated as a way of acquiring religious merits, when it is made to one's priest, that is, to a person performing religious functions and endowed with social superiority. The theory, of course, furthers the interest of the priests, but it also corresponds to a feature of the caste system. We know that wealth, however great it may be, is not immediately translatable in terms of status: if there are good reasons for my status to be low, wealth by itself will not change it; status is collectively attributed according to religious criteria, and economic achievements of the individual are a different matter. But precisely dan, gift, is, ideally at any rate, the formula for translating a spiritually irrelevant quality into spiritual merit. Religious merit on the one hand and social status on the other, although distinct, are very similar things. By giving liberally to a priest one acquires merits; by giving a girl in marriage with adequate pomp one acquires social prestige.

The analogy sometimes goes further. When, as often in Northern India, it is considered normal that the bride, while belonging to the same group, should be of slightly lower status than the groom, then the gift is made to people socially superior to the giver, just as in the case of gifts to the priest. Through the gift the family gains a respectable social connexion and introduces the girl into a higher rank. This hypergamic formula is fully consonant with the brahmanical theory of gift: hypergamy can indeed be defined by the possibility it gives to the bride's father to commute status-irrelevant things—a girl, and money—into social prestige, a thing very much akin to spiritual merit. We said above that Hindus in the marriage ceremony could rise for a while above their caste. We see that in a particular, but widespread, milieu, something of the same kind happens, ideally at least, to the father of a girl who pays heavily to marry her properly ac-

cording to the ideal of gift.

In this formula, a clear differentiation takes place between children: while boys continue the line, carry on its status, and receive wealth-bringing wives from slightly inferior families, girls are less welcome but, since they are associated with wealth, they are used for establishing prestige relationships. Correspondingly, the groom's side is haughty and demanding, the bride submissive and respectful.

Marriage and Kinship

The role played by marriage within the sphere of kinship is very remarkable in South India. It is well-known that most of the Dravidian-speaking peoples state a preference for marriage between close relatives of a certain kind. I have shown elsewhere that their kinship vocabulary, which is of a very systematic character, shows a main distinction between affines. At the same time the marriage rules lay down a pattern according to which affinity endures through generations; for instance, I reproduce my father's marriage by marrying the daughter of the man whose sister my father married, i.e., my maternal uncle's daughter. The whole kinship system can be looked at as a balanced interplay of descent and affinity. Affinity as opposed to descent—as relationship opposed to identity—receives a great stress. It is expressed in gifts and counter-gifts. Gift, or exchange, appears here as the immediate expression of relationship in action.

The picture is different in North India. Marriage with cousins is forbidden, and the dominant pattern is to marry far in terms of space as well as in terms of kinship. (Ira-vati Karve, Kinship Organisation in India'. Poona, 1953, Ch III.) Unfortunately, and strange as it may seem, our knowledge is too little advanced, and detailed data too scarce, for more precise conclusions to be proposed. I do think that the basic southern tendency to repeat marriage in the same group is not altogether absent. Many things will have to be reconsidered. Anyhow, it is safe to state that marriage is not here, as it is in the South, a major organizing principle of kinship. Our best clue here is hypergamy, in which marriage gifts or payments are related in the main to status instead of being exclusively a matter of kinship. This we have already discussed.

Marriage and the Legislator

We can perhaps better understand now how it is that marriage is such an important occasion in Hindu India, accompanied with so much expense and display. We can also understand why the reformers' attempts at making it more economical have failed. On the one hand marriage is a sort of apotheosis, during which the bonds of caste and status may seem to be temporarily removed, and it is, in a part of the country, an occasion on which wealth is exchanged for status. On the other hand it is, in another part of the country, a ceremony pivotal to the systematic organisation of kinship, the moment when lifelong, and even hereditary ties and gift relationships are created or renewed. More generally, and quite in keeping with the best tradition, the marriage ceremony can be defined as the 'giving away of a girl'. In accordance with it, it was recognized in law that, while sons inherit or succeed to the property, daughters are entitled to the expenses necessary for their marriage.

Recently, the legislator has upset this custom. There was an attack in the Hindu Code Bill against what we have called here the Southern kinship system. According to the draft, it would have been illegal to marry one's cousin. In the Hindu Marriage Act, as it has been passed, an exception has been made in favour of recognized custom. More drastic is the principle that daughters should inherit equally with sons. This disposition destroys the traditional differentiation between sons and daughters, and, hence, the very significance of marriage which we have outlined here. What will be the real impact of this enactment in the country, especially in village India, in the next decades, it is of course impossible to say, for a good many reasons. One can predict that it will result, to begin with, in a fair amount of litigation. Moreover, the particular enactment which concerns us is only one element in a system, which cannot be studied here. It is obvious that the legislator has not bothered to adapt his novelties to the social milieu and the 'customary' institutions. He has been concerned mainly with stating unequivocally new values which would probably in his opinion impose themselves in the long run, in accordance with the economic and social transformations of the country.

From the Chair

Hindustan Lever Limited

Speech of the Chairman at the Annual General Meeting

India's Future Needs of Oils and Fats

THE Annual General Meeting of Hindustan Lever Limited was held in Bombay on April 6, 1959. The following is the text of the speech made at the meeting by the Chairman, Mr. S. H. Turner.

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 1958 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 some aspects of vegetable oils and fats which are the principal raw materials of our industry.

Fat is a food. This is true whether it is solid or liquid, whether it is ghee or vanaspati or oil, whether it comes from a cow or out of the ground. It is indeed a food of very high value. Weight for weight it provides 2½ times as many calories, 2½ times as much energy, as the foodgrains, and the hard fats, vanaspati and ghee, have a vitamin A and D content the foodgrains lack.

Fat as Food and for Industry

Therefore, when we plan for a future in which the national income is to double and the population to go up to perhaps 600 million in twenty years, it is just as important to provide for our fat supplies as for our rice and our wheat. In some ways it may even be more important. As people get richer, they spend an ever lessening percentage of their income upon cereals, but an ever increasing percentage on fat. In technical terms the expenditure elasticity of demand for edible oil is 0.5 and for hard fat 1.7 which gives a total elasticity of approximately 1. In other words, for every increase of 10 per cent in income there will be an increase of 17 per cent in the demand for hard fat and of just about 10 per cent in the demand for all fat. A population of 600 million with a national income twice that of today will require 36 lakh tons more fat to eat.

Moreover, vegetable oil is not only used as a food. It is also used in the manufacture of other products such as soap and paint and as a hair dressing. Much more of all these will be required in a richer and more urbanised country. Paint will be needed for machinery and for the new buildings in the growing towns and the better buildings we all hope to see in the countryside as the villagers get richer. The habit of using oil to dress the hair is universal, and as the farmer and the worker get more prosperous, one must expect to see them put oil on their hair with a regularity which at present only a clerk or a shopkeeper can afford. Finally, no country in the world sets a higher value on cleanliness than India does, yet very few countries have a lower consumption of soap per head.

As Poverty Diminishes

The explanation for the last is twofold. First, there is poverty. Many people cannot afford as much soap as they would like. Secondly, many villagers still live a largely self-contained existence and they use earth or gram flour or plain water to clean themselves and their clothes.

As poverty diminishes and the village gets drawn more and more into the money economy, all past experience suggests that the demand for soap will go up sharply. Our own expectation is that every time the national income goes up by 25 per cent, which the planners expect it to do roughly every five years, the demand for soap will go up by over 40 per cent. In twenty years' time, a population of 600 million with twice the present national income will need 9 lakh more tons of oil for soap and paint and the hair than is needed at present.

45 Lakh Tons More Needed

Taking food and industrial uses together, we will in twenty years' time need 45 lakh more tons of fat. Twenty years is no longer than the time which separates us from the outbreak of the second world war. But since 1939 our output of fat

(ghee and oilseeds together) has gone up by only 5 lakh tons. Obviously the effort that will be needed from now on if our needs are to be met dwarfs anything that has been done up to now.

We can hope for very little extra supplies of ghee and butter. Over the last 20 years production has, if anything, declined. The demand for liquid milk goes up so sharply when the national income increases and communications improve, that the supply from the whole of India's cattle may only just keep up with this demand.

Acreage Under Oilseeds

The 45 lakh tons of fat which are needed will have to come from oilseeds, consumed either as oil or vanaspati. How large a requirement of extra oilseeds this will mean depends on which oilseeds are grown. Groundnuts have an oil content of over 40 per cent, rape and mustard of only 30 per cent. Even if we assume that the great bulk of the demand will be met by groundnuts—and this will be the sensible thing because groundnuts give much the highest yield of oil per acre—at least 150 lakh tons more oilseeds would be required.

At present yields this would mean another 53 million acres under oilseeds. This is 14 per cent of India's present cultivated land. Diversion from other crops on such a scale is not possible. We should not, however, assume that there can be no diversion at all. As our standards of farming go up we might be able to produce our requirements of foodgrains on smaller acreages. When that happens there will be an automatic shift from millets to groundnuts, which are a more profitable way of using the same acreage. The farmer has been inhibited from making the shift in the past because he had to grow the millets for his family to eat. Once he can satisfy the needs of his family from a smaller part of his land, he will naturally, and probably without any Governmental urging, turn the land thus freed over to oilseeds.

Yield per Acre

Over a generation this might increase the present output to a sizeable extent. By itself, however, it will not solve the problem. It is necessary also to make an increase in the yield of oilseeds per acre a major objective of policy. Up to now far less research has been done on, for instance, improved seeds and manurial requirements for oilseeds than has been done for rice or wheat or cotton. And even what has been done has not been properly conveyed to the farmer. In the National Extension Service the village level worker talks a great deal about the Japanese method of rice cultivation, or the advantages of longer staple cotton and rustless wheat. He very rarely mentions oilseeds, and very few of his demonstration plots demonstrate any method by which our fat requirements could be more adequately met. If our immense future needs are to be satisfied, this error in priorities must be corrected. In such states as Andhra, Bombay and Madras, where oilseeds form a large part of the acreage under crop and they contribute an even larger part of the farmer's cash income, oilseeds must be given top priority.

Over the last 20 years in other countries, increases in yield per acre of between a quarter and half in many crops have been achieved; and India has the advantage that since it starts from particularly low present yields, the scope for improvement is quite specially large. Moreover, the application of science to tropical crops is relatively recent. Research efforts in oilseeds particularly have been relatively small and unco-ordinated. From the next plan onwards, if the very large targets which the planners habitually give for oilseeds is followed up with an equally big programme of research, it should be possible to develop improved seeds and practices and manures and to increase resistance to disease at a speed far faster than anything that has been done in the past.

Supply Far Short of Need

It is not enough to find the research answers. They must be taken to the people. Improved seed that stays in the seed farm, better methods that are known only to the scientist at the research centre, grow no groundnuts. The seed and the fertiliser must be made available to the farmer where he wants them

and when he wants them; and if he needs money to pay for them there must be a co-operative society or other suitable agency to lend it to him. The new methods must be taught to the village level worker in terms simple enough for him and the farmer to understand them, and the village level worker must be able to demonstrate them on a plot in the farmer's own village, and using implements and bullocks of a sort the farmer himself uses.

Nevertheless, whatever the future triumphs of science, however high the priority given to oilseeds, and however large the diversion from millets to groundnuts, it is probable that the next twenty years will see an increasingly widening gap between the amount of oils and fat we produce and the amount we want for soap, for hair oil, and for edible purposes. This gap can be filled simply by letting the price of fat go up relatively to that of other commodities. When the demand for a product is so sensitive to income as that of fat, relatively limited increases in price can cut down demand very sharply. But this is obviously a last resort. If the price of fat has to increase to an extent that makes people buy something else instead, then we will hardly be raising their standard of life.

To Fill the Gap

There are other possible ways of filling at any rate part of the gap. The first is imports. In 10 or 15 years of time, if the need for foreign exchange is not quite so desperate, India might be able to import more of her requirements from abroad. More immediately it might be possible to get quite large quantities of soya bean oil from the United States under P.L. 480.

Secondly, the Government's policy of encouraging cottonseed crushing is likely to have more and more success. Four per cent of the oil the vanaspati industry used last year was cottonseed oil and we shall strive to increase this to 10 per cent by 1961. But the key, here as so often, rests with the farmer. If he will feed his cattle with cotton-seed cake instead of cottonseed, to their very considerable benefit, the cottonseed will naturally go to the crusher. Government has now decided to launch a vigorous campaign to persuade the farmer to make this change in his habits. It

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is important that the village level worker should do a good educational job in the field. If he succeeds and all the country's cottonseed goes to the crusher, it would add 150,000 tons to our oil supply every year.

Thirdly, there are possibilities with new crops or with the fuller utilisation of old ones. The cultivation of the oil palm on Indian soil is well worth examination. Meanwhile, great efforts are being made to collect minor oilseeds.

Finally, as more and more solvent extraction plants go up, they will recover more and more of the oil which ghani crushing leaves behind in the cake, and will thus reduce what has hitherto been a serious national waste. This by itself might increase oil supplies by 30,000 tons a year.

Any attempt to look forward into the future is necessarily liable to a very large margin of error. A successful campaign of family planning might keep population below 600 million. On the other hand, circumstances might prevent the national income from increasing at quite the rate the Planning Commission thinks it will. Again, our estimates of the elasticity of demand have been based upon the figures for the 4th to 7th rounds of the National Sample Survey. They are, therefore, figures for the conditions of the early 50's. In the different India and the different world of the 1960's, the elasticities might be different too.

If, for instance, television were to come to India, it is possible that many people who today celebrate an increase in income by buying some more ghee or some more vanaspati, might decide to pay an instalment on a television set instead. Or in the India of the late 60's people might do more of their washing of themselves and their clothes with non-soapy detergents and less with soap, as has already happened in the United States of America. On the other hand, the use of fat in the diet is only 1/4th of the nutritional optimum, and it is particularly low in the villages. An increase in village incomes and village knowledge of simple nutrition might well lead to an even larger increase in the demand for fat than we have assumed.

We need not argue about just which assumptions one should make. Whatever assumptions one

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may choose, if we develop at all, the demand for fat is bound to be enormously larger than it is at present; and the increase will be for purposes, notably food and cleanliness, upon which the citizen's hap-

Around Bombay Markets

DALAL STREET last week hit a new peak, slightly higher than the 1958 high recorded in September. This has a great significance for technical analysts because the market had had an important technical correction after September, lasting nearly three-and-a-half months. Now that the previous intermediate top has been crossed, technical students think that the market is likely to push its way further up substantially. This is because intermediate tops (and bottoms) are normally at a respectable distance from each other.

To say that the market has still a long way to go is not to suggest that it will not face rough weather in its upward journey. It is extremely difficult to predict how a particular trend will progress week by week, let alone the day-to-day ups and downs. Although equities have continued to move up, the uptrend in the past few weeks has been interrupted by occasional setbacks brought about mainly by corrective profit-taking. It is really because of these setbacks that the market has been able to sustain its strength all this while. For there has been no worthwhile technical correction since the resumption of the major bull phase since about the middle of January.

It is tempting to explain the week's price movements in terms of the daily news but quite often it is no more than an amusing pastime. Consider the last week's news. Century's impressive results had a tonic effect on the general trading sentiment even though considerable surprise was expressed as to how the company had earned nearly Rs 66 lakhs more when gross sales had risen by only Rs 1.2 crores because gross sales of Rs 10.6 crores had yielded a gross profit of Rs 1.34 crores.

Tata Steel failed to respond to the record output of a little over one lakh tons of saleable steel in

piness depends. If we are to have an adequate supply to meet this great demand, we must begin to plan for it now; which means giving oilseeds a priority in money and men and research and exten-

sion work they have never yet had.

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

Equities Still Rising

Thursday, Morning

justified by the growing strength in the economy.

Cotton

Firm Tendency

COTTON prices continue to hold firm. The strength is particularly marked in the spot material. Vijay, Digvijay and Surti are quoted above the 'ceiling' and the unofficial premiums range between Rs 20 and Rs 35 per candy. The scarcity of good quality cottons has turned mills' attention to the other varieties like Kalyan, Wagad and Kalagin which also improved last week by between Rs 10 and Rs 15 per candy. The Sewri spot market was generally quite lively because of the satisfactory spinner inquiry, both in Indian and foreign cottons, particularly East Africans and Egyptians. Export house buying was limited to Bengals and Oomras in which Japan showed moderate interest.

Indian cotton prices to-day are actually higher than the world parity. It is not that current prices here are higher than during the past few years but there has been a slump in world cotton prices. The textile industry is naturally unhappy because it has lost the margin of advantage of cheap cotton which used to compensate for her high labour cost and the use of antiquated machinery.

Worldwide Boom

The stock market boom is a world phenomenon and the performance of the Indian market compares very ill with the performance of Wall Street and London. It was quite some months ago that Wall Street started travelling into new space. London Stock Exchange too is now at an all-time high. The rise in Wall Street has led the stock exchange authorities to sound a note of warning against excessive unhealthy speculative activity. But the boom on the London Stock Exchange is thought to be fully

Cotton futures last week did harden in sympathy with the marked strength in the spot section but speculative interest was generally on the low side. Bears covered but enthusiasm to follow the rise was lacking and higher levels attracted substantial profit-taking. The Jarrilla May contract which had been bid up from Rs 679.50 to Rs 688 drifted idly lower to Rs 683. Options and considerations of approaching maturity induced selling in May. Bulls preferred the distant August which began to command

a premium of about Rs 9 against Rs 6.50 in the preceding week.

With the crop estimated at between 47 and 48 lakh bales, consumption very satisfactory and the cloth market in reasonably good form, there seems little chance of any important setback in cotton prices. But with the Forward Markets Commission's sword hanging Damocles' fashion, it is doubtful whether speculators would find much fun in bidding up futures very high.

Statistical Position

The provisional figures of mill consumption in February are 3,71,495 bales of Indian cotton and 31,508 bales of foreign cotton. This raises the totals for the first six months of the season to 23,45,197 bales of Indian and 2,24,680 bales of foreign cottons. Corresponding figures for the previous season were 22,96,661 bales and 2,93,286 bales. On the basis of the first half year's consumption the annual off-take of Indian cotton will be around 47 lakh bales against 44.33 lakhs last season.

The quantities licensed for import from September 1 to March 31 total 2,62,607 bales. Actual arrivals are placed at 1,56,102 bales. The break-up of quantities licensed and actual arrivals is: Egyptian 35,228 bales (32,330), East Africans 1,21,540 (70,652), Sudan 43,650 (29,999), Peru and others from the sterling area 2,650 (1,552) and U. S. 59,669 (21,569). The figures in brackets are the actual arrivals.

The details of quantities passed for shipments up to March 30 are: 41,387 bales of 25/32" out of a 5,000 bales quota from 1957-58 or earlier crops, 76,565 bales of Bengal Deshi out of a quota of 1.5 lakh bales and 17,960 bales out of one lakh bales quota of 3/4 inch cottons. The total comes to 1,35,912 bales leaving the unutilised balance at 1,64,088 bales, which has been allowed to lapse.

Oilseeds

Steadier But Dull

EXCEPTING cottonseeds which were slightly subdued by bull liquidation induced mainly by the downward revision of the margin limit to Rs 130 per candy, oilseeds showed a steadier tendency last week. Trading was generally unexciting and speculative interest

centred on castor which alone are still moderately below the margin line.

Fluctuations in castor futures seemed to set the tune to the market. The steadier tendency in castor futures reflected the growing belief that satisfactory export business in castor oil with the U S will materialise in the near future. American inquiries for Indian castor oil have been increasing since recently but business has yet to materialise. Of course the outlook is not unpromising. The U S consumption in January at 9.7 million pounds is a record high for a long time and its stocks at the end of January at 25.7 million pounds are below normal. Supplies from Brazil have dwindled to a mere trickle. The unsold stocks in Brazil are said to be very tightly held.

The situation holds out a good promise of selling large quantities of castor oil to America. It would be unfortunate if the opportunity were lost. Business will have to be put through before Brazil gets ready with its new crop in August-September.

Speculators continue to bid up castor futures even when the spot material is quoted at a sizable discount of Rs 4 to Rs 5 per candy below the May contract which is now approaching maturity. Export houses naturally prefer oil to castor futures. On the basis of the existing price relationship between oil, seeds and May and September contracts there does not seem much scope for any marked rise in futures prices. The discount on the spot material must go first with export business in oil. But one never can tell about speculators.

Futures Anaemic

Groundnuts firmed up gradually but without any big business. The futures market remains anaemic because of the margin and activity in the local spot market is limited by the volume of offerings which continue to be poor because of the higher upcountry prices. Oilcakes were better due mainly to internal off-take for fertiliser purposes.

Overseas advices were not discouraging. The U K quotations for groundnut extractions were up by about 10 shillings per ton over the week but buyers' interest centred only on distant positions. The pressure of floating consignments

was reported to have declined appreciably. The U K quotations for groundnut oil also showed some improvement at around £119 but Indian oil is still out of parity. Burma, however, was said to have taken about 350 tons of oil from Madras at around Rs 1,650 per ton. Business for about 400 tons of H P S was reported with Rotterdam.

Linseeds followed castor and groundnuts. Margin considerations discouraged bull buying but sellers were reserved. Export houses expect Australian inquiry for about 1,400 tons of linseed oil in the near future. Some business was reported with U K in linseed cake at around £33-5. Cottonseeds receded due to bull liquidation caused chiefly by margin considerations.

New Contracts

Trading in new contracts, August and September, was allowed from April 3. Groundnut August commanded a premium of Rs 3 to Rs 4 per candy over May and the premium on castor September was around Rs 4. Linseed September were quoted 50 nP to 62 nP over May and cottonseed September which started at a discount of Rs 1.50 soon rose to enjoy a premium of Rs 1.50 to Rs 2 on May. These premiums are quite normal.

The start of trading in new contracts has not caused any excitement in the market because of margins. That the Forward Markets Commission should have allowed trading in the August contract in groundnut at the current prices goes ill with its grim warning against the price rise when prices were much lower.

Fluctuations in oilseeds futures last week up to Wednesday, with previous week-end figures in brackets were as follows:

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Groundnut May: (Rs 185) 185.12, 186.25, 185, 188.37, 187.25, 188, 187.50 per candy.

Castor May: (Rs 154.12) 154.50, 155.87, 154.75, 157.75, 156.37, 157.37, 156.12, 156.50 per candy.

Cottonseed May: (Rs 130) 129.25, 130, 128.50, 130.25, 128.50 per candy.

Linseed May: (Rs 31.87) 31.94, 32.50, 32.31 per cwt.

Shipments of oils and oilcakes from Bombay between January 1 and April 2 are as under: groundnut H P S 3,830 tons, g'nut oil 1,018, g'nut cake 55,978, linseed oil 804, linseed cake 2,575, castor oil 2,492, cottonseed cake 9,880, copra cake 2,876, vanaspati 360, nigerseed 328, nigerseed cake 345, kardiseed cake 100, kardiseed oil 63 and mowrah cake 96 tons.

Money & Bullion

Call Rate up

CONDITIONS in the short-term money market continued to be very difficult. Even by offering 3% per cent for inter-bank call money, exchange and bigger Indian banks were unable to get all they needed. Result, they had to borrow still more from the Reserve Bank because of the mounting demand for funds.

Scheduled banks' deposits in the week to March 27 rose by Rs 13.17 crores but their advances crossed the Rs 1,000 mark, Rs 17.04 crores up on the week. Borrowings from the Reserve Bank rose by Rs 1.5 crores and banks also withdrew Rs 5.99 crores from their interest free balances with the Reserve Bank. Investment also recorded a modest fall.

With money getting tighter, the treasury bill rate rose to a new high of 2.78 per cent. The gilt-edged market was extremely dull but prices maintained a quietly steady tone in the absence of any important selling pressure. Banks prefer borrowing from the Reserve Bank to selling their Securities because they do not expect the stringency in the money market to last long.

Gold at New High

After early irregularities bullion prices developed a distinctly firm tendency. Gold forward, Chaitra delivery, rose to a new high of Rs 120-5. The spot material too established a new record of Rs 121-9. Silver Chaitra delivery which had

eased from Rs 200-3 to Rs 198-10 earlier in the week advanced later to Rs 201-3 and closed a little lower at Rs 200-12.

The growing strength in gold and silver reflects dwindling stocks due to the reduced flow of smuggled gold and Tibetan coins and the continued normal off-take. Bulls con-

tinue to dominate the scene and backwardation charges remain fairly high in both the metals. Sentiment last week was helped by rumours that the Indian rupee might be withdrawn from the Middle East countries as a legal tender which would seriously affect smuggling activity in gold.

India's Investment Potential

THE U S Department of Commerce, in response to the "up-surge in interest by American companies in examining investment possibilities in India," has published a detailed report outlining information relating to India's investment climate. The report was published by the department's Bureau of Foreign Commerce in the last issue of March of the Foreign Commerce Weekly.

This increased interest, the report stated, is in part a result of the Indian Government's announcement in August 1958 "that it was prepared to extend liberal treatment to applications from foreign investors." Another contributory factor to increased American interest, the report said, "is the realisation that with the expansion of basic industrial facilities under India's Second Five-Year Plan, the Indian economy is now prepared to begin local manufacture of a large number of new products."

The report, aimed at prospective investors, includes some of the information gained during the terminal conference of the U S Trade Mission to India. This conference was held in Chicago on March 5.

Among report highlights are the following:

Current value of total U S private investment in India was unofficially estimated at \$150 million in late 1958, with additional projects involving some \$15 million being negotiated. Book value of U S investment in India at the end of 1957 was officially estimated at \$110 million, with more than half in petroleum exploration, refining and distribution.

American branches or subsidiaries in India are manufacturing such products as rubber tyres, jute products, abrasives, a wide range of chemical and pharmaceutical products, and elevators. The wide range of new industries being established in India expands the scope for licensing of patents and

extension of technical assistance by U S companies.

An investment guarantee agreement provides for conversion of earnings and original capital into dollars. India's policy is not to impose conditions on foreign companies that do not apply equally to Indian enterprises.

There is a growing trend toward private foreign equity participation with the Indian Government in new enterprises.

Most Indian Government investment is being channelled into large-scale basic industries, with the expectation there will be expanded opportunity for private investment in Secondary and consumer goods industries.

The Indian Government is considering the opening of investment centres abroad to speed up negotiation of investment proposals.

The Bureau of Foreign Commerce also stated in the report that it was planning for 1959 publication a revised edition of its major study made in 1953 on "Investment in India: Conditions and Outlook for United States Investors." In preparation for this revision the bureau has been conducting an on-the-spot study of investment factors in India.

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CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores	Latest Week	Month Ago	Year Ago
1. Note circulation	1744.31	1701.53	1683.58	1619.69
2. Rupee Coin	182.71	130.09	129.70	127.57
3. Deposits				
Central				
Government's	60.61	53.82	52.04	55.27
Other				
Governments'	11.84	26.72	18.32	7.24
Banks'	73.08	67.57	65.60	81.06
Others'	118.93	119.07	115.85	116.32
4. Foreign Securities	178.01	178.01	178.01	216.04
5. Balances held abroad	36.32	35.04	32.86	68.34
6. Rupee Securities	1381.25	1291.26	1271.45	1166.23
7. Investments	231.46	251.70	255.72	218.11
8. Loans and advances to Governments	31.26	24.77	23.40	37.63
9. Other loans and advances	97.86	113.44	90.05	73.92
Scheduled Banks				
1. Demand liabilities (net)	723.26	730.61	712.10	730.65
2. Time Liabilities (net)	913.32	892.80	897.93	720.59
3. Cash	107.20	109.94	113.71	105.04
4. Borrowings from Reserve Bank of which against Usance Bills	61.86	60.70	31.23	40.00
5. Advances & Bills (inland & foreign) discounted of which State Bank's	1012.97	995.98	958.09	982.73
6. Invest. in Govt. Sec. of which State Bank's	208.09	202.80	196.46	210.52
Cheque Clearance	235.44	233.44	274.48	190.70
	249.57	133.32	181.28	150.17
For Reserve Bank and Cheque Clearance week ended 3-4-59 Scheduled Banks week ended 27-3-59				
Bombay Money Rates (per cent per annum)				
Call Money	27-3-59	20-3-59	27-2-59	28-3-58
From banks	3½	3½	3½	3-3½
From public	3-3½	3½-3½	—	—
Three Months	3-4	8½-4	1½-4½	3-4½
Six Months	2-4	2½-4	2-4½	2-4½
Bombay Bullion (In Rupees and nP)				
	8-4-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	121.12	119.81	118.75	113.31
Forward	120.25	118.81	118.31	112.56
Silver (per 100 tolas)				
Spot	200.12	199.69	197.06	201.12
Forward	200.12	199.69	197.06	199.12

INDEX NUMBER OF WHOLESALE PRICES				
(Base : 1952-53=100)				
Group and Sub-Group	WEEK		ENDED	
	21-3-59	14-3-59	21-2-59	22-3-58
Food Articles	113.9	113.8	115.0	102.5
Cereals	102.3	101.7	104.5	95.6
Pulses	113.7	115.9	117.2	78.4
Fruits & Veg.	120.8	118.3	117.7	98.7
Milk and Ghee	106.0	105.7	103.6	102.5
Edible Oils	124.2	124.1	121.7	117.8
Fish, Eggs & Meat	103.5	103.9	105.1	101.6
Sugar & Gur	128.0	128.3	127.0	112.9
Others	148.7	149.8	157.4	127.2
Liquor and Tobacco	98.9	101.7	103.7	94.4
Tobacco	97.5	100.8	102.6	92.8
Fuel, Power, Light & Lubricants	114.8	114.9	114.9	114.3
Industrial Raw Materials	116.9	116.8	114.8	111.9
Fibres	108.9	108.4	107.0	110.7
Oilseeds	128.8	128.7	125.1	113.9
Minerals	103.6	101.4	102.5	108.2
Others	110.9	111.2	111.1	110.6
Manufactures	108.2	108.0	108.4	107.6
Intermediate Products	108.7	109.3	110.9	106.9
Finished Products	108.1	107.8	108.0	107.7
Textiles	102.5	101.9	101.8	106.0
Cotton	111.0	111.0	111.2	116.1
Jute	83.9	82.1	81.6	87.2
Woollen	105.9	105.9	105.9	108.0
Silk & Rayon	95.7	94.2	93.2	92.4
Metal Products	143.3	143.3	143.3	143.4
Chemicals	110.3	110.1	110.0	99.1
Oilcakes	140.5	139.2	147.7	112.5
Machinery and Trans Equipment	105.4	105.4	104.7	102.7
Others	112.8	113.4	113.6	112.1
All Commodities	112.4	112.4	112.8	105.6

Latest All India Crop Estimates			
(Area in 000 acres, Production in 000 tons) + or -			
	1958-59	1957-1958*	(%)
First Estimates (area)			
Wheat	29,792	29,067	+2.5
Jowar	25,297	24,674	+2.5
Barley	7,980	7,521	+6.1
Bajra	25,115	26,004	-3.4
Maize	9,386	8,849	+6.1
Ragi	4,847	4,762	+1.8
Small Millets	9,154	9,294	-1.5
Kharrif Pulses	11,269	12,067	-6.6
Gram	23,676	22,416	+5.6
Linseed	2,626	2,684	-2.2
Tobacco	837	838	-0.1
Rape & Mustard	2,916	2,631	+10.8
Second Estimates (area)			
Tur (Arhar)	5,656	5,523	+2.4
Groundnut	13,080	12,683	+3.1
Mesta	817	717	+13.9
Sugarcane	4,896	4,849	+1.0
Third Estimates (area)			
Cotton	18,850	18,545	+1.6
Sesamum	5,167	5,254	-1.7
Final Estimates			
Rice:			
Area	81,590	79,447	+2.7
Production	29,721	24,885	+19.4
Jute:			
Area	1,827	1,742	+4.9
Production†	5,178	4,052	+27.8

*Corresponding adjusted estimate. †In bales of 400 lbs each.

Source: Ministry of Food and Agriculture.

INDUSTRIAL DISPUTES IN INDIA				INDUSTRIAL DISPUTES IN BOMBAY STATE			
Year/Month	Disputes (Numbers)	Workers involved	Working days lost	Year/Month	Disputes (Numbers)	Workers involved	Working days lost
1953	772	466,607	3,382,608	1953	179	141,525	618,192
1954	840	477,138	3,372,630	1954	201	111,273	396,287
1955	1,166	527,767	5,697,848	1955	255	103,319	361,249
1956	1,203	715,130	6,992,040	1956	294	245,140	705,881
1957	1,522	666,253	5,903,083	1957	306	192,283	867,311
1956:				1956:			
Sept	180	130,391	924,763	Nov	26	7,835	27,041
Oct	138	95,882	822,965	Dec	38	15,011	38,972
Nov	137	60,478	513,389	1957:			
Dec	147	70,473	422,406	Jan	34	11,624	46,424
1957:				Feb	26	13,432	33,285
Jan	155	129,791	405,805	Mar	31	16,107	61,351
Feb	124	57,833	269,041	Apr	35	25,919	123,603
Mar	113	42,516	287,650	May	28	22,741	34,906
Apr	161	66,724	414,535	June	25	17,891	71,093
May	163	76,337	455,037	July	38	17,829	151,493
June	153	106,234	734,545	Aug	17	6,712	85,731
July	198	96,715	764,308	Sept	36	26,506	81,333
Aug	205	146,511	821,211	Oct	52	31,455	53,990
Sept	232	148,148	842,508	Nov	31	12,934	33,603
Oct	222	110,548	533,206	Dec	26	16,101	90,499
Nov	175	61,498	338,979	1958:			
Dec	155	84,881	512,381	Jan	31	14,946	69,955
1958:				Feb	25	11,475	27,114
Jan	145	58,402	354,185	Mar	19	5,426	11,428
Feb	133	87,130	342,205	Apr	34	16,858	113,292
Mar	167	91,489	818,824	May	25	10,340	147,368
Apr	170	65,199	490,816	June	26	65,701	605,755
May	160	61,570	560,459	July	30	77,219	197,087
June	163	164,673	1,529,248	Aug	21	8,824	10,709
July	164	64,516	464,165	Sept	21	5,802	15,209
Aug	147	72,579	655,057	Oct	17	1,949	20,561
Sept	132	59,359	415,083	Nov	23	3,811	13,444
Oct	121	36,501	262,600	Dec	24	17,602	33,848
Nov	128	34,689	175,017	1959:			
Source: Deputy Commissioner of Labour, Government of Bombay.				Jan	21	14,449	27,814

WORKING CLASS COST OF LIVING INDEX												
(Monthly Average or Calendar Months)												
(Base: 1949 = 100)												
	Bombay		Calcutta		Delhi		Kanpur		Madras		All India (average)	
	F	G	F	G	F	G	F	G	F	G	F	G
1955	110	110	90	92	97	99	68	78	96	99	92	96
1956	117	115	98	98	112	109	81	89	110	111	105	105
1957	123	120	106	105	117	114	87	94	113	116	112	111
1958	133	129	111	110	117	114	94	96	124	124	119*	116*
1957: Jan	117	116	100	100	118	113	83	91	113	115	108	107
Feb	118	116	99	100	118	114	84	92	112	114	107	107
Mar	117	116	101	100	118	114	83	91	111	114	107	107
Apr	117	116	100	100	116	112	81	89	111	114	108	108
May	121	118	102	102	119	114	85	92	110	114	111	110
June	124	121	106	105	119	115	86	93	112	115	113	112
July	126	122	107	106	119	115	90	96	113	116	113	112
Aug	126	123	110	108	123	118	93	98	113	115	115	113
Sept	125	122	111	109	115	113	91	97	111	115	115	114
Oct	125	122	110	108	115	113	91	96	113	116	113	113
Nov	129	125	111	109	114	112	89	96	120	121	116	114
Dec	128	125	109	107	111	110	85	93	119	121	113	113
1958: Jan	127	124	106	105	111	109	83	91	118	120	112	111
Feb	126	124	104	104	110	108	81	89	118	120	110	110
Mar	127	124	104	105	110	108	82	89	116	119	110	110
Apr	131	127	105	105	109	107	85	91	116	119	112	111
May	132	126	106	106	110	108	87	93	117	120	114	113
June	133	129	109	107	114	111	94	98	118	121	118	116
July	138	133	114	112	122	116	99	101	125	125	122	119
Aug	137	132	118	115	123	117	102	103	127	126	124	120
Sept	136	132	119	116	124	117	104	104	128	127	125	121
Oct	137	132	119	116	125	119	108	108	133	130	127	123
Nov	136	131	117	114	127	120	106	106	136	132	127*	122*
Dec	133	130	110	110	124	118	100	101	137	133	122*	119*
1959: Jan	—	129	—	105	—	122	—	103	—	130	—	114
Note: F—Food G—General												
*Provisional. Source: Central Statistical Organisation, Delhi												

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Tibet, China and India

A GOOD part of the picture has cleared since we last wrote about the Tibetan revolt two or three weeks ago. We now know, as clearly as perhaps we will ever know, how and why the Dalai Lama fled from Lhasa and sought asylum in this country. That is not to say, we know the full story, or the exact facts; but we know them as well as we ever will. A great deal of detail might be filled in when the Indian Consul in Lhasa is able (and is allowed) to speak out on the subject, or when the Dalai Lama and his associates feel like elaborating on the outlines they have already given out; but the broad skeleton is now practically in sight.

One point on which recent information proves the Chinese version to be materially false is the claim that the Dalai Lama had been forced to flee from Lhasa "under duress". Of course, this particular part of the Chinese story no one had ever taken seriously; but now it is plain on the Dalai Lama's own authority that any "duress" under which he had to flee was that of the Chinese. In this connection the famous Tibetan demonstration of March 17 emerges as a fascinating episode. On that day, it will be recalled, the Dalai Lama's palace was reported to have been surrounded by angry Tibetans determined to prevent his going unescorted to visit the Chinese authorities. It now turns out that the scene was a ruse. While Peking may have rejoiced at the thought that it could now capture the Dalai Lama under the pretext of "saving" him from his Tibetan captors, the Dalai Lama was already on his way to a more real escape.

Recent information also helps to clear up another point on which, again, there never was any real doubt in the minds of most people. This is that the Chinese are facing, and have for some time been facing, a growing revolt in Tibet. The casualty figures continue, of course, to be as unreliable as ever. According to one source, 2,000 have been killed at Lhasa; and there are reports of 13,000 monks being under arrest; but even if these figures are dismissed as exaggerated, as they doubtless are, it is significant to note that the Chinese themselves have admitted 4,000 arrests. Added to this is the Dalai Lama's own report of the shelling of his palace, as well as the Indian Consul's description of the destruction he witnessed for himself. One doesn't use a rifle to kill a mouse. Obviously, therefore, a resistance which drew forth so much gun-powder from the Chinese must have been either actually or potentially great.

There remains the question of the provocation for the revolt. Pandit Nehru has hinted that the cause may have been the agrarian and social reforms that the Chinese tried, apparently against the will of the majority of the Tibetans, to push through. The Dalai Lama has also charged that the Chinese tried to indoctrinate the younger Tibetans into communism, and showed "scant respect for the Buddhist religion." The indoctrination charge is highly likely to be true; but if the Chinese have actually been scornful of Buddhism in a land where the teachings of the Buddha are not only a religion but a way of life, they must be infinitely more stupid than one had ever suspected them to be. What is probable is that the monasteries being so inextricably part and parcel of Tibetan feudalism, the pressure against feudalism has been deliberately misconstrued by interested parties as pressure against Buddhism.

To that extent the Chinese case deserves to be understood. It also deserves to be understood that Peking, no less than ourselves, is legitimately concerned with border security. Kalimpong is clearly a favourite haunt of spies and counter-spies, and it is by no means fantastic to imagine that some of them are active on behalf of certain foreign governments and would gladly—if they could—assist the harassment of China in Tibet. The south-western frontier has also to be watched by the Chinese, if only because of the large number of Kuomintang forces which are known to be present on the Burmese border. The world must also remember that it is more than a little illogical to expect the strictest observances of international obligations from a country which is deliberately and without any justification whatever excluded from world assemblies.

But when one has said all this, one has exhausted the case for the Chinese. Nothing further remains to be said in their defence. The Tibetans, on the other hand, have a case that is formidable in law, ethics and politics. Tibetan autonomy was guaranteed by Peking in its agreement with India; and the guarantee has obviously not been respected. This is legally and morally wrong of China. That reforms—whatever their nature—have been sought to be imposed on a violently hostile people is politically foolish. The Chinese case has been further damaged, and damaged badly, by the high-handed handling of the Tibetan resistance.

There has in recent weeks been a flood of ill-informed and ill-considered criticism of the official Indian stand in relation to Tibet. Critics have roundly denounced Nehru for weakness, equivocation and double-thinking. In doing so, they could scarcely have reflected on the implications of their accusations. After all, what is it that they expect India to do? Do they seriously expect Nehru to send the Indian armed forces to Lhasa and force the Chinese back? Do they seriously believe that any threat of that sort by India would quickly bring the Chinese to their knees? Or do they seriously advise that we should break off our relations with China, or denounce China in terms which would lead to such a break-off, or at the very least completely ruin

our chances of ever mediating in the dispute to the advantage of both Tibet and China?

The fact is that Nehru's attitude has been precisely right. A very easy muddle has been very admirably avoided. We have hospitably and respectfully received the Dalai Lama in our midst—that is our gesture of friendship and sympathy for the rebel Tibetans. They expected us to make him safe, and we have not let them down. We have categorically disapproved of the assault on Tibetan autonomy—that is our answer to the silly charge of double-think. There has been no attempt on the part of New Delhi to whitewash the fault of the Chinese in this respect. We have repeatedly stressed China's suzerainty over Tibet, and said again and again that the Tibetans must continue to accept it—that is our gesture of friendliness to the Chinese. No doubt, China would like us to stop our defence of Tibetan autonomy and give up the Dalai Lama to them. No doubt, the Tibetans would like us to denounce the Chinese without reserve and break off with them. But it is neither right nor necessary to fall over completely to one side or the other.

Above all, India has her own case to consider. We must, as far as humanly possible, continue to

be friends with China, unless we want to have an enormous defence problem on our hands. Secondly, Tibetan autonomy is a matter of both emotional and strategic importance for us. Clearly we are put to the difficult necessity of having to reconcile these two interests—our friendship with China and our concern for Tibetan autonomy. It would be madness, in the circumstances, to push forward with any precipitate line of action.

What, then, is the solution? At first sight, rather an absurd one. Nehru has stated it with basic simplicity by saying that China must acknowledge Tibetan autonomy, and Tibet must acknowledge Chinese suzerainty. Obviously, if both had done their part, the present crisis would never have arisen. Yet India's job, if she can possibly manage it, will be to prepare the way for a return to that arrangement. Nehru is faced with the extremely delicate task of persuading the Tibetans to accept renewed assurances of autonomy from the Chinese, and to find a way for the Chinese to give these assurances with the least possible loss of face.

The real friends of Tibet should desist from making that task unduly difficult by making extravagant criticisms of India's imaginary faults on this issue.

Why After Managing Agency?

IS the managing agency system to go after the breathing time allowed till 1960, or are they to wither away only gradually? Shri Lal Bahadur Shastri's statement in Parliament suggested the latter when he said that renewal of managing agency agreements after 1960 would be considered on their merits. "While considering the question of renewal of managing agents", he said, "it would be necessary to consider a shorter period of reappointment instead of the full term of ten years in every case. The remuneration for the managing agents need not necessarily be the maximum of ten per cent (of net profits) in every case." Under the Companies Act of 1956, all existing managing agency contracts expire on August 15, 1960, unless they are renewed on fresh terms with Government approval within two years before that date. Since August last year, as a matter of fact, a number of fresh manag-

ing agency contracts have been proposed to shareholders or concluded for the full term of ten years and at 10 per cent of net profits. If the Government now changes its policy, would it discriminate against those managing agencies which have not been expeditious in utilising the fairly favourable terms?

How far is the transformation effected by the Company Law real and how much of it is mere appearance? It is now being realised by the Company Law Administration that the 1956 Act which had been devised mainly to curb the powers of managing agents has succeeded only in enforcing greater publicity and driving the abuses of corporate management underground in various ways. Most of the sins that have been laid at the door of the managing agency are actually common to all types of corporate management. The purpose of Company Law should be to improve the general climate of company mana-

gement. This cannot be achieved merely by abolition of the managing agency system or by placing the latter in a strait jacket. A fairly large number of managing agents have resigned and become selling agents, which is more remunerative and nearly impossible to regulate. Nearly all leading Houses have multiplied the number of their managing agency concerns to avoid the legal limit of ten companies under the same managing agency. With a few exceptions, all new companies are being managed ostensibly by Boards of Directors, but their promotion and management remain in the same hands. In the case of companies managed by managing agents, it is not difficult to know which group they belong to. Only those managed by Directors are more difficult to identify, because the Boards may be packed with courtesy directors or nominees,

masking the real controlling interest.

Indeed, the Minister of Commerce and Industry must be innocent of the forces that make for integration in the world of industry and big business. Otherwise he would not refer in a spirit of injured innocence to the 'tendency towards monopoly' or resent that the 'big industrialist wants to become bigger still'. Could he have failed to notice how during his own regime those in textiles, coal or sugar have gone in for paper, rayon, chemicals and a hundred and one other things which are entirely unrelated to one another and offer no other advantages for combining under one management, however deceptive its form? Units such as these alone seem to thrive in the climate of the socialistic pattern of society which the Government is promoting. These are familiar features of underdeve-

lopment—shortage of entrepreneurship, command over capital and select high level contracts in New Delhi. And by their very nature, these cannot be widely dispersed.

Why pick on managing agents alone? They are mere symptoms of arrested growth and forced growth on unhealthy lines. The Government does not seem to have any clear idea of the system which should replace the managing agency or the present form of corporate enterprise. Management in other guises may be equally bad, if not worse, and much more difficult to control. If Shri Lal Bahadur Shastri is really serious when he condemns the tendency towards monopoly, why does he not look a little more closely into such developments as inter-company investment and indirect inter-locking which go on apace and flourish exceedingly well?

Weekly Notes

Congress Reverse in Madras

AFTER Bombay, in Madras also, the Congress has suffered defeat in the civic elections. Whether after two decades of unchallenged control of the municipal corporation, the Congress will have to surrender it as it had to do in Bombay remains, at the moment, a matter of speculation, for the party which has ousted the Congress has not gained absolute majority. But that is not the most important question. There is another point of similarity in that its defeat in the Madras corporation follows a series of defeats in the civic elections held in the State.

The setback to the Congress has been pronounced only in the urban centres so far and there has been no similar evidence of the Congress losing ground in the rural constituencies. But since India lives in the villages, its position is not likely to be seriously assailed just yet. The loss of city votes has been explained also, and in fact more plausibly, in terms of the costs and physical difficulties in conducting an election. In a small area, especially urban, the resources of other parties may be just adequate but would be woefully deficient, it has been contended, when a very wide area has to be covered as in rural constituencies. But neither of these explanations go far in accounting for

Congress reverses as does the dominance of purely local or regional issues.

That the organisational and other resources of political parties or sectional votes cannot be the whole story, is certainly suggested by the way local or regional issues are and have been successfully played up. Now over the question of the unification of the Marathi speaking people, emotions could be deeply stirred but even on such an issue, passions cannot be maintained at the same high pitch indefinitely or for long. It is not unnatural, therefore, or even unexpected, that the move for separation of Vidarbha from Maharashtra should gather momentum and remain in readiness, to break up the moment Maharashtra becomes a separate State. The intensity of regional issues may also explain largely the political developments in Punjab. But what are the ideological differences between the Congress and the Ganatantra Parishad in Orissa that has enabled this purely local party to come up, gain in strength and challenge the Congress at least to the point of forcing the latter to propose a coalition Government for this State? Surely, the differences between two parties in the matter of policies which they advocate do not adequately explain the vicissitudes of the Con-

gress party in the State and the political instability?

True, in a sense the Dravida Kazhagam stands for a very definite ideology, however reactionary that ideology may be. And the offshoot of this movement, or rather the offshoot of the original party, Dravida Munnetra Kazhagam, which is much more combative, better led and more competently run, must have an appeal to the caste and communal affiliations which has to be reckoned with. But Madras also happens to be one of the States in which the Congress had the strongest and longest hold, besides being one of the best-administered. The party which has defeated the Congress in the Madras Corporation is not as fanatical as the parent body from which it broke off in that it does not stand for cession from the Indian Union, and its appeal is specifically with the Tamils. But Tamilnad happens to be one of the most homogeneous States in the Union. And it is not in all the civic elections that the Congress has lost to DMK. Nor are all the supporters of DMK drawn from the propertyless or the economically under-privileged. This only goes to show that the cause of national development has to be vitalised and that the Congress will have to concentrate on specific issues with the widest appeal. The alternative is

an open invitation to the forces of parochialism, if not of disintegration.

Coal for Steel Plants

THE coal washery commissioned this week at Kargali in the colliery area of Bokaro is claimed to be the largest in Asia. Set up by the National Coal Development Corporation with Japanese equipment and help of Japanese technicians, the washery has a capacity for treating 2.2 million tons of coal and producing 1.6 million tons of washed coal per year. This is about 20 per cent of the washed coal that will be needed by the steel plants under the Second Plan. The Kargali washery will supply 1.1 million tons of the 1.6 million tons required by the Rourkela steel works and 0.5 million tons of the 1.8 million tons needed by Bhilai.

The steel plants will together require about 8.3 million tons of washed coal per year. Besides the new washery at Kargali, there are three others in operation which, between them "with certain improvements" will supply 1.2 million tons of washed coal, according to the latest annual report of the Ministry of Steel, Mines and Fuel. These 'certain improvements', however, have yet to be carried out. The entire requirements of Durgapur steel plant, about 0.8 million tons annually, are to be met by a washery to be set up at the site. The contract for the steel plant includes the setting up of this washery.

This leaves a balance of 4.15 million tons, to be met by the washeries to be set up at Dugda, Bhojudih and Patherdih, all in Jharia coal fields. Dugda is to supply the balance of the requirements of Rourkela and Bhilai, Bhojudih that of Tatas and Patherdih of Indian Iron and Steel. Construction and management of all three has been entrusted to Hindustan Steel Limited. According to the Ministry report, Dugda is expected to be commissioned towards the end of 1960. "The tenders have been invited for the washery in Bhojudih. Specifications for the washery in Patherdih have been drawn up with a view to invite tenders as soon as the layout on the ground is settled."

The progress thus may appear to be rather slow, but whether it is slower than that of the steel mills or not is the more important ques-

tion. It does not seem, however, that the steel plants could be seriously handicapped only because the washeries would not come up in time. Bhilai and Rourkela can be kept going with selected unwashed Jharia coals mixed with washed coals from Kargali. The steel mills have one advantage in the matter of coal supply—conservation of metallurgical coals may or may not have been wise at the time when it was introduced, its operation may also have been faulty in many ways, but it has been a good insurance. For increasing the production of coal which steel mills can use, all that is necessary is to raise the ceiling on production of quality coals. The supply can be depended upon to respond in no time. Actually this has already been done to a limited extent.

What Cost Rice Import?

BECAUSE a journal happens to have a title which connects it with commerce and finance, it receives a regular flow of inquiries which it has to tackle as best as it can. It is flattering but sometimes extremely embarrassing that some people should still believe that all the knowledge and wisdom in the world is gathered in newspaper offices and that a financial journal would, as a matter of course, know in advance when, for example, the bank rate was changed or the rupee devalued. Since last week, there have been several telephone calls inquiring about the future of the sterling, whether it was going to be devalued or not, when and by how much.

These unwanted telephone calls may be amusing or annoying,

but they can be easily dealt with. But when a financial journal is unable to supply some information which its constituents can legitimately expect from it, the situation becomes awkward. For it is difficult to convince even a well-disposed outsider that this office, for example, simply does not know how much we paid for rice imports in 1958 and 1957. A trusting advertising agency put us to shame by making this simple inquiry, because we did not know and could not find out after hours of searching into all possible sources available in this office. True, the resources of a modest weekly paper in the matter of books, journals and official documents are not much to speak of, though the amount of literature which even a small paper gets is something fantastic and the problem of storage space for them is an ever growing one. Discreet inquiries in quarters much better placed in regard to sources of information, proper collection, filing and docketing of materials produced no better results and finally we had to own up.

About the quantity of rice imports there was no trouble. The Report of the Ministry of Food and Agriculture, gives the information both for 1958 and 1957, the quantity of rice imported in these two years being 3.90 lakh tons and 7.36 lakh tons respectively. But where does one find the value of these imports? The report says that "during the calendar year 1958, the total quantity of foodgrains imported into India amounted to 31.73 lakh tons valued at about Rs 120.5 crores, (cost and freight) as against 35.82 lakh tons valued at Rs 162.2 crores in 1957." The breakdown of these imports, however, is given only in terms of quantity, not of value.

DCIS Doesn't Know

NOW there are other publications which must give this information, one would think, though one wouldn't turn too readily to the Monthly Statistics of Foreign Trade, because there is always some doubt whether all the imports of foodgrains figure in these returns or not, as there is always some uncertainty about the imports on Government account, and most, if not all, imports of foodgrains are on Government account. But since no other source was readily available, we had to turn to the Monthly

Statistics which gave Rs 44.03 crores as the value of imports of rice for the calendar year 1958, and Rs 16.90 crores as that for 1957. Now the Food Ministry should know how much rice was imported. And according to its report, rice imports in 1957 were nearly twice as high as those in 1958 and yet if the Department of Commercial Intelligence and Statistics is to be taken seriously, we paid for it,—twice the quantity of 1958—less than 1/3rd the price!

There is, as has already been mentioned, a danger in consulting the foreign trade statistics compiled by the Department of Commercial Intelligence in that these may need adjustments, and very drastic adjustments, for imports on Government account. But the monthly returns, for that matter, do not even put in a footnote to warn the unwary reader that he may be trapped by these figures. On the contrary, it leads him up the garden path by notifying prominently that the total value of all imports awaiting verification and therefore excluded amounted to Rs 2.8 crores for 1957. So adjustment or no adjustment, how to solve this riddle—3.90 lakh tons for Rs 44 crores and 7.36 lakh tons for only Rs 17 crores? A kind friend, taking pity on babes lost in the woods of commercial intelligence, worked out the probable cost for rice imports in 1957 from the prices laid down in our agreement with Burma from which country of course we get most of our rice. The value of imports in 1957 on the basis of this agreed price—£ 33 to £ 35 per ton—works out to Rs 42.33 crores approximately. But even this figure is difficult to reconcile with the figure for the following year—Rs 42 crores against 44 for imports of 7.36 lakh tons against 3.90. True, there might be imports from countries other than Burma, probably much more in 1957 than in 1958, which cost less. But why should it be so difficult for the common man to know how much the rice bill comes to in a year, when the Government has a separate Ministry of Information and there is an elaborate set up of Commercial Intelligence and Statistics?

The Index in Blinkers

ONE of the most intriguing series of statistics published by the Government of India is the index of industrial production. The basic data, without which the weights for

it could not be fixed and the index could not be compiled, because available only after the first Census of Production which was taken in 1946. An interim index was started in July 1950 with 1946 as the base year. But the index had to encounter heavy weather right from the beginning. The seasonal industries included in the index have been distorting it all along and even after several attempts, no really satisfactory device has been found for getting rid of these distortions. Nevertheless, some attempts have been made to tackle this problem, successfully or not. But how to make the index measure more faithfully the changes in industrial production brought about by the establishment of new industries and substantial expansion of old ones? The Directorate has not yet been able to summon up courage to address itself to this task.

The first revision was carried out in October 1955, when the base was shifted to 1951. This revised index has now been revised again to reduce the distortion caused by the seasonal industries. Prior to this change, there were seasonally corrected indexes for the three seasonal industries, tea, sugar, and salt, which often produced fantastic gyrations. The sugar index, for instance, often went up to above 1,000 for a month during which production was actually very small, because crushing in the previous season had ceased earlier. Later, the sugar index was given throughout the year a uniform weight of 3.5 per cent to an index constructed by comparing the current month's production with the average monthly production in the base year. The revised index of October, 1955 adopted moving averages for the base period. The latest revision, effected in November 1958, has given up the attempt of correcting the index for these seasonal industries. Instead, the whole index is now being corrected for seasonal fluctuations. This may help to even out excessive fluctuations, but it cannot remove the basic defects in the indexes of the seasonal industries.

The other deficiency of the index, arising from the exclusion of new industries (not to speak of the industries in the unorganised sector) is becoming more and more glaring with the progress of industrialisation, more so since the index claims



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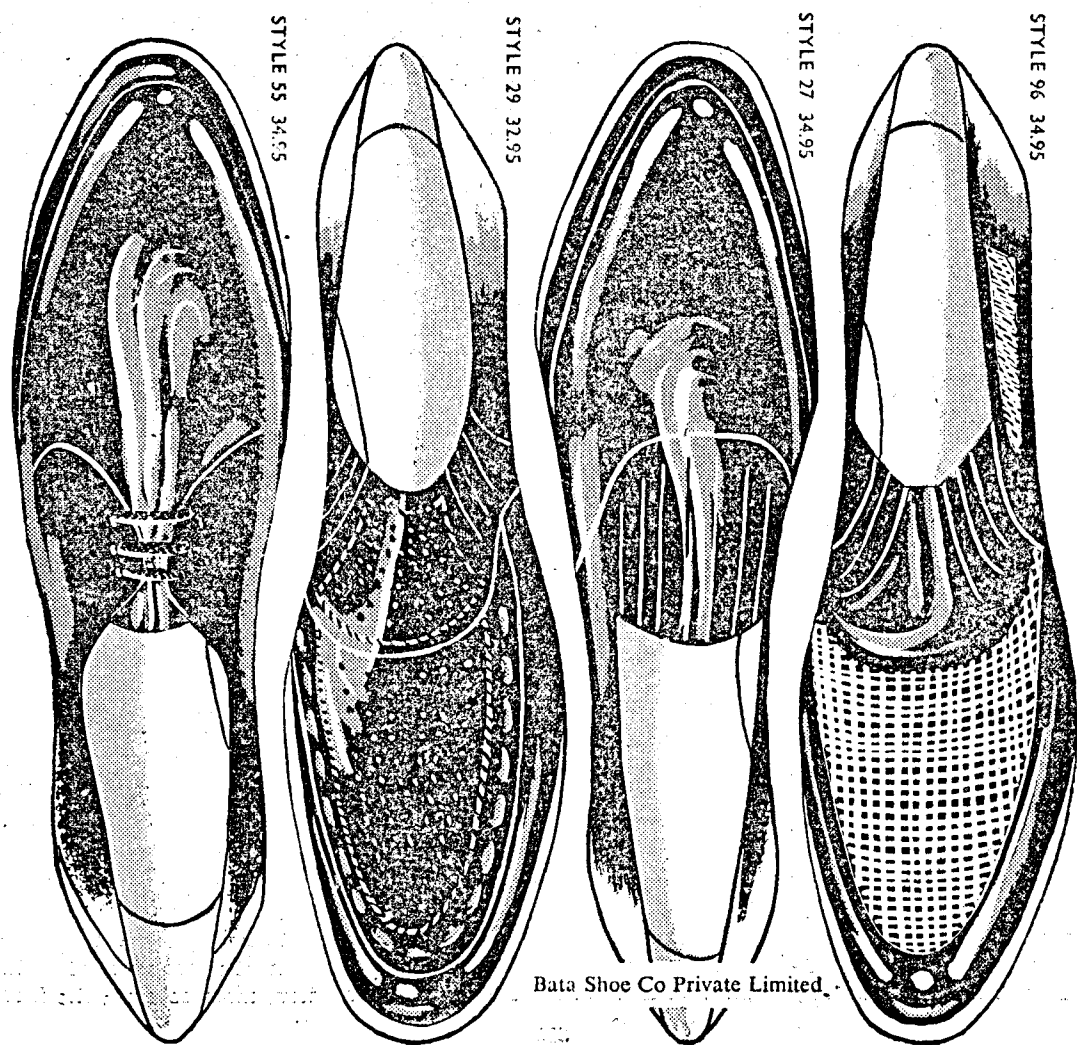
Style 55. Three-eyelet tie blucher, in brown or black, the long toe-line stressed by a mudguard. Supple leather sole.

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to be a 'general index of industrial production'. To make the index more realistic, the weights assigned to different industries, particularly the older ones, will have to be altered. It has been estimated for instance that if a new scheme of weighting was to be introduced, based on the data collected in the Census of 1950, the weight of cotton textiles would decline from 43.5 per cent to 35.2 per cent. The weights assigned to several engineering industries, on the other hand, would have to be raised many times over.

This is not all. The group indexes of composite industries like cotton textiles, engineering, and chemicals also leave much to be desired. The Census of Manufacturing Industries does not contain data on the gross and net values of all the heterogeneous products manufactured by these industries. The method apparently used for compiling the index is to combine the output relatives of a few products on the basis of rather arbitrary weights to get composite indexes for the industry as a whole. Further, large and small engineering concerns which contribute to the net output of the industry, as reported in the Census, do not have any share in the determination of the index of engineering production. Moreover, while some engineering industries have been grouped together under a single head, others like bicycles, sewing machines, electrical fans, etc, have been recognised as individual industries and assigned weights in their own right.

The changing structure and composition of industrial production make it imperative that weights be assigned according to the data collected in each Census. This would require chained weights and moving averages for current production of seasonal industries. A more satisfactory method, however, would be to restrict the index to a few major staple industries, in respect of which reliable data can be obtained promptly, and to exclude seasonal industries the output of which is best measured in years and not in months. It would also be desirable to exclude entities like 'engineering industry' and 'chemical industry', the production of which cannot be adequately covered by the few products chosen. Some products of these industries may, however, be selected as independent staple industries. Such a chain index should

be called an index of selected industries, rather than a general index of industrial production, which it is not.

IFC's Two Investments

THE International Finance Corporation, in which India is one of the Big Five by virtue of her shareholding in the IBRD, had till the end of 1958 taken little interest in financing industrial expansion in this country. It had opened an office at New Delhi some years back but closed it later when the compulsory deposit of company reserves, was introduced. Recent changes in Government policy and 'general atmosphere' have probably induced it to change its mind, for it has, in the course of these four months, undertaken to assist two private enterprises, Republic Forge, owned largely by the Nizam, and Kirloskar Oil Engines of the Kirloskar group. Republic Forge is to receive \$ 1.5 mn in dollar notes bearing interest at 7 per cent, maturing between 1966 and 1971 but redeemable at any time. It is a new company for the construction and operation of a steel forging plant, beginning with 5,000 tons of annual production, rising to 12,000 tons by 1964. Its products will serve industries manufacturing trucks, internal combustion engines, automobiles, railway equipment and a variety of other engineering products. This deal was put through in February.

It has been followed by another with Kirloskars on terms which are slightly more favourable to the borrowers presumably because of their reputation and well-established position. IFC's investment of \$ 850,000 in Kirloskar Oil Engines is in the form of 6½ per cent dollar notes maturing in 1965-70. The total cost of the expansion programme is the equivalent of \$ 4.3 mn, the balance of which will be found by the company itself. The expansion programme will enable Kirloskars to manufacture, for the first time in India, 80-440 H P diesel engines for stationary generating sets, small shunting locomotives, and marine auxiliary and propulsion units; a 3 H P diesel engine especially designed for pumping sets for small farmers and of bi-metal bearings for use in internal combustion engines. The expansion will also enable larger production of 5-40 H P diesel engines which Kirloskars have been manufacturing since 1949. The latter have ready markets in

neighbouring countries as well as in Central America. The investment will, therefore, help Kirloskar make a larger contribution to export earnings.

Both concerns have entered into technical collaboration agreements with foreign firms of international standing. And in both cases, IFC has retained the option to subscribe at par to equity capital. The press release announcing the investment in Kirloskar, however, contains the additional provision that "IFC will also receive contingent interest payable in Indian rupees depending on the amount of earnings." What precisely this provision involves is not clear. Whatever the exact terms, it is heartening, nevertheless, to note that IFC is taking an active interest now in enterprises which make a substantial contribution to filling up the gaps in the industrial structure of the country, unlike many other types of foreign investment which make a virtue of the necessity arising from restrictions on the import of consumer goods.

LIC's First Statutory Report

THE long awaited first statutory report of the Life Insurance Corporation, has at last come out. The report covers the period of sixteen months from September 1, 1956 to December 31, 1957. It was due for submission by the end of 1958, but the Corporation was allowed an extension of three months and its report has been submitted Parliament, within the period of grace.

Total business in force at the end of this period was Rs 1,474 crores under 56.86 lakh policies, of which Rs 99 crores under 2.69 lakh policies was in force outside the country. The per capita life insurance at the end of 1957 was, therefore, a paltry Rs 35, even though it had gone up by Rs 10 over the preceding six years. The new business completed during the first sixteen months of the Corporation's existence amounted to Rs 334 crores. Nearly 75 per cent of this business was under endowment plans and another 9 per cent under whole life. The average sum assured per policy was Rs 3,575 against Rs 3,208 in 1955 and Rs 3,355 in 1954. While the average size of policies issued abroad was more than Rs 9,000, the largest within the country was Rs 4,500 in the Northern Zone, followed by Central, Western and

Eastern Zones. The Southern Zone came last.

A regrettable omission in the report, which is otherwise replete with data, is the absence of any information on the proportion of policies issued with and without profit. When life insurance was a competitive business, insurers were naturally reluctant to give out this information, but there is no reason why a public corporation with complete monopoly should suffer from the same inhibition.

Life funds at the end of 1957 stood at Rs 410 crores. The rate of interest realised on the mean life assurance fund during the period under review was 3.74 per cent per annum, after deduction of tax at source. The consistent upward trend since 1952 in rates of interest earned has thus been maintained. The interest rate realised by the insurance companies in 1955 before nationalisation was only 3.56 per cent. Premium income in the period was more than Rs 88 crores against Rs 59 crores in 1955. The overall expense ratio, i.e., the ratio of expenses to premium income, was 27.3 per cent against 31.8 per cent in 1955, while the renewal expense ratios were 15.9 and 17.3 per cent, respectively. The latter ratio is still considered high, and every effort is being made to bring it down to offset the high costs that would be incurred in extending life insurance to the rural areas.

The life insurance companies had offices at only 97 centres. The LIC opened offices at 27 new centres by December 31, 1957 and has taken further steps since then to take insurance to rural and semi-rural areas. While the Corporation is eager to emphasise the benefits of insurance and to spread its message, it spent barely Rs 8.39 lakhs on advertisement during the sixteen months covered by the report, which was less than 0.1 per cent of its premium income during the period. This parsimony is difficult to appreciate, especially in quarters that have to help evaluate and propagate the achievements of the LIC.

Pattern of Investments

THE Corporation inherited Investments of the order of Rs 349 crores. At the end of 1957, this figure had risen to Rs 382 crores, of which nearly Rs 339 crores was in stock exchange securities. More

than 77 per cent of the latter had been invested in the public sector and the balance of 23 per cent in the private sector. The integration of investments inherited from the private insurers proved a tremendous task, which has happily been completed by now within the country. Most investments abroad, however, have still to be transferred to the Corporation's name. The Corporation has provided Rs 57 lakhs as reserve for investments missing on the eve of its establishment, in addition to the investment reserve of Rs 13.35 crores, including Rs 7.41 crores transferred during the period under review.

The twelve auditors of the Corporation have jointly refused to express an opinion on the Corporation's title to investments amounting to more than Rs 2 crores in the six Mundhra companies, made famous by the Chagla Enquiry Commission. The report says that "shares of the book value of Rs 8.27 lakhs in British India Corporation Ltd, and Richardson and Cruddas Ltd, have not yet been registered in the Corporation's name by the companies concerned. It is apprehended that the Corporation's title to some of these shares may be open to challenge. Moreover, in respect of the shares of Richardson and Cruddas Ltd, purchased by the Corporation, it is possible that a portion even of the shares which have already been registered in the Corporation's name may turn out to be spurious."

While this unpleasant episode has received so much publicity, little notice has been taken of the mortgage loans of over Rs 15 crores which the Corporation inherited and of which Rs 13.86 crores were still outstanding at the end of 1957. Most of these loans have turned out to be bad, and legal proceedings are being taken to enforce the Corporation's claims. The Corporation underwrote, during these sixteen months, 21 new issues of an aggregate amount of Rs 1.87 crores, of which Rs 1.20 crores was for Preference shares.

The maturity pattern of the gilt-edged investments shows very large holdings of 1963-67 loans, which account for Rs 100 crores out of a total of Rs 228 crores. Loans maturing from 1958 to 1972 together aggregate to Rs 174 crores. By insurers' standards these are short and medium term securities,

and the proportion of such securities in an insurers' portfolio should not be as high as it is in the case of the LIC. The responsibility for this unbalanced pattern of maturities, however, does not lie with the Corporation but with the Government, which despite buoyancy in the gilt-edged market, has fought shy of floating a long term loan. The last genuinely long term loans were floated in 1946. Market conditions for a long time, thereafter, prevented the flotation of any more loans of that nature but there is no reason why the Government should not borrow long over the next two years at least.

The poignant fact about the LIC's investments abroad is that out of a total of Rs 8.84 crores, investments in Burma, Ceylon and Pakistan, where the LIC has ceased doing new business, account for Rs 6.96 crores.

As on December 31, 1957, the Corporation had a cash balance of Rs 20 crores. This is necessary in view of payment of claims by maturity of policies and deaths. During the sixteen-month period, claims aggregated to Rs 28.70 crores, of which Rs 7.89 crores were on account of deaths and the rest owing to maturity.

The LIC's four subsidiary general insurance companies, Oriental Fire, National Fire, Asiatic Government Security and Indian Guarantee, together earned Rs 1.22 crores by way of net premium during 1957 against Rs 85 lakhs in 1956, but underwriting profit declined from nearly Rs 6 lakhs to Rs 1.20 lakhs. The statutory report makes no comment on the activities and performance of these subsidiary companies.

The distribution of the Corporation's investments in the industrial securities in the private sector shows a predominant interest in electricity, engineering, cotton, iron and steel and jute, in that order. The largest category, 'Others' accounts for nearly one-fourth of the total. Since the Corporation has lavished so much care on the preparation of a fairly long and detailed report, it could have spared some attention and space for a breakdown of this particular category of investments. Among the interesting features of the available breakdown, is the investment of Rs 168 lakhs in managing agencies, and Rs 328 lakhs in banks and insurance;

Revolt of the Khampas

THANK you very much for the cutting of your editorial on the "Revolt of the Khampas", in your issue of March 28th. Naturally, I disagree with what you have to say about my reports but that is a matter of opinion on which I am better informed than you are. As far as sources are concerned—do you know who they are, by the way?—I have at least quoted them on many occasions in support of what I have written, while I have yet to see a source quoted for any other point of view.

However, I have no intention of entering into any controversy over the matter, and if any vindication were necessary it has been provided by recent events. What I would like to point out is the ridiculous misstatement in your editorial, that I have claimed quote over 50,000 Chinese unquote casualties and—please note—no quotes 1,500 Tibetans. If you can produce the article in which I have ever written this I would be interested to see it. It certainly never left my pen. Is that why you have not placed the figure in quotes? I have quoted "15,000," a figure I have arrived at after careful investigation, for which I can give details and sources other than the discredited emigres you mention.

My thanks again for so kindly sending me the article.

George N Patterson

Panoma,
Rockville Road,
Darjeeling,
West Bengal.
April 9.

[The "ridiculous misstatement" in our editorial, to which Mr Patterson refers, first occurred in his Darjeeling report which appeared in the 'Spectator' of September 26, 1958. The relevant sentence in this report said, "Tibet has a record of two years' full-scale revolt, in which they have killed over 50,000 Chinese..." The 'Spectator' itself dismissed the estimate as "the product of exiles' wishful thinking." A merciful printer's devil intervened to knock off a very material zero from Mr Patterson's estimate of Tibetan casualties, which he had placed at 15,000 but which appeared in our

editorial as 1,500. This inadvertent sobering of his wild exaggerations is duly regretted.—Editor]

II

I WAS very interested to go through your editorial on March 28.

It seems you wrote the editorial before Nehru's second statement in the Lok Sabha on Tibet and his latest press conference. I hope you have by now reconsidered your position taken in the editorial.

Patterson apart, is it disputable that the Tibetan people as a whole, not merely the Khampas, have been struggling against Chinese "liberation" for the last three years? Pandit Nehru, who is an enthusiastic architect of Panch Sheela and is keen to retain the friendship of China, has now taken a definite stand regarding Tibet and the Dalai Lama. He would not have done so if he were really doubtful about the backing that the Dalai Lama enjoys from his people. You can not say that Nehru's information is based on Patterson.

Whether Chinese policies in Tibet for the latter's "liberation" is justified or not should be assessed only by the Tibetans, for they only would know where the shoe pinches. Should we or anybody else judge these from our academic and doctrinal premises? Communism may be good but if a whole people, as in the case of Hungary or Tibet, do not relish it, then there is no case for its imposition. One of the items in the 17-point agreement with Tibet was that Tibetans would 'voluntarily' take to reforms.

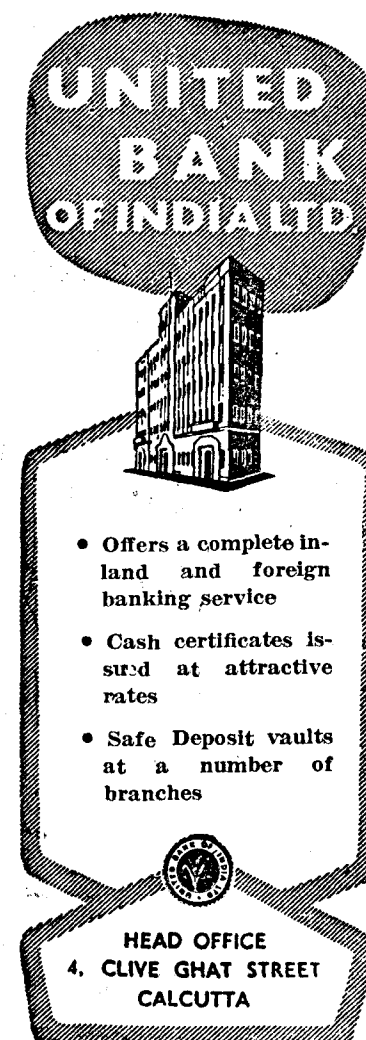
You take Mr Patterson or the Tibetan refugees to task for exaggeration. Is it not inevitable due to the fact that the Chinese have cut off all forms of communication of information? Why don't you take the Chinese to task for this?

You say India cannot do anything in the matter of Tibet. But India has already done it—given asylum to the Dalai Lama. But it is not merely a question to Tibet that is implied in the situation. The Indo-Chinese boundary line—the Macmahon line—is not admitted by

China. It has persistently published a map showing several areas of India, Nepal and Bhutan within Chinese territory. If the Tibetan incident gives an idea of the aggressive spirit of China with an army of thirty to forty lakhs, the question of security of India is involved. Could not India at least in a united voice express grave concern about it?

K K Sinha

Institute of Political
and Social Studies,
211 Park Street,
Calcutta 17.
April 8.



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Men and Oil . . . 7

The Welfare Officer

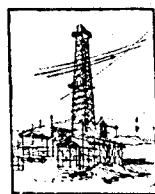
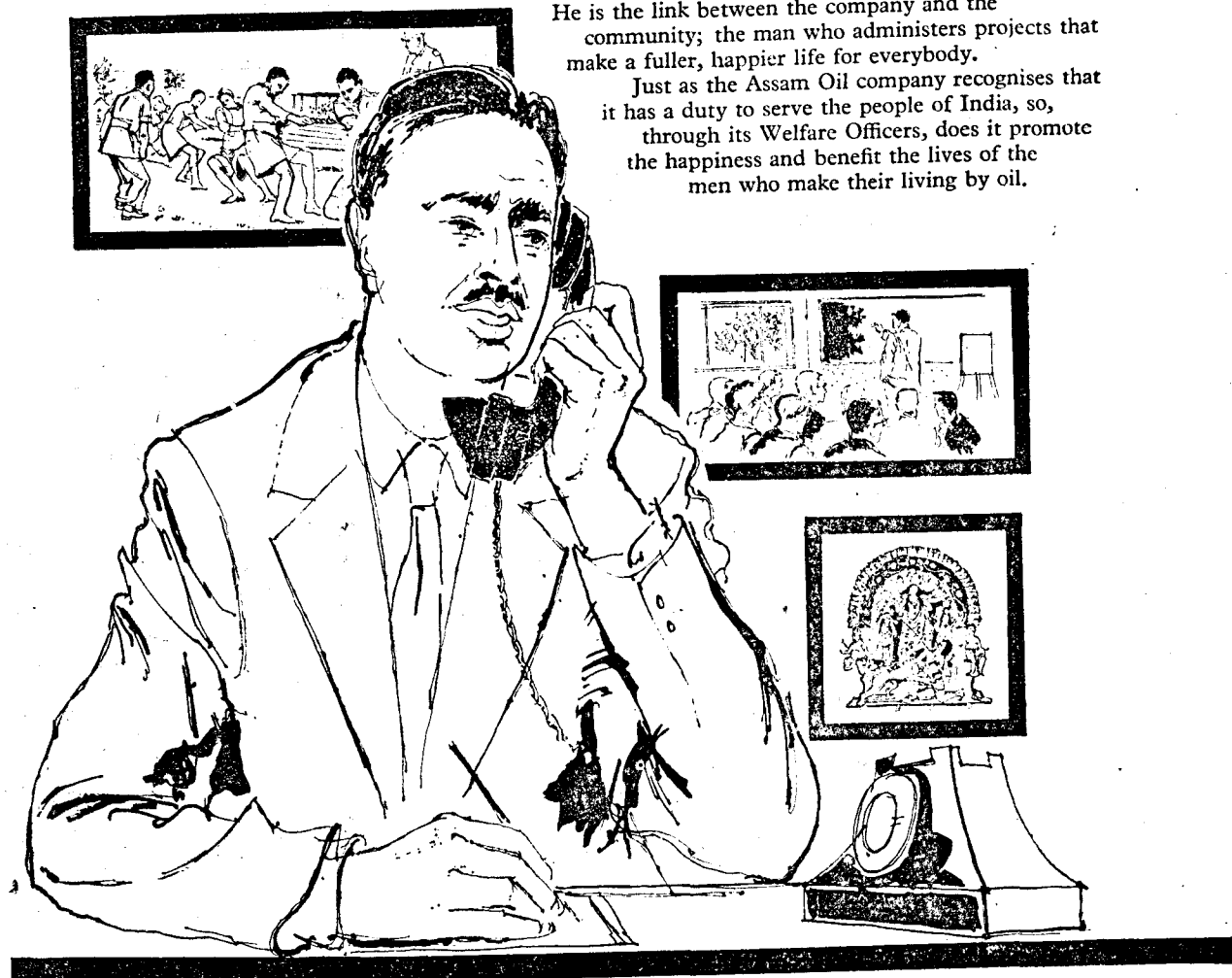
Most of the world's great oilfields lie under deserts, swamps and jungles, far away from established centres of civilisation. Near the wells and refineries live the geologists, drillers and technicians, and as operations expand so the oil camps grow into permanent settlements. In time, new towns are established, whose citizens are the thousands of people employed in the industry. Oil companies are very much aware of their responsibility for the welfare of these new communities, and most oil towns are, for that reason, models of thoughtful planning and administration.

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Just as the Assam Oil company recognises that it has a duty to serve the people of India, so, through its Welfare Officers, does it promote the happiness and benefit the lives of the men who make their living by oil.



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NDC on Third Plan

(From a Delhi Correspondent)

AT its last meeting, the NDC discussed the question of the size of the Third Five-Year Plan, and generally accepted the 21-year development model as given in the First and Second Plan Reports, but it does not seem to have considered their implications carefully enough. The original model, it may be recalled had assumed a population growth rate of 1.25 per cent per annum. But recent findings have shown that this was a serious under-estimation. Therefore some members of the NDC were talking about 6 per cent per annum growth of national income, if the original target of doubling the per capita income by 1973-74 was to be achieved. It is understood that the estimate put before the NDC about the possible resources that would be available during the Third Plan, markedly fell short even of the Rs 9,900 crores investment envisaged in the original model, not to speak of the still bigger plan that would be necessary if 6 per cent per annum growth rate were accepted. Faced with this dilemma, the NDC did not try to find a way out.

Making half-hearted attempts to find new resources, the NDC mentioned insurance scheme among the agriculturists, cess on cash crops, provident fund scheme for urban labourers, etc. For the mobilisation of rural saving, the NDC thought it was desirable to link local efforts with local benefits. This is a very commendable suggestion no doubt and if properly worked out, may make rural people genuinely interested in the Plan and willing to bear more burden. It would, however, be interesting to watch whether this linking of local efforts with local benefits is carried so far as to widen the regional disparity among the rural areas themselves.

The emphasis put by the NDC on agriculture in the general structure of the Third Plan is an happy augury. So is the importance given by it to the machine making industry. Considering that foreign exchange difficulties cannot be solved by export promotion alone as there is only a limited scope for exports, the only way out seems to be to

save on imports. The earlier factories for machine making are started, the greater will be the saving in foreign exchange at a later stage.

This is probably all that there is to its credit side, for what is one to say of the NDC's endorsement of Shri Jain's scheme of State Trading presented earlier to the Lok Sabha? Only a very naive person will think that the Government can stabilise the price of food grains by having in its possession 2½ per cent to 3 per cent of the total marketable surplus. As Shri Asoka Mehta pointed out in Lok Sabha, the policy of linking the Co-operative Credit Societies and State Trading may be beset with great danger and if for any reason, the development of co-ops does not take place as quickly as is necessary, it may well be the ground for abandoning State Trading itself. It was also surprising to learn that Government Warehouses at present have a storing capacity of only 75,000 tons. While agreeing in principle that the maximum returns feasible have to be secured from irrigation and power projects, road transport undertakings and other public utilities the NDC has accepted without any hesitation that State Trading in foodgrains should be on the basis of no profit, no loss. This, notwithstanding the scarcity of resources with which they were faced in implementing the Third Plan.

There is every reason to think that the Panchayats, as they stand today, are far from being conducive to the development of democratic ideals. The proposal to give them legal power to mobilise local labour for maintaining local projects without any wage may itself be found to be in direct contradiction with democratic planning as envisaged by the Planning Commission in the Second Plan Report which had clearly stated that "A democratic system of planning eschews direct commandeering of resources and it operates mainly through the price mechanism." (p 38)

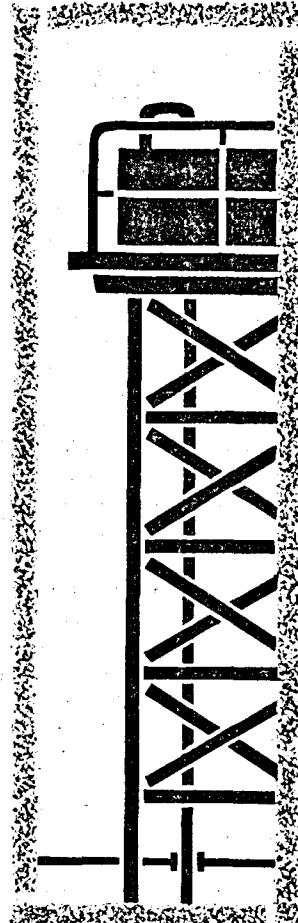
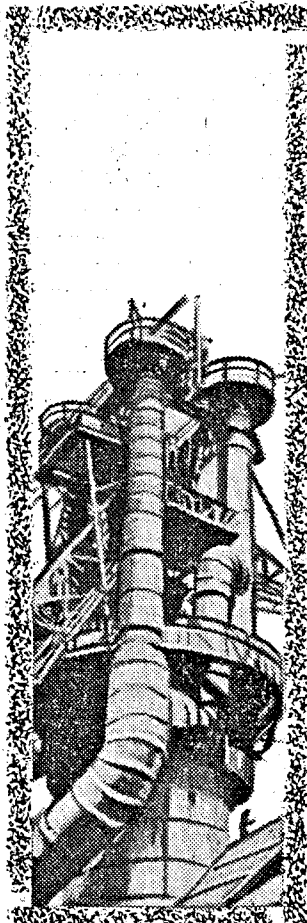
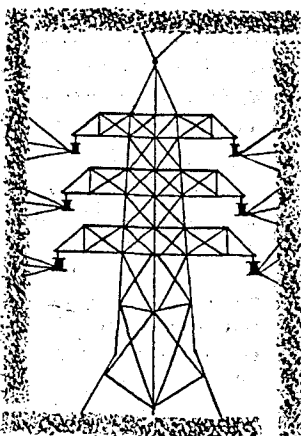
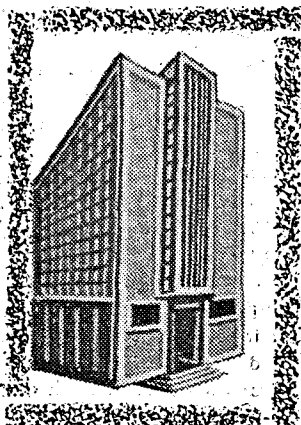
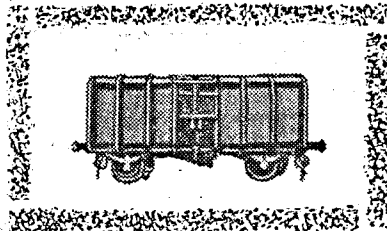
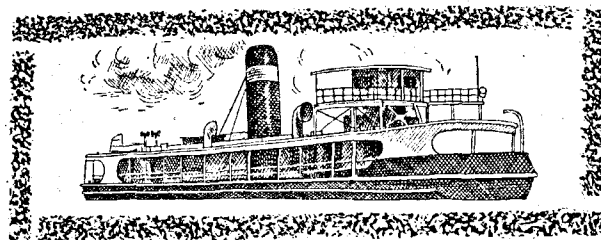
It has now been decided to have two types of co-operative credit societies—small ones covering one entire village and bigger ones, serving more than one village. The

former will be the general rule, while the latter type will be only for backward areas. The Rural Credit Survey Report had come to the considered view that "the formula 'one society to one village and one village to one society' has failed in India as the basis for the organisation of the Co-operative rural credit." It failed because its underlying assumptions, viz, that (a) mutual knowledge will help to determine credit, and that (b) honorary services would be available both proved to be incorrect. Therefore the Committee had recommended that "the future line of development of co-operative credit at the level of village should be unhesitatingly in the direction of bigger societies for larger areas." All this had long been reversed, officially, though the structure of rural credit that has already been built up on this premise has not been dismantled, or even been touched perhaps. Did NDC merely endorse the official policy of reversal or did it make any contribution to the elucidation of this policy? Pandit Nehru in his speech at the last NDC meeting came out with a vigorous support for joint farming on a village basis and as a corollary to it, supported smaller credit co-operatives.

The NDC also talked about direct financial assistance to primary credit societies. The States, it has been decided, may help the primary societies with direct financial aid. And this, in spite of the warning by Rural Credit Survey against direct participation by the States at the district and the primary level. One can only hope that the reasons for their objection were given serious thought by the NDC.

One commendable decision was to study the question of progression in land revenue. We may recall here that such a resolution was passed at the Karachi Congress in 1931 but it had been lost sight of so long. It is a peculiar national trait with us to do the same thing over and over again, and the above resolution passed by the NDC is a very good example of this trait. One can only hope that this time the resolution would be followed up by action, and that there would be no necessity of passing another resolution.

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Britain's Prospects And the Policy of Economic Neutrality

THE dominant theme of this year's Budget is not "expansion" but of holding the economy at a certain tolerable level of unemployment so that the strength of sterling and external balance—the main aims of policy in 1958—will remain unaffected in 1959. For, when the budgetary proposals are more critically examined against the heavily restrictionist policy in the Budget of 1958, in essence, this appears to be the perspective of the Chancellor of the Exchequer.

Status Quo Ante

The recession helped by the credit squeeze between 1957/58 created the conditions for the rapid development of a bumper external surplus matched internally by a cramping of demand and impetus to the growth of unemployed capacity and manpower and the stabilisation of wages and prices. When the domestic slackness became particularly sharp towards the third quarter of 1958, all credit controls were abandoned in order to sustain demand and this objective was attained towards the end of 1958. By the first quarter of 1959, easier credit conditions were no longer enough, and hence the reliefs in purchase tax and income tax in the 1959 Budget. The net economic effect of these reliefs, however, will only be to restore the status quo ante in the levels of demand—both consumer and investment. There is nothing in the present budgetary proposals which go beyond this aim except, of course, the income redistributive effects of the benefit to the higher income groups. In this sense, therefore, the Budget has no other aim except that of exercising a neutral influence on the economy.

The background to this policy is provided by the Economic Survey and the White Papers on the Balance of Payments and the National Income. The stagnation in industrial activity which commenced in 1955 gave way to a clear decline in 1958 with one important difference: throughout the three years 1955-57, there was a declining rate of growth in all categories of real demand; in 1958, with the exception of consumer demand, all the components of total

expenditure, fell away significantly. And so for the first time since 1952, the gross national product (in real terms) actually fell.

Expansion of Capacity Unbalanced

This transformation in 1958 was to a considerable extent the consequence of the particular changes which occurred in capital formation, both fixed capital and inventories, and in the level of exports. There was a substantial degree of disinvestment in stocks, most of it in manufacturing industry. At the same time, while gross fixed capital investment stood still in 1958, investment in private manufacturing industry fell by 2½ per cent. This overall weakness in the capital front of the economy is in truth the gamut of the contemporary British recession. With the fruition of the massive investment programmes of 1953-55 in private industry, the capacity of the British economy has been considerably enlarged and as the statistical evidence for 1958 clearly

shows, there has been no corresponding enlargement of aggregate demand. By 1958 the degree of excess capacity in manufacturing industry was sufficient to seriously affect business confidence—indeed to the point of a substantial disinvestment in stocks and a postponement, if not abandonment, of new investment projects.

The stability of consumer expenditure, itself a wholly new phenomenon, in a period of declining employment, thus became a particularly crucial prop to the economy. This stability, however, was maintained by the removal of a whole series of credit controls, particularly restrictions on hire purchase. But with little change in the level of employment and in wage rates, there was always the danger that the high level of consumer demand, particularly for consumer durable goods, would peter out in 1959. Indeed this is what has happened and a severe and significant new weakness will exert its influence on the economy this year unless the Budget proposals are strong enough to ward it off.

Decline in Gross National Product

On the supply side of the economy, the lower level of demand was matched by a decline in the gross national product (about 5 per cent in real terms) and a fall in the value of imports. As was to be expected, the fall in the GNP was mainly concentrated in manufacturing output. Steel production fell by 10 per cent; that of the construction, textile and mining industries fell by about 5 per cent. By contrast, production of motor cars rose by 10 per cent and that in the engineering industry by 2 per cent. The buoyancy in the automobile industry is ascribed to the high level of exports, particularly exports to the United States, and increased home demand following the relaxation of consumer credit controls.

The Economic Survey makes much of the achievement of "near-price-stability" in 1958. Wage rates rose by about 3½ per cent; this is the smallest increase in the past three years. With profits about unchanged in spite of the decline in production and a fairly sharp drop in im-

Table I: Changes in Expenditure and Supplies

	(£ million—at 1957 Factor Cost)		
	Expenditure in 1957	Changes Between 1956-57	1957-58
Expenditure			
Consumer	12,043	+220	+290
Government	3,485	—145	—45
Gross Fixed Investment	3,205	+140	—
Stocks	340	+55	—275
Exports	4,438	+55	—100
	23,511	+325	—130
Supplies			
Gross Domestic Product	19,078	+210	—120
Imports	4,433	+115	—10
	23,511	+325	—130

Table II: Wages and Prices (January 1956=100)

	1956	1957	1958
Wage Rates	105	110	114
Import Prices	100	102	94
Retail Prices	102	106	109
Export Prices	102	107	106

port prices, there was a 2 per cent increase in retail prices and unchanged export prices.

Favourable Trade Balance —First Time in History

The evident weaknesses within the domestic economy and the strength of the recessionary forces, particularly in the rate of private capital formation and the large 1958 gap between saving and investment, stand out in sharp contrast to the British performance on the external front. In 1958 as a whole, there was a net surplus on the balance of visible trade—an event which is unprecedented in the recorded annals of Britain's balance of payments.

This achievement is partly the result of sheer luck and partly at the expense of domestic expansion. In so far as it flows from economic policy, it is the consequence of the priority aim of re-establishing sterling in world finance through the rapid and sustained building up of gold and foreign exchange reserves and an improvement in U K external short-term asset-liability ratio. The pursuit of this aim led to the adventure of a convertibility operation which now demands of the United Kingdom a continuing reliance on the economic policies of 1958 and as the U N Economic Commission for Europe recently noted, exerts a sustained depressive influence on the international trade in raw materials and the foreign exchange position of the primary producing countries.

Largest External Surplus

The improvement in the British trade balance was about equal in respect of the trade with the rest of the sterling area and the non-sterling world. British imports from the dollar area fell almost by a quarter, with exports about unchanged. Indeed, British exports, although down in volume by about 2 per cent, were in value terms maintained to all destinations except continental West Europe where they fell by as much as 10 per cent. The role of British policy was to take advantage of the earlier U S recession which had almost immediately contributed to a dramatic fall in international commodity prices. By holding the volume of imports at about the 1957 level through a purposeful policy of credit restraint and dear money, the improvement in Britain's terms of trade was quickly converted into gold and dollar reserves of which

rose in 1958 by just under £300 million.

With the improvement in the trade balance combined with that in invisible earnings, particularly from Middle East oil, the current account surplus of £ 455 million in 1958 was the largest earned in the post-war years. And yet U K private long-term investment abroad, particularly to the overseas sterling area, fell far short of the 1957 level. The policy of high interest rates in London must no doubt have been a deterrent to the outflow of British funds and created a marked shortage of sterling in almost every sterling area country. What appears to have been a factor of considerable importance in limiting the consequences of this shortage was the £ 368 m inflow of IMF and IBRD funds and United States loan and capital funds. This inflow was well over £ 100m more

Table III: Balance of Payments on Current Account
(£ million)

	1957	1958
All Areas		
Imports	3573	3309
Exports	3515	3429
Visible Balance	—58	+120
Government Exp.	—143	—216
Other Invisibles	+464	+551
Current Balance	+263	+445
of which with		
Sterling Area	+353	+440
Dollar Area	—95	+56
OEEC Area	—24	—22

Table IV: Investments Account
(£ million)

	1957	1958
Long Term Investments		
Intergovernmental Loans	+72	—46
Other long-term Capital	—270	—190
	—198	—236
of which to Sterling Area	—295	—231
Short Term Capital		
Miscellaneous Capital	—	+10
Overseas Sterling Liabilities	—175	+54
Change in Reserves	—13	—284

Domestic Recession & External Surplus

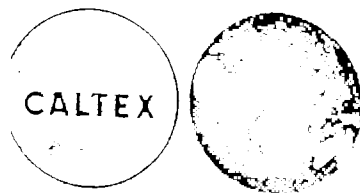
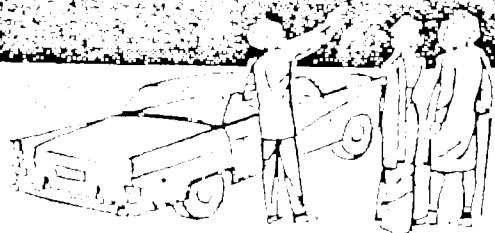
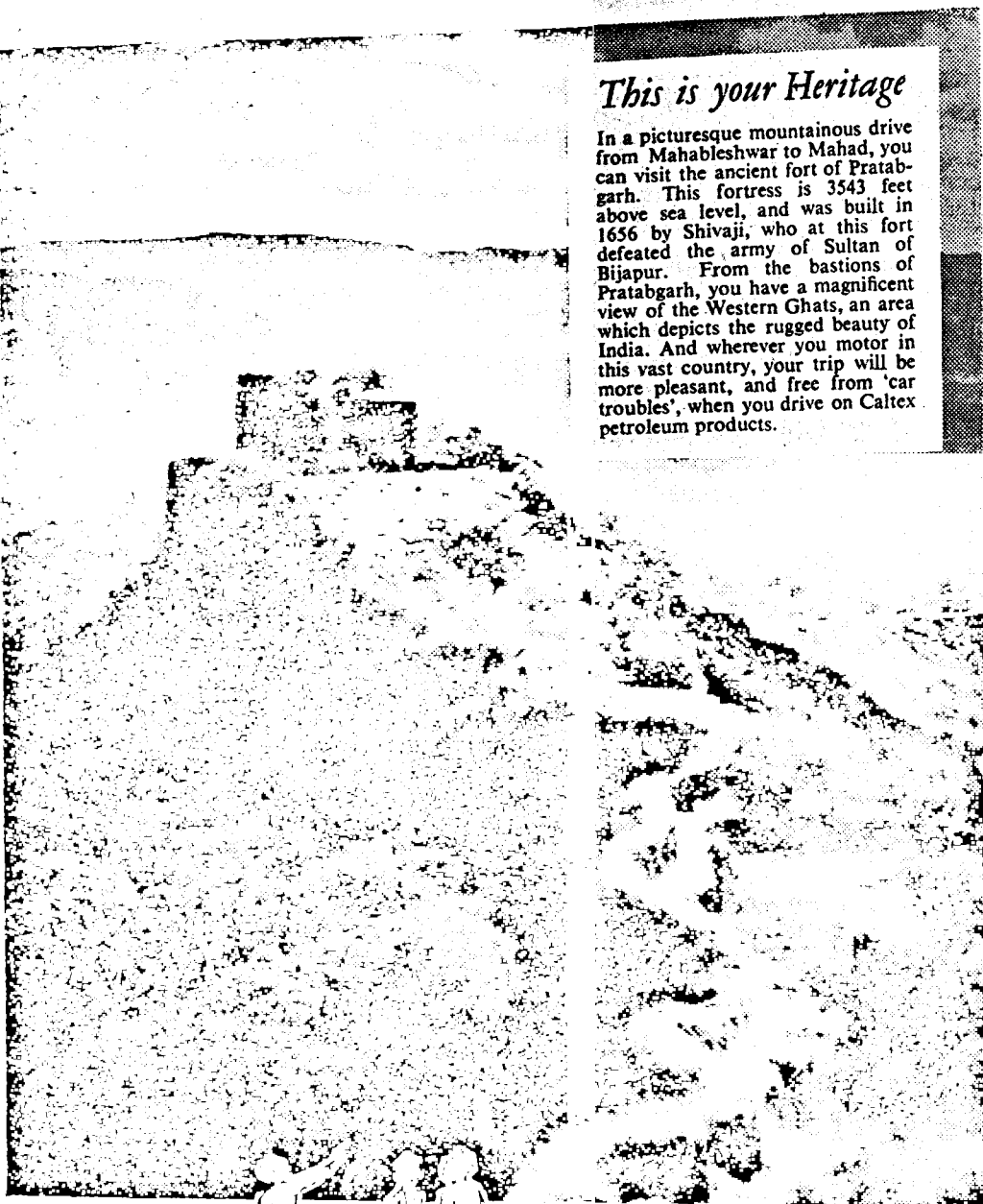
The background to the Budget was, therefore, provided by a domestic recession with certain alarming features and externally by a fabulous surplus on current account and a corresponding strengthening of Britain's international short-term capital position. It was clear that the prospect in 1959 was one of a deepening of the recession at home in view of the weakness of consumer demand and the already clearly visible trend for exports to fall further, in view of the greater competitive export struggle resulting from excess capacity in the manufacturing countries. The most disturbing of all was that investment in manufacturing was likely to continue to fall further. To allow a situation like this, to develop for the sole purpose of securing a further and larger external surplus would thus amount to gross irresponsibility not only to the British people but also to the rest of the world, particularly to the primary producers. To the latter, Britain's slump would be exported in a larger dose than has been experienced hitherto, if this policy continued. Already there have been charges that the burden of the Western recession of 1957-58 was shifted on to the primary producing and colonial parts of the world. Now, it is clear that Britain by itself cannot remove the consequences of the recession, for the recession has become a phenomenon embracing the whole of the advanced capitalist world. But Britain could make a beginning. And it is well to see how far the Budget as a principal instrument of economic policy has been used to inaugurate such beginning.

Medley of Hopes and Protestations

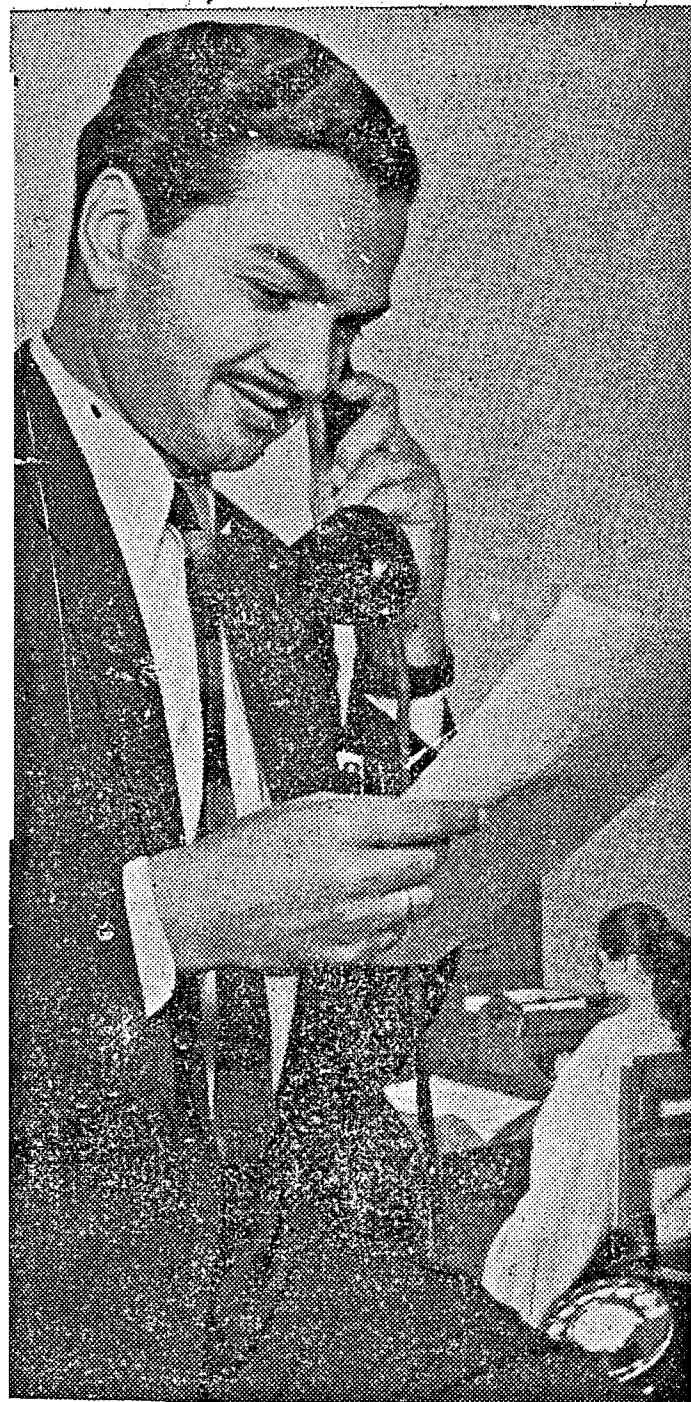
The Budget statement was a queer medley of hopes, protestations and policies. While on the one hand the Chancellor was calling for restraint in spending and for a continued stabilisation of wages, he let loose on the other a formidable series of proposals for tax relief on the ground that "expansion" was the order of the day. More than that, among the economic aims, he gave priority to the strengthening of sterling, on the basis of a continued favourable foreign balance and yet went on to say that liberalisation of trade and

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investment coupled with higher imports was the best contribution that Britain could make to expanding world trade.

Of the Chancellor's proposals, attention needs to be focussed on three things: First, the most important concessions made were the sharp cut in income tax; this is expected to reduce revenue from this source by some £ 235m. Next, the Government has re-introduced the "20 per cent investment allowance" for plant and equipment and other forms of fixed investment which will allow firms installing new machinery to consider 20 per cent of the cost of such machinery as expenses for purposes of taxation. Finally, the proposals involve a one-sixth cut in the rate of purchase tax which is expected to reduce Government revenue by about £ 81.5 million. There are other proposals, e g, the reduction of the duty on beer, the repayment of "post-war credits" and changes in certain motor vehicles duties etc which have little significance in relation to the above three.

Effects on the Economy

This Budget needs to be assessed both in regards to its likely effects on the economy and its social consequences, in particular, its impact on the distribution of income. It has already been stated that the budgetary proposals appear to be a holding operation—to neutralize, in so far as this is possible, the deepening recession so that the economy can float on a pool of unemployed resources and, thus, ensure internal price and wage flexibility and the competitiveness of British exports. This view is derived from the belief that with regard to the tax proposals, the reliefs granted are of such a nature that less than a quarter will find its way into consumption. The reliefs are heavily weighted in favour of those income groups whose savings are high. In a word, very little of the tax reliefs will be available as a stimulus to generate a cumulative increase in demand. On the other hand, the cut in purchase tax may help demand, particularly for consumer durables, but only in counteracting the working off of the earlier stimuli to this type of demand.

On the Investment Front

On the investment front there is an evident expansionist element in the proposal for investment allowances. But there is a crucial quali-

fication here as well. With the existing excess capacity in manufacturing industry, no amount of budgetary incentives will encourage businessmen sufficiently to undertake programmes to expand the productive base unless there is a parallel confidence that demand will rise, quickly to absorb full production from existing capacity. Indeed, this appears to be the 'wait and see' attitude of U S business on the question of fixed private investment. What the investment allowance may encourage in British industry is a degree of investment in new plant and equipment and in more automated processes to replace worn out or out of date capacity. In so far as this substitution takes place, the level of production may rise but with possibilities of further unemployment and competition in the labour market. The impact of such investments on personal incomes and on demand may, therefore, not be large.

Social Implications

The social implications of this Budget are great. It represents a further step in the uprooting of the welfare state and a large step away from the post-war efforts to establish a more decent distribution in income. The tax reliefs have the effect of giving the "top million" in Britain a net benefit of £ 33 per head compared to £ 3 per head for the working population. This is therefore a "class budget", if ever there was one. And more significant is the reason given for the reduction in the beer duty. Tuppence of beer was intended to be popular on the Chancellor's own reasoning that it would have a particularly marked effect in reducing the cost of living. This, as the 'Economist' declared, is a "nonsense argument" and almost breathes of hypocrisy. The elections are now planned for Autumn and something had to be given to the less privileged in the community.

On balance then the course of Britain's economic policy, guided as it is by a strong class bias, is designed to establish an economic equilibrium providing for the maintenance of the much cherished flexibility in labour supply so that wages may take a fair share of the burden of domestic slackness. Externally, this equilibrium provides little for an expansion of imports in view of the highly self-interested policy aim that sterling's strength must stand unimpaired, whatever the consequence.



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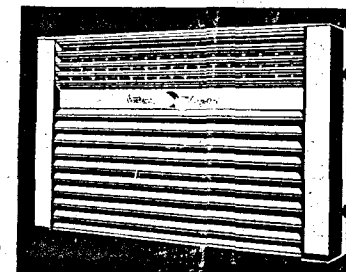
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Book Reviews

Swedish Experience Generalised

D Shenoy

Business Cycles and Economic Policy by Irik Lundberg. Translated by J Potter. George Allen and Unwin, London, 1957. Pp 346. Price 32 s.

THE original purpose of this book was to study and analyse the functioning of economic regulations and controls in Sweden after 1945. Professor Lundberg thought, however, that this study required also a comparison between the effectiveness of physical controls with that of general methods of economic policy and in particular, with monetary and fiscal measures. The result is a study of Swedish economic fluctuations and general development over the whole period from 1918 to the present, the inter-war period being known for the use of general methods of economic policy.

The author is eminently suited for this task. Apart from being a very eminent economist, he was, for some years before and after 1945 a vice-chairman of the Central Price Control Board in Sweden and is a director of the Swedish Research Institute, an official organisation for the study of business cycles and economic trends, appointed and financed by the Government but with complete independence in views and research.

Though written in Swedish in 1953, for this English translation, the later developments in Swedish economic policy have also been taken account of. In the first three chapters, the facts of Swedish economic development are presented and the fluctuations analysed without much attention being paid to policy; in the rest of the book policy becomes the central topic, the discussions being conducted in the light of the narrative account given in the earlier chapters.

Sweden failed to attain economic stability during the post-war period and experienced a more severe inflation after 1945 than most other countries of Western Europe, though Sweden had no war damage to repair, her monetary and fiscal position was relatively sound and her industrial production well ahead of that of most of the belligerent nations. Professor Lundberg finds that this state of affairs would not have arisen, if Sweden had pursued

general methods of economic policy instead of the methods of detailed economic regulations.

From the Swedish experience, Professor Lundberg draws certain general conclusions regarding economic policy. He believes that by means of a proper monetary policy supplemented by appropriate fiscal measures and by rates of exchange which in the long term are flexible, it is possible to create conditions in which a free price system will function satisfactorily and bring about general economic stability. But a necessary condition for the free price system to work, is the acceptance of some degree of unemployment as desirable in the long run interests of economic stability. The Professor does not rule out the need for governmental intervention

at different points and for different purposes; but for the maintenance of general economic stability, physical controls should not be used.

His distrust of physical controls and to a certain extent, of fiscal measures arises from the difficulties of forecasting the effects of these policies and from his doubts regarding the possibility of knowledge of economic relationships. But do these difficulties and doubts affect only the policies resting on physical controls and fiscal policy? Do they not also affect all types of policies including monetary policy? Since the author has so much faith in the efficacy of general economic policies in restoring equilibrium, it is surprising that he does not even discuss the relative effectiveness of monetary policy for securing this end.

Not Worth the Paper

Taya Zinkin

Tribal Demography in India by C B Mamoria. Kitab Mahal Publication, Allahabad. Price Rs 5.

WHENEVER a book begins with foreword, a prologue, an introduction and a preface, the reader is warned that the book is, more often than not, not worth the paper on which it is printed. 'Tribal Demography in India' is no exception. Shri Mamoria has been fortunate in these days of paper shortage to find a publisher. The author and the publisher were, however, clearly filled with good intentions in bringing out this brochure which, in the author's own words "will prove immensely useful to the Post Graduate students of M A" and, which he hopes will "stimulate among the educated masses for their fellow brethren" so that he can feel his "labour more than amply rewarded".

The scope of Shri Mamoria's brochure is sweeping, and he wrote it although he was afflicted with insurmountable handicaps, as he himself explains in the preface. "Being conscious of my own limitations of knowledge, incompetency and ill-equipment to deal with this important

topic, I have ventured (alas!) upon this project only in response to an urge from a teacher in me, which I could not resist but to act upon, for which I offer my due apology to the scholars of the subject. I do not know how far I have been able to handle this important problem, it is for the experts to judge. An attempt has been made in this Monograph to discuss such topics as the distribution and classification of the tribes, their standard of living, their role in national economy, their dietaries, sex and marriage rituals, demography, housing and living conditions, education, economic pursuits in which they are engaged, the problems which confront them and how can their conditions be bettered. A chapter in the beginning is also devoted to the Peoples of India, over which a clear expression is generally not available."

Shri Mamoria has lived up to his preface. The limitations of his knowledge are boundless, the less said about his incompetency the

better, the teacher in him was undoubtedly up to mischief when he urged him on. The scope of the Monograph is, according to the author's own terms of reference, so vast that it would take not one Malinovsky and one Verrier Elwin but half a dozen of each to do it justice. The number of tribes in India is very large; this reviewer cannot be more specific about it than the author and will have therefore to remain vague. Knowledge about the tribal people is both patchy and limited. Nobody has really studied the dietaries of all the tribes of the subcontinent qualitatively or quantitatively nor has there been any real attempt to study the fertility or literacy rate of tribal women. Shri Mamoria has had the humility to touch upon all these subjects and many more, without doing any research on any of his subjects beyond flipping through the pages of Indian Censuses and a few books on tribals

Official Papers

The Report of the University Grants Commission

D D Karve

THE annual report of the University Grants Commission for 1957-58, which was recently discussed in Parliament, deserves careful perusal by every one who is interested in higher education in India. Of course, one wishes that the report were released for publication soon after the end of the year, and not, as in the present case, nearly 9 or 10 months afterwards. However, it is a document which contains a number of very important matters and is still of great importance.

The main function of the University Grants Commission (UGC) is to provide funds to institutions of higher education — universities and Colleges—for creation of physical facilities like buildings for libraries, laboratories, etc, for providing more and better-paid teachers and for purchase of books and apparatus, with the ultimate object of maintaining and raising the standard of University education. In the case of the four "central" universities of Banaras, Aligarh, Delhi and Shantiniketan, the UGC is responsible for providing the recurring annual grants also, which, in the case of the remaining ("State") Universities are provided by the State Governments. Further, the UGC insists, rightly I

by well known anthropologists. What information there is in the book under review is neither digested nor even properly indexed so that one hops from the Kanjars to the Nats, the Todas, the Korwas, the Chenchus or the Lakhotas without rhyme or reason in the same paragraph, without becoming any the wiser about Nats, Lakhotas or Kanjars.

To say that Shri Mamoria completely lacks originality would not be fair. On page 48 (iii) the author states that civilisation has corrupted the tribals and been responsible for "the large incidence of V D like syphilis, diabetes and gonorrhea etc, among the labourers is directly traceable to such indiscriminate mixing of the sexes. Missionaries and the philanthropic agencies have caused T B, and other contact diseases...." Now the xenophobes know what the WHO teams are up

to in India, and as for diabetes, consternation would strike many respectable homes if Shri Mamoria's thesis were to be accepted. Yet to dismiss him lightly would be unfair. He takes a great deal of trouble, indeed at times he can be quite painstakingly irrelevant as on page 105 where he calculates the rate of excessive fecundity of the human specie as follows: "It is estimated that the normal ejaculation of a man contains 226,000,000 spermatozoa and that one ovum matures each lunar month between puberty and menopause and for each matured ovum the male develops at least 850,000,000 spermatozoa." This Shri Mamoria, who is obviously unaware of the Kinseyan range of male fecundity, finds so excessively wasteful that he forgets to make clear the relationship between the bounty of nature and his subject, the tribal people of India.

think, on making its grants available to the State Universities only when the States or the Universities themselves put up the necessary "matching" grants.

Grants to 'Central' Universities

I have, once before, already drawn attention to the higher grants that the "Central" Universities receive as compared with the State Universities. This is again borne out by the report for 1957-58. The total grant paid to the four "Central" universities is:—

For capital expenditure	Rs 23,47,193
For current expenditure	Rs 159,32,558
Total	Rs 182,79,751

(This includes grants to the constituent colleges of Delhi University.)

The total number of students in these four universities being about 28,000, the per capita grant works out at over Rs 650. For the sake of comparison, we can take the seven universities in the Bombay State which received during 1957-58 Rs 39,26,995 from the UGC and Rs 64,93,409 from the State Government, a total of Rs 104,20,404. The number of students is, however, over 100,000 giving a per capita amount of only Rs 104. (The

State grant includes grants to affiliated colleges and the number of students includes the students in the affiliated colleges). If the "Central" Universities were really "Central" in the sense that they had a reasonable number of students from all the States, one would not mind this great disparity. But in actual fact, the "Central" Universities are mostly taken advantage of by local students and that is why this higher level of Government help appears to be somewhat unfair.

Medium of Instruction

The question of the medium of instruction at the University level is dealt with at some length in the report. So far, English has been the medium of instruction in all Indian Universities, though during the last few years attempts have been made to replace it either by the regional language or by Hindi. The UGC had appointed a committee to report on this question and it had put forward a number of very important suggestions. The chief among these are:

(1) The change-over from English to an Indian language as medium of instruction at the university level should not be made in haste. The Indian language should be in

a position to give adequate expression to advanced thought in the subject concerned with a satisfactory terminology and a sufficient number of text-books and reference books must become available.

(2) Even after the change in the language of instruction, all university students should continue to study English.

(3) The fundamentals of English must be studied at the high school level, i.e., all students joining the university should have an adequate working knowledge of English.

(4) Teachers of English both in High Schools and Colleges must have a very good knowledge of English and should adopt modern methods of teaching foreign languages.

(5) Those high school students who desire to join a college should have a greater proficiency in English than those who are not likely to proceed beyond the high school stage.

(6) Particular attention to English should be paid during the final year of the Higher Secondary or the Pre-degree course.

I am sure all educationists who care for the maintenance of standards in university education will heartily endorse the above suggestions. In this connection, one point needs special mention. The use of the regional language as the medium of instruction, which naturally is the mother tongue of a large majority of the students in a university, can of course be defended on educational grounds. The protagonists of English have never contested this.

Hindi to Replace Mother Tongue?

But when a proposal is made to replace English by Hindi, the matter has to be regarded from the point of view of practicability and the advantages likely to be secured by that change. Now, outside of the Hindi-speaking States like U P, M P, Bihar, Rajasthan, etc., Hindi cannot possibly be used as a medium of instruction for the simple reason that a large majority of teachers and students have not the necessary mastery over it which is essential for the processes of teaching, learning and expressing. It appears, therefore, fantastic for the Baroda, Nagpur and Anand universities to decide to adopt—not Gujarati or Marathi but—Hindi

as the medium of instruction, albeit in gradual stages! Then again, how can the adoption of Hindi as the medium of instruction in the universities of Delhi and Banaras be reconciled with their status as "Central" universities? They can adopt Hindi only after it becomes the official language of the Union, i.e., after 1965. The premature adoption of Hindi in the Central universities will mean the practical elimination of non-Hindi students (and teachers?) from these institutions. Is this the end desired?

Another university that plans to adopt Hindi as the medium of instruction is the Osmania university. Have all the Telugu students become so proficient in Hindi as to be able to use it at the university level? Or is this the resurrection of the old plan to convert it into a "Central" Hindi university? In any case the language used for any purpose is determined by the two parties between whom communication is desired and also the nature of the substance of the communication. If these tests are applied to the teachers and students in the universities in the non-Hindi States, it is obvious that Hindi does not fill the bill.

Grants to Affiliated Colleges

The UGC had, so far, confined their field of activity to the Universities, but the report states that they have realised that they must now turn their attention to the affiliated colleges. With the exception of the few unitary teaching universities, the teaching upto to first degree in almost all faculties is being carried out by the affiliated colleges. Further, the large majority of these is run by non-government bodies which are very badly off in the matter of finance. Their standards are therefore very poor, as the number and quality of the teachers as also the equipment and other facilities available are generally unsatisfactory. Under these circumstances, the quality of the students going up for post-graduate studies and research is not very high and the UGC's attempts to improve the quality of the latter cannot achieve satisfactory results. The report says: "We have now come to the conclusion that it is necessary to assist in the improvement of standards in the colleges by making grants to them This is a

move in the right direction and the good wishes of everybody will be with the UGC. The magnitude of the problem and the money placed at the disposal of the UGC will put severe limitations on what can be achieved. (There are about 800-900 affiliated colleges in India which may have to be considered in this context.)

Raising Salaries of Teachers

The first problem that the UGC is tackling in connection with non-government colleges is the raising of the salaries of the teachers and subject to 50 per cent of additional expenditure being made available by the institution or the State, the UGC is contributing 50 per cent. One hopes that this reform meets with no administrative and/or policy difficulties in the States.

There are other schemes of grants or loans for hostels, staff quarters, etc., which will also bring about desirable improvements in the working of universities and colleges.

The introduction of the three-year degree courses particularly in Arts, Science and Commerce is being specially sponsored by the UGC and will ultimately result in an improvement of the standard of our graduates. The present first year course in the colleges will be transferred to the Higher Secondary Schools and that move is expected to bring about an improvement in our secondary education also.

The UGC has already established a reputation for a realistic and just approach to the problem of standards in higher education and one wishes all strength to it to carry through its schemes.

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The Budget of Kashmir

What the Centre Means to the State

Balraj Puri

AT a time when deficit budgets are the rule rather than an exception, a surplus to the extent of Rs 360.16 lakhs for 1959-60 shown in the budget of Jammu and Kashmir state should appear as an achievement. But if a budget is to be treated as an index of the economic health and true financial position of a state, this claim should be more thoroughly scrutinized.

Though the Kashmir Budget is drawn up broadly in the same form as other state Budgets, still there are certain practices which do not conform to the general pattern. For instance, while calculating the revenue surplus the expenditure on the plan on revenue account has been excluded. This is indeed an unusual practice. If the receipt and expenditure on plan on revenue account are included, the overall revenue surplus is reduced to Rs 219.15 lakhs. This takes credit for Rs 123.00 lakhs as grants from Government of India for plan schemes. In addition the Centre subsidises various non-plan expenditures. Such subsidies are shown in the budget as deductions from expenditure and amount to a little over Rs 78 lakhs. In other words the revenue account if it were drawn in the usual manner of other states and also if the Centre's subsidy and grant were ignored, would show a surplus of only Rs 18 lakhs. One must hasten to add, however, that even in other state budgets the revenue account does take credit for plan grants and non-plan subsidies, if any.

Actually, the Central Government makes a substantial contribution even in what are called the State revenues. Kashmir gets a share of Rs 197 lakhs out of the divisible pool of the central taxes and a grant-in-aid of Rs 300 lakhs under the substantive provision of Article 275 (1) of our Constitution. Thus the total devolution from the Centre to the State of Kashmir comes to Rs 698 lakhs—i.e., nearly twice the amount of surplus on revenue account shown in the State Budget. Out of the total revenue of Rs 1,299 lakhs the revenue which can strictly be said to accrue directly to the

State Government comes to only Rs 674 lakhs.

In the capital account the loans receivable from the Central Government under the Plan have been put at Rs 414 lakhs. Credit for another Rs 24 lakhs has been taken in the capital account and then there is the food subsidy of Rs 75 lakhs. Thus the total transfer of funds to the State on all accounts in 1959-60 comes to about Rs 1,211 lakhs.

While the grant portion of the central aid may not pose a problem for the economy of the state, its indebtedness is assuming rather serious proportions. On 1-4-1958 it stood at about Rs 2,366 lakhs and the interest due on it next year has been estimated around Rs 1 crore. It is not the amount of loan as such that is creating difficulties. It is the failure to build up productive assets with the help of this amount and inability of the State to get returns at least equal to the amount of interest payable that should cause some concern.

The revenues of the state do show an improvement over the revised estimates for the current year by about Rs 145 lakhs. But more than half of it is made up of the sale of new leases and recovery of arrears in forests. About Rs 8 lakhs account for the anticipated recovery of the arrears of land revenue not recovered in the current year. Also an additional sum of Rs 23 lakhs is expected to be contributed by the Road Transport Schemes. There are complaints, however, that the freight rates of the government transport are exorbitant and can be sustained only by its monopoly of the government goods traffic.

More significance, however, lies in the fact that the income of most of the industries run by the state shows a fall as compared to the revised estimates of the current year. The decline for sericulture is from Rs 4.41 lakhs to Rs 2.13 lakhs, for Drug Industry from Rs 1.25 lakhs to Rs 99,000, for Government Handloom Silk Weaving Factory from Rs 15,700 to Rs 5,300, for Kashmir Government Arts Empori-

um from Rs 31,300 to Rs 20,200, for Rosin and Turpentine from Rs 30,100 to Rs 13,500 and for Joinery Mill from Rs 1,03,600 to Rs 2,900. There are only a few industries namely Tannery, Willows and Silk Weaving, which have escaped this fate. These losses are miraculously expected to be made up by an extraordinary income from small-scale industries which is put at Rs 2.10 lakhs against the revised estimate of Rs 6,580 only. The budget does not indicate any basis for this optimism, nor give any details of the new schemes.

The expenditure on revenue account, too, shows a rise of Rs 137 lakhs, about Rs 7 lakhs less than that of the anticipated increase in revenue. Out of it only about Rs 77 lakhs account for increase in Plan expenditure. The rest of the increase will occur in spite of the fact that the Centre has taken over the financing of the Debat Sudhar Dept. and also the Audit Dept. has been transferred to the Centre.

The most important increase in expenditure is on interest (Rs 64 lakhs). Administration accounts for an increase of Rs 17 lakhs. Publicity is another item which accounts for a substantial increase in expenditure. Besides a regular allocation of Rs 2.80 lakhs for the Information Department, new sums of Rs 4.50 lakhs on Plan Publicity and Rs 2.40 lakhs on publicity schemes under various departments have also been provided. The respective figures for the current years are Rs 2.75 lakhs nil and Rs 69,000, showing an overall increase of Rs 6.26 lakhs within a year. Police accounts for another Rs 7 lakhs. On capital account also a sum of Rs 11 lakhs has been provided against Rs 5,000 in the current year. This increase in expenditure on Police is in addition to an increase of about Rs 42 lakhs on militia—probably borne by the Government of India. It may be added that a sum of Rs 43 lakhs has also been provided for the additional police of the state in the budget of the Central Government while the provision in the state budget is Rs 20.50 lakhs for this purpose though why it is not

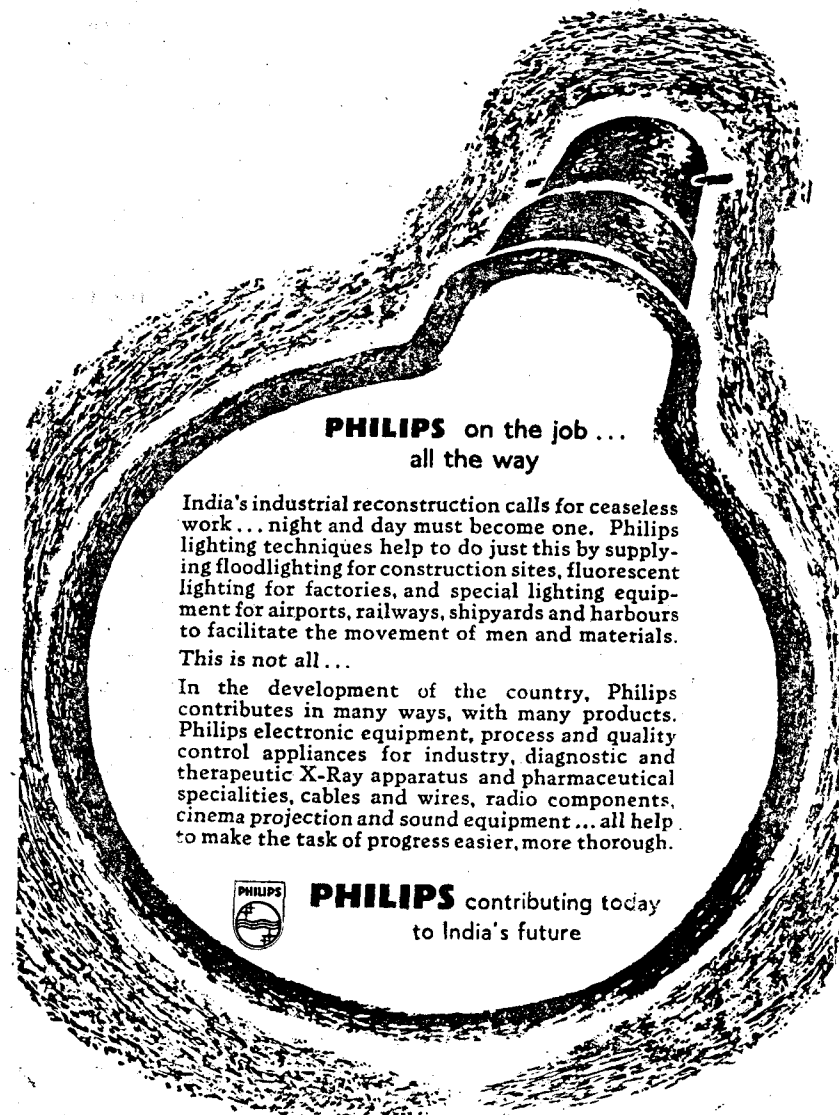
included in the list of expenditure is not known.

One of the other important reasons for the inflated expenditure is the provision made for reserves with the Finance Department on various items which total up to Rs 44,66,000 which seems to be a novel feature added to the budget from this year.

This pattern of the state budget

and the central assistance clearly reveal one thing and that is the dependence of the state's finances on devolutions from the Centre. In the case of Kashmir increasing expenditure on police, propaganda and political allowances out of the state budget and the grant of a significant part of the central assistance in the form of food subsidy and contributions for expendi-

ture on administration, militia and additional police may have political and even social justification. But the story is not very different from many other states. More and more the State Governments are becoming expenditure departments of the Centre, of course, with far greater autonomy than the Central Departments themselves.



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Company Notes

Refinance Corporation for Industry

Profit without Turnover

THE Refinance Corporation was set up as a private limited company in June 1958 mainly with the object that the U S counterpart funds of \$ 55 mn (about Rs 26 crores) earmarked for relending to private enterprise in India may be channelled through it. Its authorised capital is Rs 25 crores, of which Rs 2.5 crores has been subscribed so far, out of the issued capital of Rs 12.5 crores. Including the amount of Rs 26 crores it can borrow from the Government, its total lendable funds, thus, amount to Rs 38.5 crores. Apart from the Reserve Bank, the LIC and the State Bank, fourteen scheduled banks have become shareholders of this private company; these include four exchange banks. Each member bank has been allocated a quota within which it may offer certain types of loans to the Corporation for refinance. These quotas range from Rs 1.25 crores to Rs 3 crores, except in the case of the State Bank which has been allotted Rs 5 crores.

To be eligible for refinance by the Corporation, loans must be for periods between 3 and 7 years and no loan to any one party should exceed Rs 50 lakhs. Only medium sized units, i e, those with owned capital of between Rs 5 lakhs and Rs 2.5 crores, are eligible for assistance under this scheme. The Report for the period ended December 31, 1958 does not explicitly state that only joint stock companies in the private sector can qualify for assistance, but the mention of paid up capital and reserves of the ultimate borrower obviously points in that direction. The practical exclusion of unincorporated firms from the scope of the scheme may be defended on various grounds (though much can be said to refute them), but the pre-occupation with the paid up capital and reserves of borrowers appears rather misplaced. The Reserve Bank's own analysis of company balance sheets should have convinced that august institution of the lack of any clear correlation between the owned capital of companies and their fixed and other assets.

In order to qualify for assistance from the Corporation, loans given by the banks and offered for refinance must be for the purpose of increased production in the approved list of 57 industries, including road transport and hotels. Loans given prior to the establishment of the Corporation are not eligible for refinance. It is once again not clear from the Report whether loans given for "increased production" are to be utilised wholly for expansion of fixed assets or can finance inventories as well. Up to the end of December 1958, the Corporation had received 7 applications for refinance from 4 member banks for a total sum of Rs 198 lakhs. Of these, 6 applications for an amount aggregating to Rs 178 lakhs were sanctioned, and the remaining 1 application was still pending. The industries that received this facility were ferro-manganese, cotton textiles, cement, and pharma-chemicals. The interest charged to member banks on these loans is 5 per cent, and they in turn are expected to charge generally 6½ per cent to their clients. The latter rate is supposed to be on par with that charged by the IFC, the ICICI and the State Finance Corporations, which, however, lend for relatively longer periods.

None of the loans sanctioned so far, however, has been actually utilised. This is attributed to "the time lag between the date on which the Company sanctions a loan and the time taken thereafter by the member bank to finalise the granting of the loan to its constituent". This is rather intriguing since one would have expected that the member bank would have processed a loan application thoroughly before submitting it to the Corporation for refinance. Any delay on the bank's part after the Corporation has sanctioned a loan is inexcusable—unless the borrower himself has turned reluctant in the meanwhile. If the non-utilisation of sanctioned loans is attributable to foreign exchange difficulties, the Corporation does not seem to have been informed about them—or if it was informed, it has taken no official notice of them.

The rate of interest charged by the Government on loans given to the Corporation is to be fixed from time to time. For the period under review, it has been fixed at 1 per cent on the sum of Rs 5 crores actually loaned. Since the Corporation did no business during the period, its entire working capital of Rs 7.5 crores was kept with member banks in the form of short-term deposits. In consequence, interest earned during the period of a little more than 5 months amounted to Rs 14 lakhs while interest paid to Government was only Rs 2.31 lakhs. The Corporation, therefore, made a profit of more than Rs 11 lakhs in less than half a year, without doing any business! Taxation absorbed Rs 5.81 lakhs and the dividend of 4 per cent per annum took another Rs 4.66 lakhs.

The establishment of the Corporation had been proposed and welcomed at a time when banks were extremely hard pressed for funds because demand for credit was very great while deposits were sluggish. Since then, conditions have altered to such an extent that bankers are looking for fresh avenues of credit expansion and are embarrassed by a surfeit of funds, despite the fairly satisfactory current busy season. The counterpart funds of Rs 26 crores could have been channelled through existing financial institutions like the IFC, ICICI and State Finance Corporations on the same liberal terms as have now been allowed to the Refinance Corporation. All these organisations could have put up a better performance with generous assistance at 1 per cent. If the banks were to insist on having a share in this pie, they could have been placated and their services utilised as intermediate lenders. The response of ultimate borrowers may also have been better since they would have received assistance for a comparatively longer period than the 3 to 7 years allowed by the Corporation. As things have turned out, its capital has gone to member banks in the shape of call and short term deposits, while its potential working capital remains at the State Bank, again in the same

form. Instead of discouraging the continued growth of the call deposit liability of banks, the Government and the Reserve Bank are, therefore, encouraging it.

Punjab National Bank

THE accounts of the Punjab National Bank for the year ended December 31, 1958 indicate that it has been effected by the general banking trends of the year. Deposits increased by Rs 4.5 crores to Rs 129 crores, but all the increase took place under fixed and savings deposits while current accounts went down by Rs 2 crores. Investments in gilts and other trustee securities were raised by Rs 23 crores to Rs 61 crores at the expense of cash balances (minus Rs 1 crore) and balances with other banks (minus Rs 7.5 crores). Call and short loans rose from Rs 3 crores to Rs 15 crores. Other investments also rose by another Rs 1 crore but advances declined by a like amount. More than half the latter decline was accounted for, rather curiously, by contraction in credit extended abroad.

Interest paid out rose during the year by 25 per cent to Rs 3.33 crores, while interest and commission, etc., earned rose by only 14 per cent. Profit on sale of investments, however, brought in nearly Rs 24 lakhs against nil last year. Gross profit declined slightly from Rs 1.11 crores to Rs 1.06 crores. Taxation absorbed Rs 33.50 lakhs against Rs 50 lakhs.

After deducting transfer to staff bonus account, net earning per ordinary share of Rs 10 has come down to Rs 3.36 from Rs 3.45. Distribution has been maintained at Rs 2.00. Reserves at Rs 1.27 crores now exceed the paid up capital of Rs 1.25 crores for the first time.

The splitting up of the Bank's ordinary shares of Rs 25 each into shares of Rs 10 each has, along with other factors, helped improve their standing in the market. The premium on the new denomination is higher than that on the old shares.

Indian Oxygen

INDIAN OXYGEN was converted into a public company early last year. Soon after, it released 30 per cent of its capital of Rs 2 crores to the public in India. The offer was eagerly taken up. The company now has nearly 19,000

shareholders in India. The investors' confidence has been fully justified by the results for the year ended September 30, 1958.

Sales rose from Rs 4.18 crores to Rs 4.86 crores. Though the gross profit margin on turnover declined fractionally to 14 per cent, the trading profit went up by Rs 9 lakhs to Rs 68 lakhs. Provision for taxation declined appreciably from Rs 44 lakhs to Rs 30 lakhs, leaving a net profit of Rs 38 lakhs compared with Rs 15 lakhs in the previous year. The net earning

per ordinary share of Rs 10 has, therefore, gone up to Rs 1.90 from Rs 1.16. Distribution has been maintained at Re 1, despite the increase in capital.

Reserves have gone up by Rs 14 lakhs to Rs 91 lakhs. The company has borrowed Rs 68 lakhs from British Oxygen, but has simultaneously reduced its current account liability to the parent company by Rs 82 lakhs. Excluding this account, British Oxygen provides about one-half of the total employed capital of Rs 4 crores.

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Around Bombay Markets

DALAL STREET has staged a sizable retreat. The bull has not been routed. He has simply withdrawn from the field to rest a while. He had been very active for quite a long time and had played the game well and successfully. It is doubtful whether he will keep off the market for long. He should perhaps be in form again in a week or two.

This is the market's first important halt since the resumption of major bull phase about the middle of January. Excepting Tata Steel, the rise in almost all the popular counters had been rather too steep. The market could have cried a halt any time. How long this technical correction will last, is difficult to say. Another week or two perhaps.

The setback from the highest levels is substantial. Tata Steel have come down from Rs 186.50 to Rs 179.25, Indian Iron from Rs 24.76 to Rs 23.96, Century from Rs 500 to Rs 487.50, Svadeshi from Rs 220 to Rs 212, Bombay Burmah from Rs 522 to Rs 498, Premier Construction from Rs 275 to Rs 264.50, National Rayon from Rs 299 to Rs 280.25 and Tata Locomotive from Rs 198 to Rs 188.75.

It is tempting to attribute the recent setback to traders' anxiety about the possible repercussions of the recent developments in Tibet and of the Canberra incident on Indo-Pakistani relations. Reports from Kashmir too have been rather disquieting. But the decline is essentially technical. Only those who live by fluctuations and trade for small differences will feel uneasy because of the recent shake-out. But it is quite normal for a rising market to pause every now and then to consolidate its position by weeding out the small fry. Indeed a technical reaction is the best safeguard against excessive and unhealthy speculation.

Cash Scrips Hold Firm

It is interesting and significant to note that while the speculative counters have suffered a substantial setback, cash shares have continued to hold remarkably firm. Since the previous week-end National Carbon have spurted from

Minor Correction

Thursday, Morning.

Rs 30.25 to Rs 33.50 and Kirloskar Oil Engines from Rs 15 to Rs 20. The rise is based on the good corporate news in both the cases. Guest Keen, Dunlop Rubber, Indian Oxygen, Metal Box and Phillips are the other bright spots in the big list of investment counters. Inquiry is keen and broad-based and business is said to be limited only by the volume of offerings. Apart from these equities, Preference and Debentures have also been attracting good attention. All this merely underlines the inherent strength in the market.

The growing strength in the investment market should help the raising of new capital issues. Quite a few companies are expected to be in the market in coming months. Colour Chem has already announced its Rs 35 lakh Ordinary issue. Subscription list has still to open and the Rs 100 share is already commanding an unofficial premium of Rs 50. The rush for applications forms alone was so great on the very first day of the release of the Prospectus that the forms had to be rationed. The popularity of the issue only reflects the bright outlook for the dyestuff industry.

Oilseeds

All Round Advance

OILSEEDS prices recorded all-round improvement last week. Margin has only made the market thin by eliminating the small fry but it has failed to check the rise in prices. Speculative interest at present is centred mainly on castor which alone is still below the margin line but the rise in prices is no less marked in groundnuts where only the privileged few can trade since the margin is heavy at Rs 4,500 the unit of trading being 100 candies. The margin will be raised to Rs 6,500 if the closing price rises above Rs 198 per candy.

Sentiment in groundnuts was helped both by the continued good local inquiry and improved overseas advices. Rumania was reported to have taken about 1,200 tons of groundnut oil at around £115 per ton fob Bombay. Burma was also said to be interested in oil. Overseas inquiry was fairly keen in

groundnut extractions, with the U K offering up to £30 for April and five shillings more for each subsequent month. Expellers were quoted about 10 shillings higher than extractions. Moderate business was reported in distant positions in extractions. Export inquiries apart, traders reported good internal demand for manurial purposes, which is likely to continue for another month or two.

But all this might not have lifted groundnut August to around Rs 198 per candy if stocks had not been very tightly held. The floating stocks and disappointingly small offerings seem to suggest near-famine conditions in the commodity but not many observers place the crop below 20½ lakh tons. Only good and timely rains will bring out hoarded stocks.

Castor futures continue to be popular with bulls. For one thing they are quoted about Rs 32 per candy below groundnuts which makes them appear very cheap. And of late increasing US inquiries in castor oil have led to a strong belief that large business with America is bound to materialise in the near-distant future. Indeed the outlook has improved appreciably with reduced Brazilian supplies and record U S consumption. The stocks of castor oil in America at the end of February are officially estimated as low as 20.8 million pounds. This is just enough to last a little over two months. India is the only important source of supply at present. Latest reports are that Brazil is unwilling to make any offers of first pressure at below 13.5 cents per pound. This raises the hope of selling Indian oil on the basis of current prices because of the availability of cheaper freight. Will the trade let the opportunity go?

Linseeds also hardened in sympathy with other seeds. The crop is said to be quite normal but the general bullish psychology has seriously affected the pace of arrivals. Offerings therefore remain small but buyers too remain very reserved. Linseed oil is still considerably out of world parity but export houses continue to report occa-



The dress of the people...

Costumes, whether they are for occasions or for daily wear vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

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MAFATLAL GROUP OF MILLS



CLOTH FOR THE NATION

Mafatlal's other interests include Sugar and Dyestuffs

MAFATLAL HOUSE, BACKBAY RECLAMATION, BOMBAY I.

sional business in linseed cake at between £33 and £33-5 per ton.

Fluctuations in oilseeds futures last week up to Wednesday, with previous week-end figures in brackets, were as follows:

Groundnut May: (Rs 187.50) 190.190.50, 189.50, 194, 191, 191.25;

Groundnut Aug.: (Rs 191.50) 194.12, 194.50, 193.50, 198.25, 196.25;

Castor May: (Rs 156.50) 158.87, 159.25, 158.62, 159.37, 158.50, 160, 158.25, 159.37, 158.87;

Castor Sept.: (Rs 160.62) 163.162.75, 164.50, 162.75, 164, 163.37;

Cottonseed May: (Rs 128.50) 128.50, 129.50, 129, 130.25, 128.25;

Cottonseed Sept.: (Rs 130.25) 130.25, 131.25, 130, 130.25;

Linseed May: (Rs 32.31) 32.69, 33.06, 32.75;

Linseed Sept.: (Rs 32.94) 33.50, 33.87, 33.50.

Cotton

Dull and Subdued

CONDITIONS prevailing in cotton futures last week could be appropriately described as dull, drab and monotonous. Fluctuations were irregular but small. Activity was predominantly professional and of a jobbing nature. Tired bulls sold and with fresh support generally lacking prices tended to sag. Selling pressure was seldom large and offerings tended to dry up at lower levels.

Jarilla May moved irregularly lower from Rs 683.50 to Rs 676.50, rallied to 681.25 but eased again to Rs 675.50. Wednesday's closing was a little higher at Rs 678.75. With bulls continuing to prefer the distant August to the nearby May the spread between the two contracts increased gradually from Rs 9 to Rs 11.25 per candy. After being done at Rs 692.75 on April 9 the August contract declined to Rs 686 by April 15 and closed at Rs 690 the same day.

Selling in the May contract was induced mainly by considerations of approaching maturity. Traders said that tenders might be large if prices stood on the high side. It was also feared that with the likely arrivals of imported cottons in the near future mills were unlikely to show very keen interest in the spot market. Sentiment was also affected by the poor export interest. Japan, India's chief customer, was busy celebrating the marriage of the Crown Prince.

While business in the spot market was also generally poor, good quality cottons continued to attract attention and they held quite firm due to the scarcity of offerings. Kalagin, Wagad and Kalyan, however, shed a few points. Not many mills seem to be in any hurry to build further stocks when the prices of superior cottons are above the "ceiling".

It is doubtful whether the futures market will develop any important trend in the near future. Tight supply and satisfactory advices from the cloth market will check the decline but the current prices do not seem to offer much scope for bull manipulation because of the unpredictable attitude of the Forward Markets Commission.

Bullion

At New Peak

BULLION futures made new marks last week. Gold Chaitra rose to Rs 121-1 and silver Chaitra to Rs 201-11. Of course, they were not much lower a week ago. On April 8 gold stood at Rs 120-4 and silver at Rs 200-12. Bulls have been having a firm grip on the market since long. Trading in three settlements simultaneously has had little effect on bullish fervour. With off-take normal and supplies limited bulls have continued to dominate the scene.

Recent developments in Tibet and the shooting down of the Indian Canberra by Pakistan have scared away the bears in gold and silver. The continued heavy backwardation charges reflect the tight bull grip and paucity of floating stocks. The seasonal factor has also been in favour of the bulls.

Smuggling activity in gold continue to be small, despite the record high prices here. Very little has been heard about the import of silver coins from Tibet for several weeks. According to the "Times of India" News Service report dated April 15 the Chinese authorities have now relaxed the restrictions on the export of the silver dollars from Tibet to India. Stocks of over 2 lakh Chinese dollars are reported to have accumulated with the Tibetan and Indian traders in Yatung ready to be exported in a day or two. Should these coins once again begin to flow freely into the country, it is bound to have a bearish effect on the price trend in silver.

Stringency in the short-term money market persists. Even the exchange and bigger Indian banks are unable to get all the funds they need by paying up to 3-3/4 per cent for inter-bank call money. Response to the 91 days' treasury bills remains poor, with the amount offered just equal to the tender amount of Rs two crores and the bill rate as high as 2.78 per cent. With money so very tight, activity in the gilt-edged market has dwindled to a mere trickle. Prices, however, have continued to hold fairly steady due to lack of any important selling.

The Economic Weekly

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Mahindra & Mahindra Limited

NOTICE

THE Thirteenth Annual General Meeting of the Shareholders of Mahindra & Mahindra Limited will be held at the Taj Mahal Hotel, Apollo Bunder, Bombay 1, on Monday, 18th May, 1959, at 4 p.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, 1958.
- (2) To declare dividends on Preference and Ordinary Shares.
- (3) To appoint a Director in place of Mr. A. K. Mitra 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. K. C. Mahindra 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 Mr. K. C. Mahindra who is now 65 years of age and that Mr. K. C. Mahindra be and is hereby appointed a Director of the Company."
- (5) To appoint auditors for the current year and to fix their remuneration.
- (6) To consider and if thought fit to pass, with or without modifications, if any, as may be agreed upon at the Meeting, the following ordinary resolution:—

"RESOLVED that from 1st August, 1959, i.e., after the expiry of their respective existing contracts, the remuneration of each of the three existing Executive Directors be increased from Rs. 3,000/- per month to Rs. 5,000/- per month, the commission payable to them be reduced from 5/3% to 1% of the net profits of the Company and that they be continued also to be paid and allowed all the other benefits, remunerations and emoluments as at present, that the appointment be not for any definite period and be terminable on 12 months notice and the Board of Directors is hereby authorised to execute fresh contracts with each of these three Executive Directors in terms of the draft put before the meeting and initialled by the Chairman, with such modifications, if any, as may be prescribed by Central Government in according sanction under the provisions of the Companies Act, 1956."
- (7) To consider and if thought fit to pass the following special resolution with or without modifications, if any, as may be agreed upon at the Meeting:—

"RESOLVED that in Article 98 of the Articles of Association of the Company the word 'nine' be substituted by the word 'twelve'."

Notes:—(a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business under items 4, 6 and 7 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 4th May, 1959 to 18th May, 1959, 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 18th of May, 1959, and the dividend warrants will be despatched to them on and after the 26th of May, 1959.

By Order of the Board,
Mahindar Singh,
 Secretary.

Bombay, 31st March, 1959.

ANNEXURE TO THE NOTICE

Explanatory Statement, as Required by Section 173 of the Companies Act, 1956.

Item No. 4: Mr. K. C. Mahindra, who has been a Director and Chairman of the Company since its incorporation in 1945, has attained the age of 65 years on March 15th, 1959. The proposed resolution seeks to have Mr. K. C. Mahindra re-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. Your Directors feel that it is in the interest of the Company that the Board should continue to receive the benefit of Mr. K. C. Mahindra's long experience and able guidance.

The Company has received Special Notices from two members notifying their intention to move the resolution set out in the Notice.

Item No. 6: The Company has three Executive Directors, viz., Mr. Keshub Mahindra, Mr. Harish C. Mahindra (the son and nephew respectively of Mr. K. C. Mahindra), and Mr. Alope K. Mitra. They have been Directors of your Company since 1948 and were last appointed Executive Directors under their respective contracts dated 25th August, 1954.

These contracts being for a period of five years expire on 31st July, 1959. Under these contracts the remuneration of each of these Directors is Rs. 3,000/- per month

plus commission of 5/3% of the net profits of the Company as certified by the auditors of the Company.

Under these existing contracts each of these Executive Directors also enjoys the following other benefits, remuneration and emoluments:—

- (a) Medical, surgical, hospital and other such expenses.
- (b) A lump-sum entertainment allowance of Rs. 500/- per month representing the estimated normal disbursements made by the Executive Directors for entertainment on behalf of the Company.
- (c) Suitable unfurnished residential accommodation.
- (d) A motor car.
- (e) First class return passage by sea or air for the Executive Director and his wife every two years for leave abroad of not less than four months, and during such leave abroad a travel allowance of £400/- for each two months period of leave subject to sanction by the Reserve Bank of India. During such leave abroad the Executive Director is required to undertake such work for the Company as the Company may direct and generally to look after the interest of the Company abroad in the various countries that the Executive Director may visit.

Each of these Directors has been in charge of such sections of your Company's activities as have been assigned to him from time to time.

Since 1954 the work of the Executive Directors has appreciably increased in volume and in responsibility and in this period of five years your Company has become a full fledged manufacturing concern.

It is proposed that the salaries of each of these Executive Directors be increased from Rs. 3,000/- to Rs. 5,000/- per month, the existing commission being reduced from 5/3% to 1% of the net profits of the Company and the rest of the remuneration, benefits and emoluments as above remaining the same.

The draft contracts have been prepared for each of these Directors amending the existing contracts in conformity with the above. Reference is also made to the Provident Fund benefits. The fixed

duration of their employment limited to five years is also dispensed with and corresponding changes made in the existing terms making the contracts terminable on 12 months' notice. It is also expressly provided that the Executive Directors will be assigned such work and be in charge of such sections of the Company's activities as the Board of Directors may decide from time to time. The rest of the provisions of the existing contracts have been retained in these drafts. These draft contracts and the existing contracts are open to inspection of the members between 11-00 a.m. to 1-00 p.m. on any working day excepting Saturdays.

Item No. 7: The Articles of Association provide that the number of Directors shall not be less than 3 nor more than 9 until otherwise determined by the Company in General Meeting. Since 1955 the Company's operations have greatly expanded both in scope and content. It is therefore desirable to make provision for an increase in the number of Directors and hence the proposed Special Resolution that Article 98 of the Articles of Association be so amended as to increase the strength of the Board from '9' to '12'. This resolution will be subject to the approval by Central Government and shall not have effect so far as the increase is disapproved by that Government as per Section 259 of the Companies Act, 1956.

By Order of the Board,
Mahindar Singh,
 Secretary.

Bombay, 31st March, 1959.

Company Law Advisory Commission Reconstituted

THE Company Law Advisory Commission has been reconstituted with Shri K. K. Sharma, a retired Judge of the Rajasthan High Court, as Chairman and the following as members:—

Shri G. Basu, Ex-President of the Institute of Chartered Accountants, and President of the Institute of Cost and Works Accountants, Calcutta; Shri D. C. Kothari of Messrs Kothari & Sons, Madras; Professor R. Balakrishna, Head of the Department of Economics, University of Madras; and Dr. G. S. Melkote M. P.

The first Advisory Commission was appointed for three years and

completed its term on March 31, 1959.

The Commission is required to enquire into and advise the Government on the following:—

- (i) The issue of a notification, for termination of managing agency under Section 324 of the Companies Act.
- (ii) On applications received by the Government for appointment of managing director/managing agents increase in the remuneration of directors, managing directors or managing agents; change in the constitution of managing agents and variations in the terms of managing agency agreement etc; and,
- (iii) On such other matter as may be referred to it by the Government.

During its three-year period of office, the largest number of applications the first Commission had to deal with were under Section 310 of the Act, relating to increases in the remuneration of directors including managing or wholtime directors and managers.

Next in order were applications under Section 346 for changes in the constitution of managing agency firms or corporations. Applications under Section 329 concerning variation of managing agency agreements and Section 269 relating to appointment of managing or wholtime directors came third. Appointment or reappointment of managing agents and of secretaries and treasurers also attracted a number of applications. The smallest number received was under Section 343, dealing with the transfer of office by managing agents.

Study of Evaporation Losses

REPORTS on experiment results obtained in the prevention of evaporation losses from reservoirs and tanks are being prepared by the Central Board of Irrigation and Power, New Delhi, for the world wide survey being conducted by the International Commission on Irrigation and Drainage. Similar reports by other countries based on data collected by them will be compiled by the International Commission on the basis of which recommendations will be made for further research. Results of this world wide survey are likely to be of great value to countries in which water resources are limited and which have to rely heavily on irrigation for their agriculture.

CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores	Latest Week	Month Ago	Year Ago
1. Note circulation	1761.48	1744.31	1695.78	1638.21
2. Rupee Coin	131.69	132.71	129.55	226.07
3. Deposits				
Central				
Government's	49.59	60.61	66.23	49.23
Other				
Governments'	7.50	11.34	17.06	13.63
Banks'	91.53	73.08	67.97	77.84
Others'	118.29	113.93	115.33	116.56
4. Foreign Securities	178.01	178.01	178.01	226.07
5. Balances held abroad	35.93	36.32	33.26	51.82
6. Rupee Securities	1351.24	1331.25	1281.42	1176.23
7. Investments	211.51	231.46	245.49	215.94
8. Loans and advances to Governments	35.99	31.26	26.29	46.56
9. Other loans and advances	89.06	97.86	100.30	55.53
Scheduled Banks				
1. Demand Liabilities (net)	749.53	723.26	711.62	750.57
2. Time Liabilities (net)	917.40	913.82	896.57	729.14
3. Cash	115.95	107.20	104.61	124.98
4. Borrowings from Reserve Bank of which against Usance Bills	43.69	61.86	35.92	37.94
5. Advances & Bills (inland & foreign) discounted of which State Bank's	1021.12	1012.97	969.78	968.11
6. Invest. in Govt. Sec. of which State Bank's	611.52	613.45	622.06	806.93
Cheque Clearance	151.41	219.57	163.16	183.45

For Reserve Bank and Cheque Clearance week ended 10-4-59 Scheduled Banks week ended 3-4-59

Bombay Money Rates

(per cent per annum)

	3-4-59	27-3-59	6-2-59	4-4-59
Call Money				
From banks	3 $\frac{1}{2}$ -3 $\frac{3}{4}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$	3-4 $\frac{1}{4}$
From public	3-3 $\frac{1}{2}$	3-3 $\frac{1}{2}$	2 $\frac{1}{2}$ -3 $\frac{1}{2}$	—
Three Months	3-4	3-4	3-4	3-4 $\frac{1}{2}$
Six Months	2-4	2-4	2-4	2-4 $\frac{1}{2}$

Bombay Bullion (In Rupees and nP)

	3-4-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	121.12	119.81	118.75	113.31
Forward	120.25	118.81	118.31	112.56
Silver (per 100 tolas)				
Spot	200.12	199.69	197.06	201.12
Forward	200.12	199.69	197.06	199.12

COTTON STATISTICS

(1958-59)

MILL CONSUMPTION

(in '000 bales of 392 lbs each)

Description:	Jan	Dec	Nov	Sept to Jan
Indian	418.2	419.8	363.6	1,978.7
Foreign	34.4	39.3	35.6	193.2
of which American*	4.9	5.3	7.3	42.4
Egyptian	6.8	8.7	6.9	37.4
E. African	15.0	17.0	14.3	73.6
Sudan†	7.2	7.9	7.1	38.8
Total	33.9	33.9	33.5	192.0

Consumption in corresponding

periods a year ago:

	Jan	Dec	Nov	Sept
Indian	392.0	391.5	384.8	1,946.2
Foreign	48.8	51.9	51.0	249.4

Total 440.8 443.3 435.8 2,195.6

* Includes United States and Mexican Cotton.

† Includes both Sudan Egyptian and Sudan American.

MILL STOCKS

(in '000 bales of 400 lbs each)

	Jan	Dec	Nov	Oct	Sept
Indian:					
1958-59	850.2	772.1	752.8	861.3	1004.4
1957-58	1,020.0	825.3	750.7	779.0	948.7
Foreign:					
1958-59	69.4	87.8	98.0	101.5	117.0
1957-58	169.2	171.7	190.2	205.0	219.1

IMPORTS

(in bales of 392 lbs each)

Description	1958-59	1957-58	1956-57	1955-56
Americans	19,537	75,950	186,002	6,897
Sudans	27,041	41,087	30,059	66,207
Egyptians	25,529	23,557	26,708	154,842
East Africans	65,608	44,285	66,840	67,020
Pakistani	6	—	—	—
Other varieties	1,590	—	1,073	6,534
Total	139,111	184,879	310,691	301,900

EXPORTS †

(in bales of 392 lbs each)

Destination	1958-59	1957-58	1956-57	1955-56
U K	6,564	1,535	17,613	17,689
Continent	15,717	4,465	14,979	14,868
Hong Kong	32,396	2,837	19,915	20,315
China	6,384	—	3,437	3,437
Japan	123,668	39,157	39,184	38,874
U S A	1,919	3,178	1,274	1,284
Other Countries	2,010	691	566	462
Total	189,160	52,163	146,958	146,929

† Excluding Zoda and other yellow pickings.

— = nil.

Source: East India Cotton Association

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

Group and Sub-Group	WEEK		ENDED	
	28-3-59	21-3-59	28-2-59	29-3-58
Food Articles	112.9	113.9	113.7	103.4
Cereals	100.8	102.3	102.7	96.3
Pulses	109.2	113.9	113.5	80.1
Fruits & Veg.	121.5	119.3	111.7	99.7
Milk and Ghee	105.2	106.0	106.1	102.5
Edible Oils	124.1	124.2	120.4	120.1
Fish, Eggs & Meat	104.7	103.5	104.6	100.2
Sugar & Gur	129.1	128.0	126.1	112.9
Others	149.7	149.2	155.0	129.8
Liquor and Tobacco	98.9	98.9	103.0	94.4
Tobacco	97.5	97.5	101.0	92.8
Fuel, Power, Light & Lubricants	115.1	115.1	115.0	114.4
Industrial Raw Materials	116.6	117.0	114.6	112.9
Fibres	108.8	108.9	107.0	111.2
Oilseeds	129.7	128.8	124.5	116.2
Minerals	103.6	103.6	102.5	108.2
Others	111.3	111.0	111.4	110.1
Manufactures	108.2	108.3	108.0	107.3
Intermediate Products	109.1	109.2	110.2	107.1
Finished Products	108.1	108.1	107.7	107.4
Textiles	102.4	102.5	101.4	105.1
Cotton	110.9	111.0	111.2	115.1
Jute		85.9	80.2	85.8
Woollen	105.9	105.9	105.9	103.0
Silk & Rayon	95.7	95.7	93.2	92.4
Metal Products	143.3	143.3	143.3	143.4
Chemicals	110.3	110.1	110.2	99.4
Oilcakes	140.5	140.3	144.7	115.2
Machinery and Trans Equipment	105.4	105.4	104.7	102.7
Others	112.8	112.8	113.5	112.1
All Commodities	111.9	112.5	112.0	106.1

CALCUTTA TEA AUCTIONS

1958-59

1957-58

	June 1 to March 10	June 1 to March 11		
	Packages (nos)	Avg Price Per lb (Rs)	Packages (nos)	Avg Price Per lb (Rs)
For Export :				
Assam	985,790	2.35	882,908	2.38
Cachar	205,322	1.79	149,884	1.74
Darjeeling	148,645	3.33	141,450	2.95
Dooars	534,257	1.90	522,875	1.83
Terai	78,086	1.87	73,340	1.78
Tripura	22,471	1.75	20,843	1.71
Other Districts	562	1.92	555	1.94
Total	1,975,073	2.21	1,791,855	2.16
For Consumption in India*				
Dusts	650,367	1.99	600,564	1.89
of which :				
Assam	450,337	2.06	397,303	1.99
Cachar	51,491	1.76	42,369	1.60
Darjeeling	7,205	2.17	7,468	2.13
Dooars	128,050	1.80	139,338	1.64
Terai	9,498	1.77	10,653	1.60
Other Grades	59,894	1.58	73,806	1.45
of which :				
Assam	40,768	1.54	47,365	1.42
Cachar	2,979	1.47	2,919	1.25
Darjeeling	2,674	2.48	5,980	2.44
Dooars	11,145	1.52	13,119	1.27
Terai	467	1.59	953	1.36

* 1958-59—June 1 to June 11.

Source: Department of Commercial Intelligence and Statistics, Calcutta.

CLOTH PRODUCTION IN INDIA

(Monthly Average or Calendar Months)

	Yarn	Coarse	Medium	Fine	Superfine	Total
	(000 lbs)					
1951	108,655	30,293	173,405	112,329	23,655	339,682
1954	130,086	42,467	307,624	38,476	27,909	416,476
1955	135,867	47,706	313,219	38,525	25,090	424,540
1956	139,267	59,887	316,384	37,003	28,941	442,215
1957	148,341	96,976	291,909	31,923	22,310	443,118
1958	140,448	80,830	282,984	25,255	21,511	410,580
Jan	148,702	86,361	299,881	28,760	21,524	436,526
Feb	132,861	74,198	271,739	25,943	19,568	391,448
Mar	138,475	73,767	284,594	26,282	20,919	405,562
Apr	134,074	73,381	286,688	26,544	21,153	407,766
May	138,704	79,323	291,806	27,582	22,540	421,251
June	126,047	77,814	263,940	26,621	19,947	388,322
July	144,997	88,299	281,731	28,171	21,242	419,443
Aug	140,358	85,135	276,503	25,115	21,190	407,943
Sept	143,504	86,703	279,139	23,311	22,151	411,304
Oct	147,386	85,768	289,037	22,975	23,737	421,517
Nov	134,245	73,194	263,323	20,180	20,680	377,377
Dec	156,027	86,017	307,427	21,578	23,484	438,506

Production, Import, Export & Per Capita Availability of Cloth in India

	Popln (millions)	Mill made	Hand-loom	Power-loom	Import	Total incl imports (mn yds)	Exports (mn yds)	Deliveries for other purposes (mn yds)	Available for consumption (mn yds)	Per capita availability (yds)
1951	361	4,076	850	157	9	5,092	823	31	4,238	11.7
1952	365	4,598	1,109	204	5	5,916	602	39	5,275	14.4
1953	369	4,878	1,200	221	5	6,304	716	22	5,566	15.0
1954	373	4,998	1,318	243	6	6,565	956	23	5,586	15.0
1955	377	5,094	1,480	273	6	6,853	873	29	5,951	15.3
1956	381	5,306	1,509	278	13	7,106	804	27	6,275	16.5
1957	385	5,317	1,643	303	12	7,275	795	27	6,453	16.8
1958	389	4,927	1,798	331	12	7,068	541*	21	6,506	16.7†

Estimated
† Provisional

Source: Textile Commissioner, Bombay

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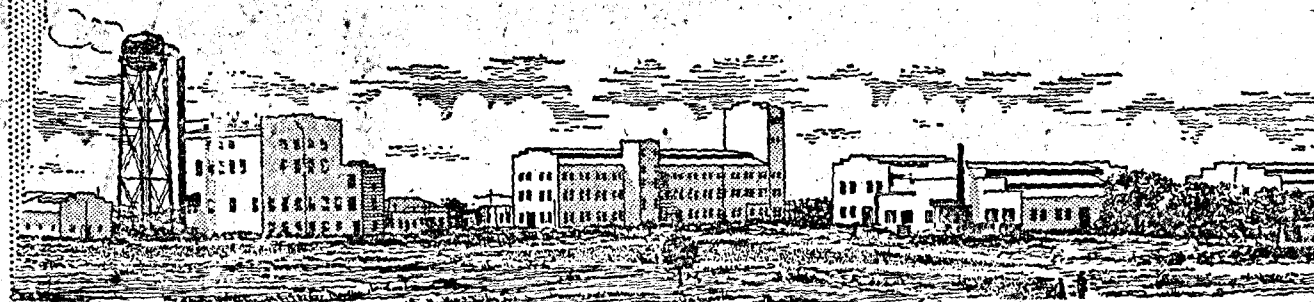
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The Economic Weekly

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Better Unclear

THERE is much to be said for precision and clarity in Government policy and also for firmness in implementing it, once it has been laid down. About implementation, perhaps, some reservation may be made and a proviso added that it should cause the minimum of hardship and resentment, that modification, gradualness and even a temporary suspension would be justified according to the situation. It would be difficult to find a similar justification in leaving a policy vague and unclear, unless, of course, the policy itself is so wrong-headed. In that case, if it is left vague and imprecise, it may do less harm, since it would not be possible to apply it in practice with any great vigour. In retrospect, as also judging by present day facts, the lack of clarity in the enunciation of the official language policy and lack of firmness in the implementation of the policy have both been blessings in disguise. All those who cherish the unity of India and feel themselves one with the Indian people, should indeed be grateful for it. Only those who lack faith in the fundamental unity of India or who have, for some provocation or other, grave or light, would have it otherwise. Indeed, they must have taken the language policy to be clearer than it was or its implementation in their case was harsher than it was intended to be. This has done serious damage, but let us hope that the damage is not beyond repair.

The Committee of Parliament on Official Language has not been wise in sticking to 1965 as the year for change-over to Hindi as the principal official language of the Union under the Constitution, but it has been wise in whittling down this recommendation by ordaining that the regional languages should be given their proper place and that the transition should be "flexible and practical", that English should continue for such purposes as may be specified by Parliament by law and for as long as necessary.

The Language Commission, which reported in 1957, we had then thought, had let the sleeping dog lie. It had said that:

"It has not been possible for us to furnish a regular time-table by dates and stages as to how Hindi should be introduced into the business of the Union so as to accomplish the general change-over within the period fixed by the Constitution... the actual drawing up of a plan of action and the setting up of time schedule therewith must be left to the Government of India themselves to do after a study of the relevant factors." (Paragraph 7 and 17).

What had led us to take this favourable view was the nature of the reception accorded to the report immediately after its publication. It did not set off any violent reactions, no heads were broken over it at the time and no fierce controversy was raised by it. But subsequent events proved how wrong this assessment was. Protagonists of Hindi, here and now, were impatient because the Commission failed to lay down a deadline for the adoption of Hindi and a time schedule. The non-Hindi speaking states, however, were scared that Hindi was going to be forced on them. The Congress Governments of Madras, Mysore and Andhra took the polite and common stand that replacement of English by Hindi by a particular year was impractical. But others, who were free to express their opinions without the restraint imposed by office, were by no means mild in their criticism.

In all the non-Hindi states, with perhaps the single exception of Gujarat, it is the regional language which is being increasingly used as the official language in internal matters and as the language of higher education. Along with the raising of the status of the vernacular, English is gradually taking the second place, not Hindi. It does not appear to be yielding its place to Hindi. Few non-Hindi speaking states have agreed to make Hindi compulsory in secondary education.

Indeed, it is the contention of Madras and Bengal, that compulsion would slow down rather than hasten the pace of Hindi in these states. The only sensible policy in regard to official language would be to pluck the nettle firmly by the roots that there is any intention on the part of the Government of India to force Hindi on an unwilling

people. The advocacy of moderation by Rajendra Prasad or Pandit Nehru is not enough, if one thinks only of the turmoil in the South.

In fact, when one considers the complexity of the problem and the deep emotional and psychological reactions to the language question, it will be an act of folly to make the Parliament the sole judge and arbiter on so delicate and momentous an issue. The composition of the Parliament, the kind of interests it represents and the structure of the political parties in it—when one considers all these, it becomes more and more difficult to be persuaded that the Parliament can be the repository of so much wisdom. Better lack of clarity and slackness in implementation than a wrong-headed policy, clearly defined and pushed to the point of wrecking the unity of India.

It is true that the Parliamentary Committee had to confine itself to the terms of reference and was severely limited in its work. This probably explains its pre-occupation with such matters of detail as the language syllabus in service examinations and the various exemptions to be made in favour of English when the time comes for the change over to Hindi. In its recommendations on the language syllabus, the Committee makes conscientious effort to equalise the handicap of Hindi and non-Hindi speaking candidates. But the exemptions it allows to English gives away its case altogether.

If English is to be made the language in the High Courts, and medium of instruction for the officers cadre of all the fighting forces, why not go the whole hog and accept Hindi as one of the secondary languages?

Fresh Outlets for Bank Funds

BANKS continue to be overloaded with funds. Severe restrictions on imports and on advances against foodgrains have cut down the scope of short-term credit, while deposits continue to expand owing to receipt of counterpart funds under P L 480, deficit financing, opening of new branches and growth of the banking habit. More than one-half deposits are in the form of expensive time deposits, of which a large though unknown proportion is at call, the recent agreement among bankers notwithstanding. Since imports on private account are not likely to pick up significantly for some time to come, and the Reserve Bank is not likely to relax its restrictions on advances against foodgrains in the near future, new avenues of credit must be found to restore bank profits and maintain bankers' reputation for enterprise (though some may consider the latter a euphemism).

The speeches of Bank Chairmen this year, and discussion at the recent seminar on banking at New Delhi, have been largely pre-occupied with exploring new ways of extending credit. Bankers, one would almost believe, have been telling one another what a nice thing it would be if they bothered a little less about conventional collateral, and got new borrowers on their

ledgers. Shri S P Jain in his speech from the Chair of the Punjab National Bank, for instance, referred to the possibilities of extending medium term credit to industries in need of funds, of financing hire purchase transactions and urban house-building, and finding out new securities which would be acceptable.

By themselves, these suggestions are, of course, not new. Critics have often complained that banks do not undertake industrial financing to any extent, to which the answer is that they cannot, since their liabilities are short-term. The phenomenal expansion of time deposits, the intimate association of several banks with industrial houses, and assured protection to industries, have enabled banks in recent years to play a much more important part in industrial financing than they ever did before. It is not that banks are extending medium and long credits; industry is still financed through short term advances, but advances which are continuing and which are renewed when they fall due.

This has been going on for quite some time, but the bankers' demand for facilities to bring such advances out into the open is relatively new. In fact the Refinance Corporation was set up in response to this de-

mand, though banks may not care, at the moment, to go to it and expose themselves and their clients to inconvenient investigation. What the banks now demand is liberalisation of eligibility conditions, a wider choice of collaterals which they can accept, without attracting adverse remarks from Inspectors of the Reserve Bank. To this there should be no objection *per se*; it is not undesirable that force of circumstances and declining profits should make the bankers take a new look at things in a changing world.

A number of institutional changes would be necessary, however, if bankers widen the acceptable collateral. Personal credit registers would have to be maintained on the basis of market investigations of borrowers' standing and reputation. Bankers, moreover, would have to be prepared to exchange information about clients, which they do not, at present. Since there is so much talk of liberalising credit terms, and banking executives have been talking a lot of the latest developments abroad, it is surprising that there has been no suggestion yet for setting up a common agency for credit investigation. If bankers can come together to regulate rates of interest on deposits, surely it should not be im-

possible for them to co-operate in establishing such an agency.

Another worthwhile attempt to expand credit can be a greater association of shroffs and other indigenous bankers with commercial banks. At present, only a few banks take interest in re-discounting of hundis. Others are supposedly restrained by the Reserve Bank's non-acceptance of these documents as eligible collateral. This by itself is not a sufficient excuse for refusing to enter into the hundi business, for what proportion of the normal advances of commercial banks are after all capable of being shifted to the Reserve Bank in one form or another? Even at its peak, scheduled banks' borrowing from the Reserve Bank against bills has never exceeded about 7 per cent of total bank advances.

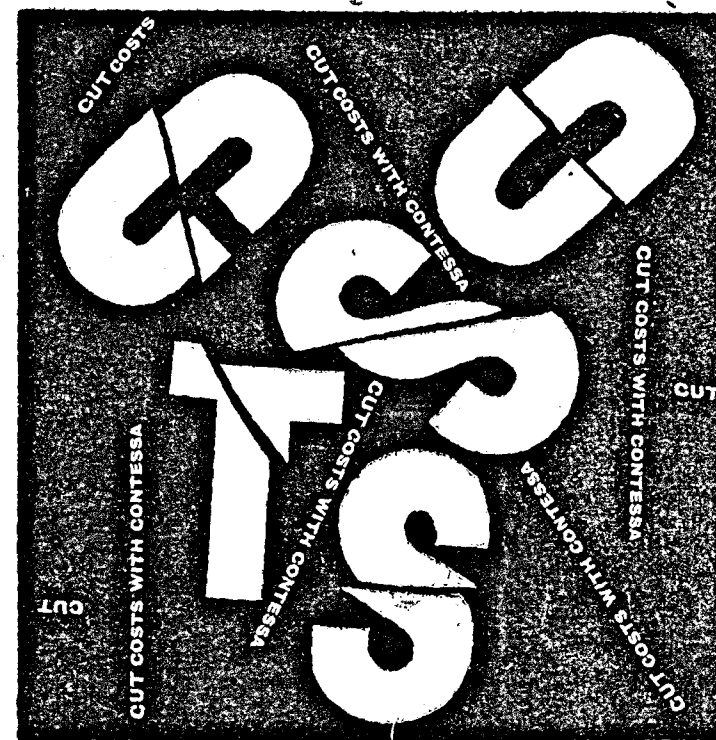
Though banks do a certain volume of rediscounting of hundies, the amount of finance flowing into the indigenous money market through this channel remains extremely limited. Neither the number of approved shops entitled to this specification appear to have changed significantly over the years, nor has their credit limits been expanded to any appreciable extent. This situation is difficult to explain. How come that in a period of general expansion of trade and industry and very substantial expansion of banking activities of all sorts—deposits, advances, opening of branches—this particular line of credit should register no commensurate expansion?

Probably the explanation is that the trend of developments ever since the inception of the Reserve Bank and particularly in the last decade has been away from indigenous banking and in the direction of setting up of new institutions which are modern, organised and independent of the personal or family credit on which this type of banking has always been based. It is now almost forgotten history that when the Reserve Bank was set up, one of the important functions expected from it was to integrate the indigenous with the organised money market and to bring the shroffs into its fold. The question has cropped up from time to time and has also been debated, at intervals, with some heat.

It has now come to be assumed that banking of this type should be left to die a natural death and other

institutions must increasingly take up the functions discharged by the indigenous banker. But are the other institutions really discharging these functions or even taking them up? There is grave doubt. It would therefore be a welcome development if the pressure of idle funds forces the scheduled banks to look for new

outlets for the utilisation of their funds and leads to a fresh exploration of the hitherto neglected byways or the permanently depressed areas of finance, to which the small trader has to turn for his requirements. Most of the scheduled banks have hitherto disdained even to look at these lowly quarters.



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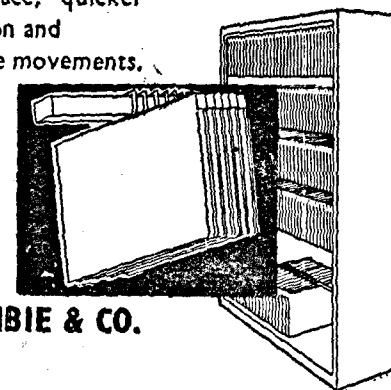
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Weekly Notes

A Case for Clarification

IF any Government policy needed clarification, it is the policy on co-operation. The Working Group which has submitted its report (reviewed elsewhere in this issue) could not be expected to do it, because it was primarily concerned with organisation and procedure. So fool-proof is the civil service technique administration that it can be completely dissociated from the thing to be administered. The Working Group obviously did not have the faintest idea what the National Development Council really wanted. Neither did the latter for that matter; it had only a vague urge for a change that would push up agricultural production, revive the village community and the administrators got down to something which would make sense administratively. Service co-operatives which is the main pillar of the new structure of co-operation do not figure in the Co-operative Manual. In fact the term is unknown in the official terminology of co-operation.

If service co-operatives could really function effectively and even the small farms became viable units as a consequence, of course, no further change would be called for. In fact, assuming that these farms can profitably utilise and pay for them, the choice whether co-operatives or commercial agencies should supply these services, could be decided by the balance of advantages. In Danish agriculture, which is most co-operativised, one finds that some of the services are supplied by commercial firms, e.g. refrigeration, packaging and shipping, while others are supplied by co-operatives. But the basic question is whether the farms can be made viable or not. The necessity for an alternative arises from the facts of experience that farms which are too small (to call peasant cultivation units a farm, is itself misleading) cannot productively utilise these services and, therefore, cannot pay for them.

In fact, judging from the confusing, dingdong controversy raised by the Nagpur resolution, one would go wrong in taking service co-operatives in the commonly accepted sense. The Congress theorists

must have something different in mind though they may not have precisely defined it. Whether the village societies will do it or it will be done by co-operative unions or apex societies composed of such unions, the idea is to extend the functions of service co-operatives, so as to include land improvement, minor irrigation and tractor ploughing with the help of tractor stations. The idea of co-operative farming can only follow from this extended function of service co-operatives. Otherwise the argument that service co-operatives do not lead to co-operative farming and that they are substitutes for the latter, would be unanswerable.

The situation must differ vastly from one state to another, and even in different parts of the same state in regard to man-land ratio, size of holdings, fragmentation and resources of the peasants. In Eastern UP, one is told, the shortage of bullock power is so crippling that poor peasants are unable to plough their lands properly, and they have to pay an exorbitant price in terms of free labour and share of produce for the bullocks they borrow from the rich farmers. To organise mutual aid, which is common in some form or other in all peasant agriculture, and to make it available to the under-privileged at a modest cost, seems to be another idea—again vaguely felt, and not yet enunciated clearly—behind the advocacy for co-operative farming.

It is easy to see, or rather possible to argue, that in the Congress way of thinking, the main motivation behind the co-operative farming is not social justice, but increase of production. The National Development Council, it will be remembered, had resolved earlier that food production should be doubled by the end of the Third Plan. Was not the Nagpur resolution a direct off-shoot of this?

Widening Gap in Rubber

THE expansion of road transport, particularly that of long distance goods traffic, was referred to once again by Mr John Luckham in his speech at the last annual general meeting of the Dunlop Rubber Company. This, he said, had resulted in a steady increase

in the demand for truck tyres as the year progressed. Mr Luckham is on firm ground, for however inadequate or defective the statistics of road transport, truck tyres cannot lie for they do not wear out unless the trucks move. Whether they move on short or long hauls, however, is a different story. Particularly striking, as evidence of growth in road transport, was the increase in the demand for truck tyres during the rainy season when in the past years, demand always fell off.

As with tyres, motor and cycle, so with other rubber products, the demand goes up and up and so does the consumption of rubber. But the production of rubber in the country not only continues to lag behind, the gap between supply and demand widens ever more, and has to be met from imports in increasing quantities, both of natural and artificial rubber. The plant for synthetic rubber which the Government has decided to set up in UP in collaboration with Good Year, is, therefore, not so absurd or impractical a proposition as some may have thought.

In fact, the extremely slow pace of increase of rubber production in the country is nothing short of a tragedy, considering all aspects of the question. True, the Rubber Board has a replanting programme, and did put into operation a scheme of subsidy for encouraging replanting. In the first year of subsidy, in 1957, according to the Report of the Ministry of Commerce and Industry, 2,772 acres were replanted—1,442 acres by small growers and 1,330 by rubber estates. The response being poor, extra financial assistance has been offered to estates of 10 acres or less, since April last year. The replanting in 1957, assuming current average per acre yield, will produce, some years hence, some 40 tons, while the gap between production and consumption widened from 10,330 tons in 1957 to 14,239 tons in 1958, according to the figures cited by Mr Luckham. No wonder that the Dunlop chief's speech year after year should harp on this point. It is not only the higher prices that they have to pay for Indian rubber grown in India which the rubber companies resent.

Clouding the Summit

MR HAROLD MACMILLAN seems to be losing the Summit long before it is to be held. The Foreign Ministers' conference is now barely a fortnight away and the western allies have in fact even less time in which to compose their differences before encountering the Russians in Geneva. A commonly agreed western attitude has to be evolved, at the latest, on April 29, when the four Foreign Ministers are to re-assemble in London to finalise their approach. Mr Macmillan is thus under an extreme pressure of time. He has so far been unable to carry his allies with him; will he accomplish the feat in the next four days? That hardly seems very likely.

One speaks of "western differences" so often that one is apt to imagine that there are various conflicts of opinion between ally and ally in the West. In actual fact, on this particular point, there is only one division; and this exists between Britain on the one hand and all the rest jointly on the other. There was no material difference on the questions of German unification and European security between Dr Adenauer and Mr Dulles, nor indeed between either of them and General de Gaulle. The only difference of opinion is with Mr Macmillan, with all the other three ranged against him. In this wholly unequal line-up, Britain emerged defeated but undiscouraged from the Nato parleys of a few days ago. Will it be any different in London on April 29?

Only two factors of importance have cropped up newly, but neither of these appears to prove favourable to Mr Macmillan's brave efforts to approach the Summit with genuinely new policy for discussion. The first is the retirement, in unhappy circumstances, of Mr Dulles. One hears it said that Mr Herter has a more flexible mind than Mr Dulles's; but it should be remembered that it is Mr Herter himself who has been pleading the S line at all the recent exchanges between the western foreign ministers, as Mr Dulles was in hospital urging practically the whole of this crucial period. Whether or not this was Mr Herter's own personal view, he cannot suddenly retract from now. Moreover it is most improbable that the new US Secretary of State will plunge his country into an entirely different policy immediately on taking up office.

Deceptive 'Package Deal'

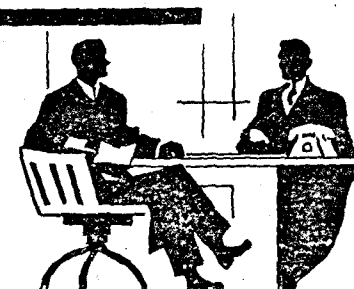
THE other factor is the projected retirement of Konrad Adenauer from the Chancellery of West Germany. It now appears that in agreeing to run for the Presidency, Adenauer had at least partly been persuaded by the exaggerated picture of the presidential powers drawn by his legal advisers. The constitutional position has now been clarified in more realistic terms; and it seems that the incoming President has to lay down all other appointments and all party affiliations the moment he is elected; nor can he directly name his successor to the Chancellery. This means (since the election to the Presidency takes place in July) that Adenauer will neither be Chancellor nor President when the Summit takes place (since President Heuss does not actually lay down office until September). Naturally, therefore, the Chancellor will do all in his power to get all his policy endorsed by all the western powers in as far as at least as the foreign ministers' conference is concerned. In doing so, he will also be prompted by the knowledge that Mr Dulles's removal from the scene

will put a greater onus of leadership on himself.

These considerations are the probable ones which explain the burst into renewed fury in the past few days of anti-British sentiment in Bonn. Dr Adenauer's attacks on British policy have never been so carping and so candid as now. He is plainly saying that Mr Macmillan is trying, in the infamous tradition of Chamberlain, to try and buy peace (this time from Russia) with appeasement and surrender. The best retort to this has been given perhaps by the 'Spectator': "For Germans, of all people, to accuse Mr Macmillan of wanting to do another 'Munich' is a little indelicate."

Bonn sticks out inflexible for German reunification and nuclear armament. Britain, more sensibly, puts forward a compromise plan for the internationalisation of Berlin and the confederation of the two Germanys in the hope that a spontaneous unification might follow in its own good time. The United States is suggesting a "package deal" as a further compromise on this compromise, in the hope of

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appeasing Adenauer. But the package is misleading. It does nothing to meet the good case put forward by Britain in support of its own policy. The American "compromise" is entirely one-sided in favour of the Adenauer line. It fails to exclude German unification, advances unacceptable proposals on disarmament and re-asserts western claims in Berlin.

The tragedy is that Mr Macmillan may have to accept this deceptive package with his eyes wide open: Both time and numbers are against him; and there is, above all, the prime need from the western standpoint to present a united front to Russia in Geneva. Since it is easier for one party to give in than for three, Britain may have to abandon her crusade for a promising Summit. What we may now get is either no Summit at all, or one whose chances will have been thoroughly wrecked in advance by a repetition of western inflexibility on May 11.

Retreat from Goods Transport

THE Bombay Road Transport Corporation has now reached a stage when consolidation and measures for raising of efficiency have displaced expansion as its principal concern. During the year ended March 31, 1958, the number of its routes increased by less than 13 per cent over the previous year, but considerable improvement was recorded in reducing breakdowns, improving punctuality, and raising of workshop efficiency. This was facilitated by road programmes under the Second Plan, which brought down the percentage of bad and kutcha roads under operation from 57 per cent to 52 per cent, which, however, is still on the high side. Gross mileage during the year aggregated to more than 7 crores; the ratio of dead mileage to effective mileage was successfully brought down from 2.83 per cent to 2.46 per cent. Route mileage was also higher at 54,000 miles against 47,000 miles. Average earning per passenger went up slightly to 54 nP due to a rise in the average distance travelled by passengers, which indicates the greater mobility that has been facilitated by the Corporation's operations. The entire bus fleet has now been converted to diesel. Raising of the duty on this fuel in the Budget is, therefore, likely to raise operating costs during the current year. Considerable improvement was recorded

in vehicle and crew utilisation, but the wide variations from division to division still leave room for further attention to these crucial factors.

The Corporation's entry into goods transport has not proved a success, even though it received Canadian aid to the tune of about Rs 1.5 crores for this purpose. It is now proposed to convert goods vehicles into passenger buses and to sell the remainder to the Public Works Department. The Corporation has obviously not been able to withstand competition from private goods operators, who are much more enterprising in attracting traffic.

Concerted efforts have apparently been made to raise workshop efficiency, which had been the target of considerable criticism all these years. More scientific methods are being evolved and implemented to control costs and save materials from premature scrapping. Scrap from tyres is, for instance, being used now for making rubber ferrules and grommets for radiators, etc. The retrieving and manufacture of parts is estimated to have saved Rs 25 lakhs in foreign exchange during the year.

Total capital employed in the Corporation at the end of the year was Rs 16 crores, of which about Rs 12 crores consisted of capital contributions from the Union and Bombay Governments. Of the balance, another Rs 2 crores came from Government by way of loans, and the remainder from Debentures. Its net profit, after charging deprecia-

tion and sinking fund provision, as percentage of total capital employed declined to 9.6 per cent from 10.7 per cent in the previous year. The decline is attributed partly to transfer of areas consequent on reorganisation of States.

More than Rs 1 crore was spent on capital items during the year. Total fixed capital expenditure till the end of the year aggregates to a massive total of Rs 16 crores; depreciation amounts to Rs 6 crores, leaving net fixed assets of Rs 11 crores. The Corporation's investments in Government and semi-Government securities amount to nearly Rs 6 crores and cash and bank balances account for another Rs 1 crore. The latter appears rather excessive and could be reduced. The balance sheet as on March 31, 1958 carries a curiously large item of Rs 17.70 lakhs as 'cash in transit' against nil in the previous year. No explanation has been offered for this.

Another interesting item in the accounts is the payment of Rs 1.5 lakhs as audit fee against Rs 1.6 lakhs in the previous year. Joint stock companies with nearly thrice the turn-over of the Corporation pay only a few thousand as audit fee. The cutting down of its jurisdiction appears, further, to have effected no economy under this head. Does the Director of Commercial Audit, who is the statutory auditor of the Corporation, expend labour of this magnitude when the Corporation itself maintains a fairly large accounts department?

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Letter to the Editor

Agitation Against Betterment Levy: A Reply

SHRI R P Kamat characterizing my approach as 'doctrinaire' says in your issue of 11th that our experience regarding cooperative farming has not been successful. I was extremely careful to insist on genuine cooperatives as against pseudo-corporations formed by some rich families or groups of rich farmers to evade ceilings. These do not unleash any popular enthusiasm. He will agree that a genuine cooperative movement has yet to be inaugurated in India. Creation of a fair degree of equality between those who are to cooperate is necessary and this has to be done by means of land reform. This is an important consideration, since cooperation between the lamb and the lion can take place only in one way. Genuine cooperation not having even been attempted in India, it cannot be accused of having failed.

Further, I never said that the richer sections of the agricultural popu-

lation were being heavily taxed. But who can impose further taxes on them, until the economic base which is the source of their power is taken away? The figures regarding additional targeted revenues from agriculture and the actuals during the first plan which I cited show precisely this. The social and political power of the kulak is a serious factor to cope with. The NSS 8th-Round data show that 12% of rural households owned more than 10 acres each (66% of the total area). It is these people who form the rural leadership inside and outside the Legislature. Will they tax themselves?

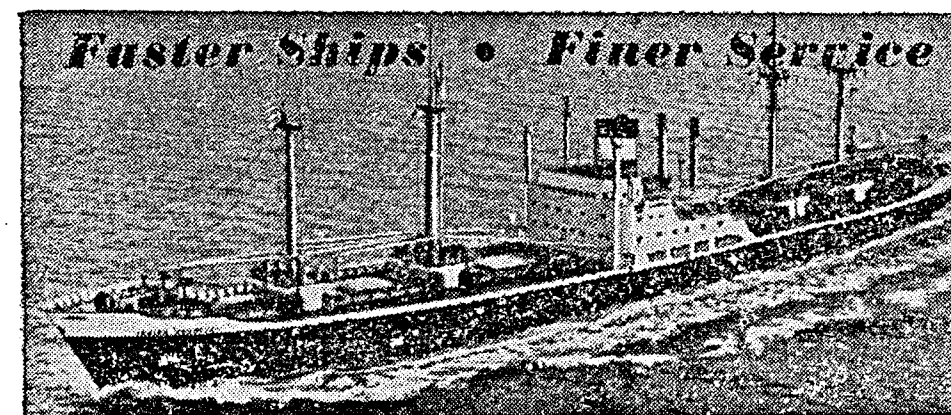
Lastly, it is rather platitudinous to talk of a "wider rural developmental programme" which alone can mobilize the present unutilized labour to create capital. There is no such mass of unutilized labour just lying in wait in the countryside which needs only to be picked en bloc and put on capital construction projects. Such a surplus no doubt exists, but it exists in a form which cannot be utilised without first making insti-

tutional changes in agriculture. It exists in the form of seasonal under-employment for almost all. This has first to be converted into seasonal unemployment for some in agriculture in order that the latter may be diverted to capital construction. This can be done by making those who are left behind to assume obligation for the others' land and resources, which in the present Indian conditions is possible only through cooperativisation. Pressure during the peak season can be relieved by introducing simple mechanical devices and by bringing back some labour from the minor capital construction projects.

It is in this sense that the incapacity of our agriculture 'as at present constituted' to furnish additional resources for development must be studied. The agitation against the Betterment Levy indicates precisely this incapacity.

Narindar Singh

Ford Foundation Unit,
Panjab University,
Chandigarh.
April 15.



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Our Delhi Letter

Cost Structure of I A C

THE report on the cost structure of the Indian Airlines Corporation does not give us any new insight into the ills of the Corporation, nor has it shown much ingenuity in suggesting remedies for them, in spite of the fact that the committee was headed by a recognised international authority on aeronautical economics.

The most immediate need for the Corporation, according to the committee, is to imbue I A C with a commercial spirit and develop within itself a new cost consciousness—a suggestion which by no means is very original. To achieve this, it has asked for the adoption of closer relation between the management at top and workers at a lower rung, and also for stringent budgetary control.

It is good to learn that the committee "formed a high regard for the professional integrity of the I A C management" though it has also found that the general morale of the I A C staff at junior management level was rather low. In this connection, it has put forward an interesting thesis namely, the greater the gap between receipt and expenditure, between expected high morality and prevailing low morality, more frustration will it create among the subjects which, in turn, will lead to still greater gap (another vicious circle!). Little did we expect these chirpy comments in a technical report like this.

A major share of blame falls again on workers. "Unless the workers can be persuaded to recognise the need for great improvement in the present level of productivity there is not much hope that major reductions can be made in the level of operating costs." But while discussing the actual cost structure, the committee did not point out where precisely was the productivity of workers so low as to make for high cost. The nearest it came to suggesting it was in regard to the surplus staff in maintenance and overhauling works. Since the Corporation is committed to no-retrenchment policy, the only way out is to accept surplus staff and allow it to be wiped out by future increase in operations. It is

simple commonsense that here increase in productivity per worker cannot do a thing except increasing idle time.

Dakota Route Losses

It is found that the operating and maintenance costs of Dakotas are much higher than they should be. At the same time the committee has found that in the case of Viscounts, in the utilisation achieved, in the work of maintenance and overhaul and in the general level of operating cost, I A C compares favourably with Viscount operators in the other parts of the world. The committee also observed that "No substantial reduction in I A C deficit can be achieved unless the Dakota route losses can be greatly reduced." That is why the committee has seriously considered the question of replacement of Dakotas by Twin Dart aircraft which would carry more passengers. If the replacement takes place, the operating cost per ton mile for the new aircraft would be 25 per cent lower than those of Dakotas in 1957-58. These observations clearly bring out the fact that the high cost result from the utilisation of outmoded aircraft and throwing blame at all doors only shifts the attention from the main point.

A substantial economy would also emerge if the average utilisation of the Dakotas could be increased. The daily operating aircraft are only 60 per cent of the total active fleet of passenger aircraft. This ratio can easily be increased to 70 per cent.

In conformity with their suggestion for inculcating commercial spirit, the committee has in general advocated the use of the famous marginal principle. At each step the management should consider whether additional cost would justify the additional benefit flowing from it. But the committee, apparently, did not have much faith in this principle when considering the general rise in administrative cost. According to it, the cost per C T M of General Administration has risen by almost 40 per cent. This rise indicates that the total cost of this function has been increasing more rapidly than the

output of the airlines. Yet the committee has justified this rise on the ground that a certain kinkiness is bound to develop at one stage in the administrative cost in the course of the development of airlines!

Standard Cost of Operation

The procedure adopted by the committee in fixing standard cost for operations of different types of aircraft, calls for some observations. The rationale of fixing standard cost is the same as that of setting norms. As such it should not be too difficult to achieve nor should the norm be the same as what is actually being achieved, for the essential purpose is to goad the management on to strive for greater efficiency. In fixing the standard direct cost per hour for Dakota operations, it is found that the standard cost per hour is lower by Rs 79 in comparison to actual I A C cost per hour in 1957-58. The major portion of the economy is expected in the maintenance and overhauling costs which account for about Rs 66 per hour. Now is this reduction in cost difficult to achieve immediately? The committee says 'No'. It points out that the standard cost for maintenance and servicing is based on cost levels which I A C is itself achieving at Delhi at the present time. As regards cost of overhauling also, it has based the standard cost on the overhauling cost at Calcutta.

In the case of operation costs of Viscounts, the standard cost is less by about Rs 156 per hour, the bulk of which reduction is again based on lower maintenance and overhauling costs "currently being achieved by the I A C", and also due to higher average utilization per annum which is expected in 1959-60 according to I A C plan.

As regards the direct operating cost of Skymasters, one is surprised to find that the standard cost per hour has been fixed above the actual I A C cost per hour in 1957-58. The reason furnished is that average utilization of Skymasters is likely to fall from next year. The assumptions on which this forecast is based are not clear. And if there is at all any increase in cost due

to lesser utilization, then can it not strive for economy in other directions, the scope for which has not been examined at all? If standard cost is higher than actual cost, then the *raison d'être* of setting norms disappears.

Now from the above sketch of the method for arriving at standard cost for different types of aircraft, the general impression one gets is that in most cases it is based on actual cost incurred in the more efficient units and on the economy or diseconomy which is likely to accompany higher or lower average utilization of the aircraft within a year. Considering all these, one can say unhesitatingly that the standard cost is not something which cannot be immediately achieved. And therefore one cannot understand the committee's apologetic attitude towards its immediate implementation: "In our recommendations on the standard cost which should be used by the Government we have assumed a higher level of efficiency in some phases of I A C operations than it is reasonable to expect that the Corporation will be ready to achieve for some years.... Hence an additional subsidy should be paid during this period to cover the difference between the subsidy based on standard costs and actual deficit incurred by I A C." This fits ill with the earlier emphasis on cost consciousness and commercial outlook.

Kohinoor Mills

THE textile crisis continues to bedevil the trading results of Kohinoor Mills of the Killick Group. During the year ended December 31, 1958, total sales turnover rose from Rs 6.19 crores to Rs 6.27 crores, but profit margin shrank from 2.6 per cent to 0.4 per cent, and gross profit from Rs 16.15 lakhs to Rs 2.65 lakhs. Even after a substantial saving under tax liability, net earnings came down to less than Rs 65,000 from Rs 6.65 lakhs in the previous year. The reduced dividend of Rs 10 against Rs 18 per share has been made possible only by drawing down the machinery and dividend equalisation reserves since the general reserve had already been raided last year. Net block has expanded from Rs 83 lakhs to Rs 85 lakhs, while stock of raw materials has been pruned down from Rs 103 lakhs to Rs 39 lakhs, and secured loans from Rs 98 lakhs to Rs 36 lakhs.

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Murky Light on Co-operatives

Report of the Working Group on Co-operative Policy, Government of India, Ministry of Community Development and Co-operation (Department of Co-operation). New Delhi, January, 1959, Pp 50.

THE Working Group on Co-operative Policy, which consisted of representatives of the concerned Ministries of Government of India, the Planning Commission, the Reserve Bank and the State Bank, has published its report. It was set up by the Ministry of Food and Agriculture for working out the administrative and organizational arrangements required for implementing the resolution of the National Development Council on Co-operative Policy adopted on November 9, 1958.

The report envisages organisation of service co-operatives or one-village society for each of the villages in India. This society will not ordinarily take up activities in which only a few are interested or carry on functions which involve long-term investment or financial risk. On the other hand, it is to undertake several other functions like the supply of agricultural requisites besides its primary function of provision of short and medium-term credit. While the broad division of functions between the Panchayat and the co-operative is recognised—one is an administrative body while the other is a business organisation—there should be fullest co-ordination between the two and of both these with the community development organisation. The society is also expected to assist in the formulation of agricultural production programme for the village and help actively in its implementation.

The report recommends two patterns of co-operatives—one general, the other for special areas. The general type of service co-operatives has been described above. It will have direct dealings with the central co-operative bank from which it will draw its finance. The other type, pattern two, is for adoption in special cases like backward areas, etc. In such areas, individual societies are to be brought together into a credit union for the primary purpose of supply of credit, although the credit union and the village societies will form two distinct legal entities. The membership of

the village co-operative and the credit union is to be identical. While the credit union will provide credit on the recommendations of the village societies, the village societies will in turn act as controlling units and as important parts of the mechanism which ensures the proper use of funds as well as their recovery. As the village societies are not expected to undertake risk relating to credit, they should be able to divert their energies to activities for increasing production and even undertake a certain element of risk for it.

This is in brief a summary of the main recommendations of the Working Group. The question is to what extent does this differ from the present pattern? Prior to the adoption of the Rural Credit Survey Committee's scheme and the resolutions of the Hyderabad Conference on Co-operative Marketing in November 1955, the co-operative credit structure consisted mainly of unlimited liability one-village societies except in Uttar Pradesh, where limited liability societies were in majority and in Bombay where group multipurpose societies covering two or more villages had been organised in recent years. These credit societies were affiliated to supervising unions mainly in Andhra, Bombay, Madras and Mysore. In other States there were not many supervising unions. Loans were made by the Credit co-operative banks, generally one or more for each district, to the primary societies on the recommendation of the supervising unions wherever there were such unions or directly. Most of these primary societies were single-purpose societies while some were multipurpose. The multipurpose societies were supposed to carry on marketing activities also. But as is well known, very few, if any, of these primary societies did any marketing.

After the Hyderabad Conference on Co-operative Marketing, it was decided to go in for larger-sized credit societies. The liability of these societies was to be limited and they were to be managed by a

fulltime trained secretary, the society had to have a share capital of Rs 20,000 and working capital to the extent of Rs 1,20,000. These large-sized credit societies were not expected to carry on marketing activities. The latter were to be taken up by marketing societies located at marketing/tehsil centres or tehsil headquarters. Both the credit and marketing societies were to be State partnered and State nominees were to be appointed to their boards not only to improve the financial position of primary societies but also to prevent the domination of the primary societies by interested groups like landlords, moneylenders and traders.

The exact number of larger-sized credit societies that had been organised is not available. The Second Five Year Plan provided for organisation of 10,400 large-sized credit societies and about 1,900 marketing societies.

The position as in 1957 was that there were in India 1,61,000 primary agricultural credit societies of which about 91,000 were of unlimited liability. There were also 32,000 agricultural non-credit societies of which 3,100 were 'purchase and sale' societies, 5,000 'production and sale' societies (other than marketing), 9,700 'production and sale (marketing)' societies and 8,000 'production' societies. Co-operative farming or irrigation societies were included under 'production societies'. We do not know the exact number of co-operative farming societies, but it could not have exceeded 4,000. Most of the co-operative farming societies were either joint farming or tenant farming societies. The number of collective farming societies was less than five hundred.

It is against this background that the recent resolutions of the National Development Council and the Report of the Working Group need to be studied. It is now proposed to organise service co-operatives in most of the areas and co-operative forming societies in some areas. The service co-operatives are not to be State-partnered but they are to be given a subsidy in order to enable them to maintain

full-time trained secretaries. It is not clear yet whether service co-operatives are to be engaged in activities like bunding, digging of wells, land development or afforestation, etc. But whatever the range of its activities, the service co-operative is to embrace all the families in the village, perhaps whether they are moneylenders, landlords or landless labourers. In fact moneylenders are even expected to deposit their funds with the co-operative societies, even though the rate of interest which they get by moneylending be twice or thrice as high. Again, the service societies are expected to work in close co-operation with the village panchayats, which are, invariably dominated by the interested groups in the villages.

The back bone of the report is the recommendation that in credit unions, trading and marketing activities are to be clearly separated. The question of State contribution to the share capital of the credit unions, however, still appears to be open. If a final decision has been made, it has not yet been made public. If credit unions are organised as recommended by the Working Group, they will have many of the advantages of the now discredited large-sized credit societies. They will also enable the service co-operatives to take up functions like bunding, well-digging, etc., which involve risks. But, on the other hand, the credit union will be another intermediary between the village society and the central co-operative bank, and to the hierarchical structure of co-operatives, another layer will be added. In the States where there are supervising unions, the credit structure will consist of the State co-operative bank at the top, the central co-operative bank or banks at the district level, the supervising union, the credit union, and perhaps the marketing society at the tehsil headquarters or the marketing centre, and the service co-operative at the village level. For long-term credit, the cultivators would of course have to go to the land mortgage bank. No change in its structure is contemplated either in the National Development Council's resolution or by the Working Group. The problem of ensuring effective co-ordination between the different co-operative unions will naturally be both difficult and important but whatever these disadvantages, they will be

more than outweighed by the advantages of the credit union—optimum size, State participation and separation of credit from other functions.

It is premature to pronounce a final judgment on the Working Group report as the decision on policy has yet to be announced in full detail. But, if one is to go by the National Development Council's resolution and make it workable in practice, it is difficult to see what alternative there could be to credit unions the creation of which has been recommended by the Working Group. Indeed this appears to be the saving grace of the report. Even though it is hazardous to make any comparison between India and China, there seems to be a lot of similarity between the concept of credit union as defined in the Working Group Report and the credit co-operatives which were in operation in China before the drive for organisation of communes gathered momentum.

The credit co-operatives in China financed the producer's co-operatives but did not undertake mar-

keting on their own. There were separate marketing societies which handled the produce of producers' co-operatives, whether of mutual aid teams or of co-operative or collective farms. But to say that formation of credit unions can make some sense of the service co-operatives which have now become the main aim of Government policy, however, is not to say that all confusion has been cleared up. Indeed there has been such frequent announcements of changes of policy and so many conflicting pronouncements from the highest quarters, that the least the Government can do is to issue a White paper on the subject, precisely enunciating the future policy on co-operatives, explaining the role in it of the different types of primary societies and the measures Government proposes to take for developing these co-operatives. Any delay in issuing such an explanatory memorandum will only add to the confusion. Today, planning is from below, but so far as the policy of co-operation is concerned the layman does not know where he stands, and the expert is no wiser.

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From the London End

Ghana's Second Development Plan

THE obstacles to the economic development of Africa, particularly Black Africa, are many and formidable; these difficulties are however given excessive emphasis in current discussions. Much is heard of the debilitating effects of the African climate and soil, of the predominance of the subsistence sector of most of the African economies, of lack of an appropriate infra-structure of transport and communications, of the absence of what the 'Economist' terms a "large dynamic white settlement", of the extended family system and so on. Indeed the prospect for rapid economic change in Africa is presented as being bleak if not impossible in our life time.

Where current discussions turn to the positive side, emphasis continues to be given to the need for a minimum of state guidance, for allowing the foreign trade impact to remain the dominant stimulus to economic change and otherwise to enable the objective laws of economic change to fashion in its own ways the transformation of Black Africa into a money economy. At times there is a recognition that scope exists for a limited diversification of employment in certain African territories: that, may be, some processing of domestically produced primary products may be undertaken as well as local manufacture of certain consumer products. The bugbear of all such discussions is of course the scarcity of capital: the future of the African economy is made to wholly depend on the confidence and inclinations of private investors abroad.

Emphasis on Infra-Structure

The "Second Development Plan 1959-64" issued by the Government of Ghana appears to have been formulated within this overall framework of Western discussions of African economic problems. In so far as the Plan intends anything substantial, it is, essentially in the direction of infra-structure and social investments. Its recognition that there exists a compelling need for a degree of industrialisation is substantially negated by the limited role given to state enterprise in the industrial field. There is a welcome emphasis on agricultural research to increase yields but little is postu-

lated or intended in the more crucial matter of agricultural organisation, co-operation and marketing. The fact that Ghana is young with considerable long-term potentialities may very well justify a 'plan' at this stage which amounts to no more than a systematisation of those necessary functions which the modern state is expected to undertake.

The 1959-64 Plan envisages an expenditure of £ 242 million of which about £ 124 million is committed for projects which are to be immediately implemented. This is to be compared with the 8-year "First and Consolidation Plan" started in 1951, involving an expenditure of about £ 118 million.

Sources of Finance

The report on the Plan provides little analysis on the sources of finance for the Plan, and the possible impact of the Plan on incomes, exports and Government revenue. There is a recognition that the finance for this programme is determined by the Government's reserves, by taxable capacity and by the Government's borrowing capacity. The report indicates that of the £ 300 million or so sterling balances in the name of Ghana, about £ 50 million can be regarded as "free reserves" available for financing the Plan. Next, of the sterling balances of the Cocoa Marketing Board (estimated at about £ 55 million), about

£ 25 million could be obtained for the Plan. With contributions from Government revenue the total availability of funds over the 5 years is put at £ 90 million.

The cost of the Plan is £ 242 million. There is an additional intended expenditure of £ 100 million on hydro-electric works of the Volta River Project. Thus in pure financial terms, the task of the Ghana Government is a formidable one. That is why the actual projects for implementation in the Plan period 1959-64 have been restricted to only what is regarded as essential. These essential projects are expected to cost £ 124 million, which together with the Volta River Project cost, may leave a gap of £ 134 million in the resources for the Plan. No indication is given how this gap is to be bridged.

The Priorities in Agriculture

The predominance of agriculture and particularly of cocoa farming is both a source of strength and weakness in the Ghana economy. Nearly two-thirds of the population are engaged in farming who probably contribute an equivalent share of the national income and possibly more of export earnings. The Plan envisages six priorities for agriculture in the next 5 years: to raise the yields of the cocoa industry; to bring large acreages under rubber, and banana; to lay 'the foundations' of cattle farming; to

raise the yield of cereals; to bring the Volta flood plain under irrigation and finally to promote the use of fertilizers.

Where these priorities call for the establishment or the 'foundation' of a new agricultural activity, experimental and demonstration farms will be set up. What they do not involve is any qualitative change in agricultural organisation—the direction of the Government's effort will be mainly education and research. The incentive for new settlements for the production of banana, cereals and rubber will be state subsidies. The cost of all these efforts will amount to £ 24.7 million of which £ 10.4 million is earmarked for definite projects.

While no estimate has been made of the expected increase in agricultural output resulting from these expenditures, there can be little doubt that the increase will be large. What is not so certain, however, is the extent to which the increase can in fact be mobilized over the next five years for the financing not only of the present Plan but for further developments on the agricultural front. And this appears to be the essential weakness of the Plan. The extended cultivation of cash crops may very well encourage the circulation of agricultural commodities, but its immediate impact may also be a sharp increase in consumption demand. The Plan recognizes the importance of agricultural co-operation, and agricultural savings and loan banks in this regard, but does not give it the emphasis which one would expect nor does it feature as a critical part of the general development process of this predominantly agricultural country.

Initiative in Promoting Industry

While something like 10 per cent of the total cost of the Plan will be allotted to "industry and trade", this remains the least satisfactory part of the Plan and for a good reason—the Ghana Government is caught in the inevitable dilemma, or more appropriately, trap, of desiring to take the initiative in promoting more industrial development and recognising that such an initiative may antagonise foreign capital and possibly domestic enterprise. The report blandly declares that "specially high priority will be given within the next five years to promoting the establishment, of not less

than 600 factories—producing a range of over 100 products." As to how this promotion will be effected, who is to take the initiative, and what the products will be, there is little information. The Plan outlines the industries which will be reserved for pure state participation—these are in fact all the normal public utility enterprises (electricity, railways, etc) as well as armament manufacture and cocoa exports. Apart from these industries, the entry of the State into manufacturing activity will be "where the financial participation of the Government is sought by private enterprise in order to establish a new industry". For this purpose some £ 10 million is allotted in the Plan.

It is clear that the industrialisation of Ghana must await the entry of foreign capital. The Government has indicated that apart from the constitutional provisions affecting nationalisation of foreign companies, it has entered into a treaty with the United States committing itself to guarantee the rights of American investors. In the meantime the Government will, according to the Plan, examine the possibilities of factory production of some 100 products. Under the first Plan an Industrial Development Corporation was established which set up various industrial undertakings. Under the new Plan, no provision is made for the I.D.C. to extend its operations in directly and wholly owned manufacturing activity.

Volta Project in Abeyance

The gamut of the Second Development Plan remains the creation of a sufficient infra-structure of transport, communications and power supply. Here the expected cost of investments may be as large as £ 153 million including the anticipated expenditures on the Volta River project. This project has been, so it appears, fundamental to Dr Nkrumah's designs for the economy of Ghana. He has espoused it in spite of many reports that the project would be unduly costly. Basically the purpose of harnessing the Volta River at Ajena is to provide electricity for the large scale exploitation of the extensive bauxite deposits some 200 miles away. The creation of a considerable aluminium industry with full smelting facilities and a capacity of 210,000 tons annually may decisively eliminate Ghana's depend-

ence on cocoa as the principal source of revenue and employment. At the same time, the huge artificial lake—over 3,000 square miles—which would be formed, could open up immense possibilities for an inland fisheries industry, water transport and irrigation. The cost of the project has been variously put at between £ 200-£ 300 million and Dr Nkrumah has tried hard to interest the major aluminium companies of the United States and Canada but with little success.

Under the present plan the project has been revised somewhat. The contract awarded to the U S Kaiser Corporation is only for some preliminary work on establishing the site of the dam and no more. In a word, the Volta River project stands in abeyance until it proves possible to obtain an international loan.

Modesty and Ostentation

The economic infra-structure in other fields continues apace. Roads, bridges, airports, post and telecommunications, railways, harbours and other transport facilities will absorb a fairly substantial part of the expenditures and the projects for immediate implementation under this heading are to cost £ 28.7 million.

The modesty of the Plan for direct economic development stands in some contrast to the expenditures which will be undertaken in certain other directions. Just under £ 2 million is allotted for an expansion of Ghana's diplomatic missions abroad. Further, a large international conference hall is planned for Accra and what stands oddly in this Plan is the intended construction of an expensive casino as part of the development of a tourist industry.

In general, then, the Plan amounts to no more than a list of intended investments in public utilities with certain expenditures which are directed to making agriculture more efficient. It is evident that industrialisation and economic diversification on any significant scale is not to be attempted in the coming decade and that what the Government of Ghana is now attempting is to create a suitable atmosphere conducive to the inflow of investment funds in the future.

Africa in World Economy

This element of realism in Ghana's approach to economic development

	Direction of Expenditure (£ million)		Second Plan 1959-64
	First and Consolidated Plan	Total Outlay	Projects for immediate implementation
Agriculture & national resources	7.6	24.7	10.4
Industry and Trade	5.5	24.5	14.0
Electricity	4.4	8.7	7.0
Communications	35.9	53.0	28.7
Local Government	6.0	18.8	9.2
Education	17.4	27.8	14.1
Information and Broadcasting	1.1	2.7	1.7
Health, sanitation & water	15.0	43.6	19.6
Housing	7.8	17.0	7.0
Police and Prisons	2.9	7.7	4.8
Miscellaneous	13.5	13.6	7.7
Total:	117.5	242.4	124.4

is only partly justifiable. One would have expected of the first independent Black African State a recognition that the pace of the political evolution of Africa into the world community and the contending interests and influences now coming to bear on Africa's future demand a somewhat ambitious plan to extricate this country from the shackles

of a colonial-type economy. The ultimate (but not very far off) in Africa's place in the world economy cannot be reached through the freeing of Africa into the existing pattern of specialisation. The problems are no doubt enormous, indeed formidable. But to depend on international private investment, as evidently the Ghana authorities

are inclined to do, is not to solve these problems; it will tie Ghana more permanently into the colonial pattern of economy. In this sense the caution and absence of direct State initiative to enlarge the productive base of the economy under public control appears to be unjustified.

A Decade of Fiscal Policy

B G Bapat

OF late, we find quite a spate of literature on economic development of underdeveloped countries. This long neglected subject has now been receiving a good deal of attention both from theoretical economists and practical statesmen. We can divide this mass of literature in two broad categories. In the first category we may place that part of it which deals with theoretical problems. In the other we can lump together the literature that deals with practical problems, statistical studies and policy conclusions. The book* under review can be placed in the second category. Dr Tripathy examines the fiscal policy of India during the past 12 years.

Criteria Not Clear

The discussion of "capital-output ratio" in the first chapter is not satisfactory. The author would have done better if he had examined this concept a little more closely, especially in the context of development finance. While discussing taxation as an instrument of development finance, the author has done well in stressing two distinct aspects of tax policy—one static and the other dynamic, although he is certainly not the first person to underline this division. He makes a point when he says that in its dynamic aspect "tax policy must aim at preventing the increment in output from being consumed by deliberately siphoning an increasing proportion of it into the pool of investible resources of the public sector" (page 11). The use of the word 'siphon' in this context does sound odd, however.

The author claims in the preface that in his analysis, "suitable criteria have been evolved which should guide fiscal policy in developing economy". Regretfully one has to note that precisely this has not been done. In taxation for development "raising of revenue" need not be the sole objective. No doubt it is an important objective. But in the context of development, the tax policy has to keep in view the following objectives—(1) lessening inequalities of income, (2) providing

incentives to private sector, and (3) dealing with inflationary and deflationary situations. Differences in objectives lead to differences in policy. For instance, a redistributive public finance will initiate a tax policy that may be in sharp conflict with a policy providing incentives to the private sector. Dr Tripathy has not made it quite clear which of these criteria he is going to apply while examining the tax policy followed during the past 12 years or what criterion he would like future tax policy to follow.

This is a serious lacuna. It is not sufficient to record faithfully different changes introduced in the policy by the Exchequer. For instance one would have expected such a survey to throw some light on the effects of incentive tax policy on the volume of investment. The Government has been giving Development Rebate to companies in respect of their new investment. Has this scheme worked well? Has it achieved the desired objective? We do not find answers to these questions in Dr Tripathy's book. He has collected and put together a mass of statistical data which is quite important in itself and still one feels that it could have been put to much better use.

Hostile Popular Approach

In his chapter on tax policy, Dr Tripathy analyses the factors hindering the effective use of tax policy in India. Here, among other things, he rightly points to "hostile popular approach" to taxation in India. He sounds convincing when he says: "before Independence taxation used to be looked upon much more as an instrument of political and economic domination over the country. This attitude has also been fostered by political parties. Even after Independence this attitude has tended to persist..." (page 143). The plain judgment of any discerning student of our tax policy during the past 12 years will be that our efforts in this direction have been halting and half-hearted. At times we are pressing the accelerator (in a loose sense) too much and at others, slackening the pace nervously. This type of approach to tax policy for development betrays a lack of confidence in and vision

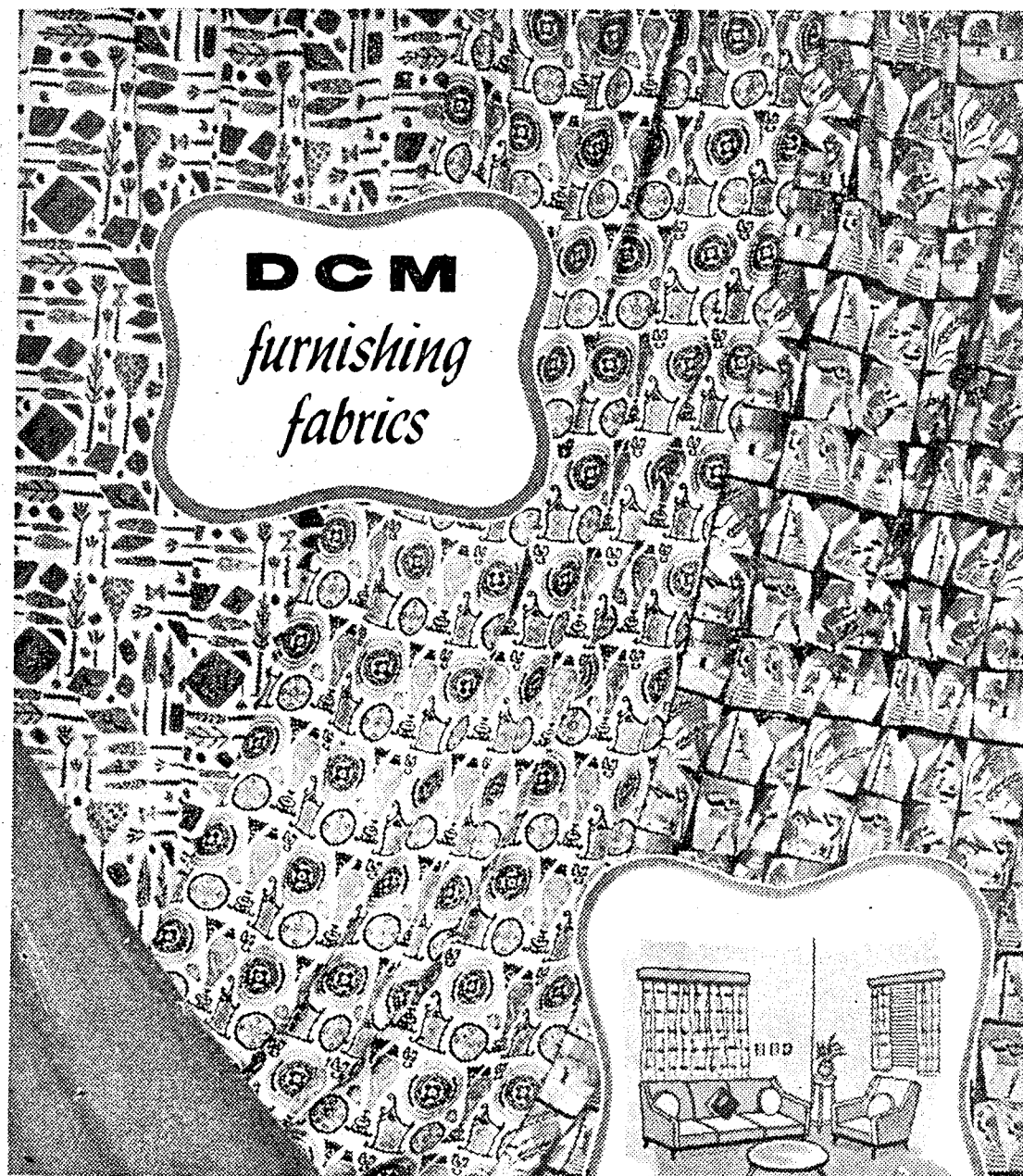
of future course of events. We are satisfied with imposing a new impost here and increasing the tax rate there. Even though we can say that our tax policy is development-oriented, yet the fact remains that we are no better than complacent reformers. One cannot resist the conclusion that, in the words of Dr Gyan Chand, "What we want is fiscal revolution and not fiscal reform."

The chapter on borrowing for economic development is the best part of Dr Tripathy's book. The author has very ably analysed the monetary policy during the Plan period. He has shown how the policy of "controlled expansion" is pursued by the Reserve Bank. Here the author has presented a very clear picture of the developmental functions of the Reserve Bank.

Co-ordination in Public Finance

The author has also carefully examined the structure and implications of federal finance in India for developmental purposes. He has attempted to demonstrate that centralisation of certain taxes will not remove many of the difficulties which have been attributed to the federal form of our public finance (land tax and sales taxation for instance) and concludes therefore that "the centralisation of the structure of public finance of India will not transform the role of taxation into an effective instrument of development finance for the public sector" (p 148). This conclusion, however, is at variance with what theory suggested to him in the very first few pages of his book where he says: "Thus, a highly unified structure of public finance appears to be the appropriate model of one suited to a developing economy. Viewed from this point of view, a federal structure of public finance in which constitutionally independent fiscal systems operate within a national economy may not conform to the requirements of a fiscal policy suited to a developing... economy, unless the fiscal policies of the Federal and State Governments are effectively co-ordinated" (p 19). Dr Tripathy will be a bold man if he says that our experience during the planning period entitles us to lay much store by co-ordination in the sphere of public finance.

*Fiscal Policy and Economic Development in India by R N Tripathy. The World Press, Calcutta (1958).



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Workers' Councils in Yugoslav Enterprises

D Jaksic

EACH year there is an increase in the amount of means at the disposal of the workers' councils in Yugoslav enterprises. In 1958, as according to data not yet completed, the workers' councils had at their disposal about 35,000 million dinars more than in the previous year, and it is expected that in 1959, the workers' councils will have at their disposal about 45,000 million dinars more. This is certainly due to the carrying-out of a policy of decentralization, and the giving of more extensive rights to the organs of workers' self-management.

It would be one-sided, however, to apply the expression "more extensive rights" only to the ever-greater amount of means which are at the disposal of the workers' councils. This year these self-managing organs have been granted a new right—the independent making of their tariff code; this is the basis document in an enterprise by which is formulated a definite policy of reward. In previous years, regardless of the fact that a workers' council could freely divide its means between personal incomes above the tariff code and the funds, the tariff code itself was in a certain sense bound to a definite level. This year these restrictions no longer exist.

The situation regarding distribution is in general as follows: out of the total of realized incomes, after deduction of material costs and definite obligations towards the community interest, taxes on turnover, land etc and after deducting contributions from income on the basis of a moderate progressive scale, there remains the net income of the enterprise, which the workers' councils independently distribute between various funds of the enterprise and personal incomes, this relating both to the part of personal income which is included in the tariff code and the part of it which is to be paid above the tariff code.

It is certain that in such a situation two questions will be of great interest to the economist: First, will the policy of distribution of income which is carried out by the organs of self-management in Yugoslav enterprises answer to the consumption and accumulation pro-

portions of the social plan regarding distribution? In other words, does there exist in the workers' councils a constant tendency towards investment, as an internal counterbalance to the comprehensible demands for the highest possible personal incomes? Second, will the earmarking of certain investment means by the self-managing organs correspond to those foreseen in particular branches according to the long-term plan of the development of Yugoslav economy? These questions, which are interesting from the point of view of the functioning both of Yugoslav economy and the mechanism of the economic system, enable us to penetrate somewhat deeper into the character of planning in Yugoslavia.

A Little Parliament

As in the General Assembly when the social plan is discussed, so in the workers' councils, when discussing the distribution of nett income different needs are expressed and discussed. First of all comes the need and the demand to balance the productivity increase with the personal incomes of workers. This demand is comprehensible and is therefore included in the economic policy of the country.

Against the conception of rising salaries coupled with the expectation of a rise in productivity, there is the conception of rise in productivity with higher personal incomes of the workers and employees as a subsequent result,—in Yugoslav theory and practice these are conceived as a parallel process. The rise in the standard of living must neither take place before the productivity, nor lag behind it; it must be the immediate result of the productivity. Every per cent of the rise in productivity should be reflected immediately in the standard of living. This is the task of the mechanism of distribution of income, which is carried out by the instruments which assign the so-called settlement between the enterprise and the community; this is however, to a great extent the task of the instruments of internal distribution of income in the enterprise itself, which is taken care of by the working collective, and which has to be allowed for in the tariff code of

the economic organizations. Hence the discussion which is taking place now in all Yugoslav enterprises is centered, not so much on the question of the level of the salary scales but on the problem of how to stimulate, with the use of various complex means, productivity and economization to the greatest possible extent.

Reward according to Productivity

The consultations organised by the syndicates have not as their aim the formation of an uniform attitude towards the establishment of the level of the tariff codes: they aim at the introduction of a complex reward according to productivity in all enterprises. The same people in the enterprises who support the claim for the greatest possible earnings and the most stimulative instruments of internal distribution of income at the same time, put forward in the workers' councils, in the discussion on the distribution of nett income of the enterprise, the other wishes and needs of the collective. They put forward the problem of financing flat construction for the enterprise, or for wider needs (those of the commune, etc); they bring up the problem of hygienic technical protection, of cheap food, of clinics in the enterprise, of financing cultural and sport development therein. All these demands, however, "attack" the same financial means which have also to provide a rise in the personal incomes of workers and employees.

And this is not all. These same people in the workers' council who express the demands of the collective for a rise in personal incomes, who express the demands for financing those objects and activities which enter social standards, express also to this organ of management demands of a third kind—of not lesser intensity, and of not less importance to the interests of the collective: demands for investment in the enterprise, for its modernization and reconstruction. These demands must also be met mainly from the nett income of the enterprise, this means they must be met from the resources the collectives have at their disposal, and they must earmark one part of these for per-

sonal incomes, one for the financing of the social standard and one for investments. There is no fear of a one-sided decision on the part of the workers' council, i.e., of a decision which would neglect the financing of one of the categories if the same attention is paid to all these demands. It is not only necessary to give equal importance to definite interests in these demands: interest in the rise in personal incomes, in the rise of social standards, and in investments are equally alive in a collective which has a strong "industrial composition". It is absolutely necessary that the collective should realize that both imposed social standards as well as investments in the enterprise must in most cases be achieved from these resources, which are at the free disposal of the enterprise; the collective must understand that its net income has to cover all the needs of the collective, including both momentary and permanent ones including the satisfaction both of long-term and immediate interests.

Self-Financing

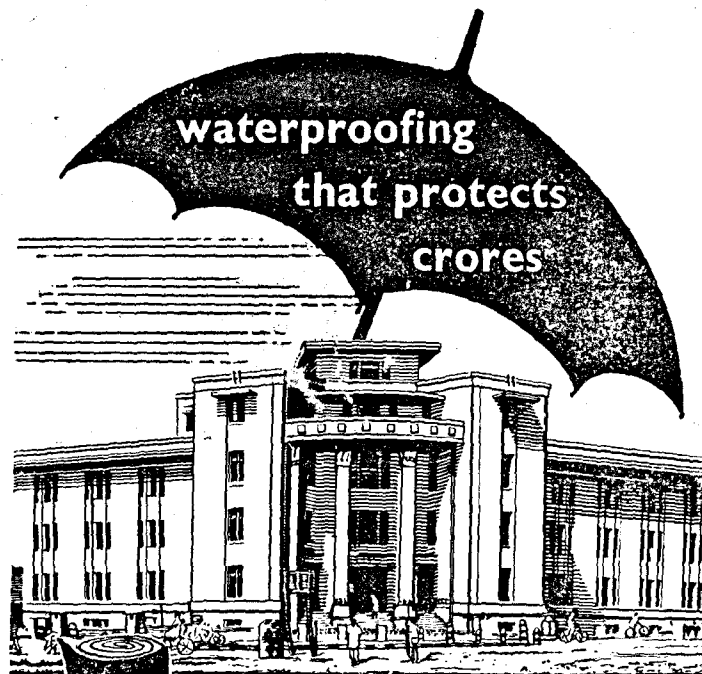
If the collective is conscious of the fact that nobody outside the enterprise is going to provide means for the modernisation of production or for investments in the realization of social standards, then we may really speak about the equality and homogeneity of the different demands for expenditure of the means at the disposal of the enterprise. Because some remnants of previous methods of financing of the construction of objects of social standards and investment still occasionally give the illusion that this is the care of others and not primarily of the collectives it was possible in previous years to make onesided decisions that did not take into account this or that demand for a definite kind of investment from the means available to the collectives. To create a situation in which it is almost impossible for a onesided decision, it is not necessary to manoeuvre with state intervention or with the amount of means which are left at the disposal of the collectives: it is only necessary to see that the existing system should be realized fully, so as to kill the last illusion that the care of social standards or modernization and reconstruction of the enterprise is not the business of somebody outside the enterprise.

Regarding the amount of means at the disposal of the collectives, it is evident that we do not consider the possibility that the collective would be able to finance alone any kind of reconstruction. The system of participation in financing investments according to which a collective, according to the kind of invest-

ment, must contribute part of the total foreseen sum, has the effect of avoiding discouragement of the enterprise when realizing the immense sum needed for financing investment activity of the enterprise.

The proportions by such distribution of means at the disposal of the enterprise will in all enterprises be

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more in accord with the proportions foreseen by the social plan as the collective understands and accepts as its own the economic policy expressed in the plan. And this again means that its economic policy must reflect most fully the interests and needs—both temporary and permanent—of all producers.

The results of the investment policy in the past years shows that both the enterprises and the communes paid very great attention to investment activity and that handling quite independently the definite means, they understood the extended reproduction not as an imposed interest, but as their own interest.

Consumption vs Investment

If we analyse the fulfilment of the plans in 1956 and 1957, and even in 1958 we shall see that, apart from the wider means which collectives and communes independently share between consumption and investment, the proportions of the social plan, especially regarding the ratio between consumption and accumulation, are not only realized but exceeded, in favour of accumulation. This was achieved in the sector of decentralized means. It is clear that this would not always be favourable or in accordance with the formulated economic policy, but it shows that the organs of management of the decentralized means are often more strongly influenced by investment propensity than by the wish to raise nominal personal incomes in order to improve the standard of living.

Thus, if it is necessary to exert influence on a collective in order that it should make the most rational decision regarding the distribution of net income, and one which would be most in accordance with the proportions of the social plan, it should not consist of ordering the level of personal incomes, but of the recommendation of a definite act before beginning the distribution of the resources of the enterprise. This definite act enables every member of the collective to get deeper insight into the needs and capacities of the enterprise, and then, on the basis of such needs and capacities, the final decision should be taken. Of such a character is the recent regulation of the Federal Executive council, which prescribes the action to be taken in making tariff codes. This regulation orders nothing, forbids nothing, it only recommends the way to view

best the needs (investment, standards) and capacities (resources) of the enterprise.

Unification of Resources

If in regard to the basic distribution of resources which the enterprise handles there is no danger of a one-sided decision which would affect personal incomes or social standards, there are some objections regarding the use of resources which the enterprise has put aside for investments. The Yugoslav plans take into account these resources—and not only the Federal investment means—when anticipating construction in a definite branch of economy, or an increase in the range of production. But because these resources were relatively small, especially in the enterprise, and not sufficient for the construction of a certain object, a real danger existed that they would be spent irrationally, i.e., that they would serve to cover some peripheric and not essential needs.

The above led to the course towards a certain unification of decentralized investment means in financing larger projects. This course must not be understood as an administrative recentralization of means, as a policy aiming at the accumulation of these means and using them for definite purposes. Neither must this course towards the joining together of the means be understood as a policy of "inactivity", of waiting for the enterprises themselves to realize that the pooling of resources is to their interest, that they could never build alone what they could build when united with other enterprises.

Plough Back and Social Expenditure

Instead of one or the other extremity, the effective way towards unity of means lies in the stimulation of the economic interest in the enterprise towards co-operation. With separate economic instruments, the enterprise must become aware of the fact that it will be to its advantage to unify its means with those of the other enterprises rather than to act alone. A wellguided policy of pooling of resources, a policy of stable prices, of ensuring by the enterprise that the resources, when consumption is delayed, will not be later devaluated or blocked, are among these stimulations. The stimulation of investment in definite branches by the eventual selective taxation of the investments consti-

tutes a similar stimulation. Finally, the removal of all obstacles in the field of prices and taxation regarding co-operation and co-production will enable the enterprises to find their interest in the unity of their resources, and not in spending them immediately as they are formed.

It is evident here that the unification of the resources is dedicated to the investments. It is similar, though not identical, with the situation regarding the pooling of resources dedicated to social standards. With the object of unification of resources dedicated to the social standards, one can more easily imagine the pooling of resources of diverse enterprises on a definite territory than the pooling of resources in the participation of the same line of production.

This year, together with the realization of even larger resources at the disposal of the enterprises, a serious effort has been made to stimulate the unification of investment resources. The way is open for the priority of investment of big means over investment of fragmented means; at the same time we see the full significance of the policy of investment of those directly interested—in relation to investment decisions from the centralized resources.

Final Estimate of Kharif Pulses

PRODUCTION of Kharif pulses (other than Tur) increased by 11 per cent in 1958-59 over the previous year. The rise occurred despite a small decrease of 1 per cent in the area under cultivation. According to the final estimate of Kharif pulses, production rose to 1.54 million tons from 1.39 million tons in 1957-58, while the area under cultivation declined from 15.65 million acres in 1957-58 to 15.50 million acres.

There was marked increase in production in Bihar, Madhya Pradesh and Rajasthan while the decline in acreage occurred mainly in Bombay, Punjab and Rajasthan. Production increased in all the pulses, particularly of Urad, Kulthi and Moth.

Kharif pulses covered by this estimate comprise about 60 to 65 per cent of the total area under all pulses other than Gram and Tur. Some of the pulses, such as Urad, Mung and Kulthi, included in the estimate are grown also during the Rabi season in certain States and their estimates will be included in the estimate for 'Other Rabi Pulses'.

Capital Costs of Rail and Road Transport

The Swedish Experience

George Isaac

IN the Second Five Year Plan Rs 1,125 crores, or slightly less than 25 per cent of the total outlay of Rs 4,600 crores, was allocated for direct expenditure by the Indian Railways. Rs 263 crores was allocated for the expansion of road transport.

The basic assumptions for this division of resources were as follows:

- (i) That road transport is unsuitable for movement of steel, metallic ores, coal, and heavy products of that category.
- (ii) That capital requirement for road transport is considerably higher than for rail movement. Specifically, to illustrate this point, it was calculated that the carrying of a million tons of goods over 300 miles would involve an investment of Rs 11.6 crores on vehicles alone, in the case of road transport; while for railways the capital required would be only Rs 4 crores.
- (iii) That the cost per ton mile for road transport, under favourable circumstances, would be a minimum of 37 nP, while the railways could carry goods at between 11 nP and 20 nP per ton mile. (See the article by K B Mathur, Member Transportation, the Railway Board, in the 'Eastern Railway Magazine', April 1956. This is incidentally the only explanation that this writer has seen in print for the way in which funds were divided between road and rail development.)

In this article it is proposed to verify these assumptions in the light of Swedish experience. All cost figures have been converted at 110 Swedish Crowns = 100 Indian Rupees.

Swedish experience suggests that the first of these assumptions is in no way responsible for the views expressed, which are the author's own.

not strong enough to justify the weight it has been given in our planning. Vast amounts of steel, metallic ores, and other heavy commodities are carried over long distances by road in Sweden. Indeed, transport of heavy cargo by road is expanding very rapidly. A great deal of enterprising effort in the technical improvement of vehicles and trailers has led to a steady fall in the ton mile cost of such transport. Specifically the cases of The Boliden Gruv AB, and the two great steel companies, Stora Kopparbergs Bergslags AB and Sandvikens Järnverk AB, three of the largest Swedish companies, illustrate the increasing use of road vehicles to carry ores and other heavy products over long distances.

What led to the remarkable expansion in the carriage of metallic ores by road over the last few years? Boliden Gruv AB explains that the capital cost in using road transport is much less than the capital cost involved in building and equipping a railway line, and that the life of most of the mines it operates would not justify the high cost of building railways. (B Gabrielsson of Boliden AB in the Swedish Road Association Periodical, No. 5, 1955.) If this contention is true, it would imply that the second basic assumption of the Second Plan also requires re-examination.

II

To get realistic figures of capital costs of carrying a certain quantity of goods by road during a year, and the alternative cost of carrying them by railway, is an extremely complicated and difficult business. In what follows, an attempt is made to give an idea of the relative magnitudes involved, by examining a concrete case of carrying three million tons of metallic ore over a distance of 100 miles. In both cases the cost of ancillary installations have been omitted.

The costs in the case of road transport were calculated with the assistance of The Swedish Road Association, the Scania Vabis AB (a manufacturer of road trucks) and the transport chief of Boliden Gruv AB. The type of road truck on

whose cost data these calculations are based is a type currently in use with Boliden Gruv AB and the vehicle performances are realistic in the sense that they represent the actual experience of vehicles used by the company. The Boliden Company hauls its ore over distances of nearly 62 miles, on low quality gravel roads. The cost of the road in the calculations that follow is the official figure taken from 'The Road Plan for Sweden' (The State's Official Investigations 1958), and refers to metalled surface, so that if anything, the costs for road transport are overestimated here.

Capital cost of carrying three million tons of ore a year, over a distance of 100 miles by road:

Cost of 100 miles road,	
at Rs 2,90,910 per	
mile*	Rs 2,90,91,000
Cost of 200 vehicle	
combination at Rs	
99,200 each†	Rs 1,98,40,000
Total	Rs 4,89,31,000

Calculating the capital cost in the case of the railways we run into an initial difficulty. Since 1938 Sweden has been gradually dismantling its railway system. Hardly any new railway track has been laid, and it is extremely difficult to get estimates of current costs. The final figure used here, i.e., Rs 7,27,000 per mile of track, was accepted as a minimum figure after much discussion with the Bureau of Economics of the Swedish State Railways, and the Communications Department of the Swedish Royal Chancellery.

This figure, which is for electrified track is fairly close to the estimated cost for laying unelectrified track, given in the Indian Railway Budget, 1956. (See Table I)

A coincidence concerning a related point much simplified matters. From the great mines in Kiruna in northern Sweden, some 4,200 three axled wagons of a type known as MAS

* The comparative cost of road in India is in the region of Rs 85,000 per mile. (Indian Road Transport Development Association News Letter 16th August, 1956)

† Details regarding the number of trucks, see page 581.

with a capacity of 40 tons each, are used to haul 14 million tons of iron ore annually, to the port of Narvik and Lulea. The average distance of the haul is a little over a hundred miles—i.e., 168 km (Petri: Svenskt Transport Vasende) sufficiently close to the haul in our example, to warrant the following broad argument:

Number of MAS wagons actually used to carry 14 million tons over 100 miles:—

Number of MAS wagons approximately required to carry 3 million tons over the same distance:—

$$4200 \times 3 = 12600$$

In what follows, the cost of wagons, and the cost and number of locomotives required to haul this traffic were supplied by the Communications Department, the Swedish Royal Chancellery.

Capital costs for carrying three million tons of ore a year over a distance of 100 miles by rail.

Cost of laying 100 miles	
of track at Rs 7,27,000	
per mile	Rs 7,27,00,000
Cost of 900 MAS	
wagons at Rs 32,000	
each	Rs 2,88,00,000
Cost of 10 DM locos	
at Rs 9,09,000	
each	Rs 90,90,000
Total	Rs 11,05,90,000

This evidence does not support the second basic assumption of the Second Plan. In fact the converse is likely to be true. The capital requirements for road transport it suggests are likely to be in the region of half of that which is required for railway movement.

III

In the case of the third assumption the investigation got off to an easy start. The movement of ores by road is very carefully and accurately costed, and detailed break downs are available.

In the accompanying statement are given the cost details of a Scania Vabis truck with trailer, operating a regular ore transport over a distance of 100 miles. The figures for vehicle and trailer cost, scrap value, wages, administration costs, operating period, life length in miles for vehicle and expenses for diesel oil, lubricants, repairs etc, are actual figures taken from the Boliden Gruv AB's experience.

IV

Swedish road transport carries heavy commodities at costs that ap-

Table 1—Estimate of Cost of Laying Track in India

	Distance	Total Cost	Cost per mile
Barkakana/Rourkela	124 miles	Rs 9.80 crores	Rs 7,93,000
Noamand/Banspani	18 "	Rs 1.31 "	Rs 7,28,000
Champa/Korba	5 "	Rs 0.50 "	Rs 10,00,000

Cost calculation for the transport of ore over a distance of 100 miles with a truck trailer combination of capacity 24.5 tons (In Rupees converted at 110 Sw Cr=100 Rs)

	Amount on which interest must be paid	Amount to be amortized
Purchase value of truck	63,100	63,100
Purchase value of trailer	25,700	25,700
Purchase value of tyres	10,400 (C)	
Scrap value	19,200	19,200
Total	1,18,400	69,600 (A)

Driving hours per year	= 4,000 hours.
	= 240,000 minutes (M)
Transport distance in miles	= 100
Life length in miles for vehicle	= 375,000 (B)
Life length in miles for tyres	= 44,000 (D)
Fuel consumption per mile	= 0.15 Imp gallon.

Time Cost Per Year	
Interest on invested money	4,730
Vehicle tax	4,220
Insurance	3,100
Unpaid driving, garage, etc,	1,360
Wages	27,090
Administration	2,270
Total	42,770
Cost per minute	= 17.8 nP

Distance Cost Per Mile	
	A
Vehicle	= 19 nP
	B
	C
	D
Tyres	= 24 nP
	D
Fuel at Rs 2.44 per gallon	= 2.44 x 0.15 = 37 nP
Lubrication	= 3 nP
Repairs	= 13 nP
Total cost per mile	= 96 nP (J)

Operating Cost Details	
Average speed	31.3 miles per hour
Driving time for return trip	384 minutes
Loading, unloading and waiting time	11 minutes
Time for return trip	395 minutes (N)
Time cost per return trip	(H) x 395 = Rs 70.31
Distance cost per return trip	(J) x 200 = Rs 192.00
Total	Rs 262.31
Profit at 8 per cent	Rs 20.98
Total cost per trip of 100 miles with a load of 24.5 tons	Rs 283.29
Cost Per Ton Mile	11.6 nP

Calculations for the number of trucks to carry 3 million tons a year:

$$\text{Ore transported per vehicle per year} = \frac{3,000,000}{11.6} \times 24.5 = 14,900 \text{ tons per year.}$$

$$\text{Number of vehicles required to carry 3,000,000 tons} = \frac{3,000,000}{14,900} = 201$$

Bank, U. S. A. have been responsible for positive measures of help. It is the flow of good-will from various directions through many channels that we experienced. This has been the silver lining.

Third Plan:

Resources—Internal & External

The need of our country is more production, larger development at a faster rate and larger savings for productive investment. In order to meet the needs of employment and higher living standards, there should be progressive acceleration in the rate of development of our economy. The tempo of development has to be kept high. Obviously, the ensuing Plan has to be larger. With the need for a big Plan, the pressure on resources domestic and foreign should obviously prove larger.

During the last two years, so far as foreign resources were concerned, we were able to pull through only the core of the Plan with finance from abroad substantially through governmental agencies. Our capacity to borrow has been strained. Our requirements are bound to grow higher with a faster rate of economic development. Having regard to this, our ideas and policies would need some alteration. Some adjustment in the quantum of foreign exchange demand is possible through a discerning policy on imports. Imports are already greatly pruned, but further scrutiny is possible in certain directions. Essential developmental needs should be able to get precedence over production of less essential goods. There may be selective imports giving higher priority to developmental imports to meet the more basic needs of the economy. Even with these changes, the demand for foreign exchange would remain considerable and be beyond our capacity with our present technique of borrowing. The Government and the Planning Commission should study the industrial policy from the point of view of an appropriate re-shaping. Apart from Government to Government borrowings from abroad, foreign capital both in the shape of private loans and equity participation should be induced to come into the country, work with the people shoulder to shoulder in the development of the country's economy and share the prosperity. Such private projects will be self-propelling.

So far as internal resources are concerned, many economists and

experts have engaged themselves in analysing and working out the effects of increased national income and the channels of utilisation. They have also been assessing the percentage of national income to be saved for development and what and how it could be attracted to the exchequer. The invariable conclusion of the experts appears to have been that adequate resources are not saved by the society on account of increased consumption arising from higher national income. This has led the Government to the policy of cutting consumption through higher and higher excise duties and introducing compulsion on savings through higher and new taxes, Provident Fund, small savings and even proposing compulsory insurance. This policy tried during the past few years has not yielded and does not appear likely to yield sufficient resources to the Government for carrying on the development programme at the desired level. On the other hand, the policy has resulted in lower production even in the existing industries. Thus in effect, the policy of creating compulsory savings by reducing consumption so that the money may be utilised for development to create employment has led to non-utilisation of available industrial capacity creating unemployment. This off-shoot of the policy needs study and review by the Planning Commission and the Government.

Development & Private Enterprise

In implementing the policy of compulsory mobilisation of domestic resources for development, it is the State which comes in for more prominent part. Incentives to efforts and initiative of individuals are relegated to a secondary place though they are appreciated in principle. In this connection, the larger enterprises in the public sector are in themselves useful in the development of the country. Many of the big projects generate factors helpful to the economy. This is so especially with regard to the steel plants, electric grids etc. But criticisms arise when public resources are utilised in fields in which individuals are anxious to carry on business and where they can operate more efficiently. Individual resources that could be available for development and which would have induced many others to save are siphoned off. Such criticisms as are made

are obviously not against the public sector or public sector enterprises as such but only against the policy of including such fields of activity possible under individual initiative into the public sector.

Bank Finance for Development

In widening the base of industrial development, the commercial banks in the country can play a more effective role by extending necessary credit. The Reserve Bank of India under the leadership of its Governor, Shri H.V.R. Iengar, with his knowledge of industrial development in this country and outside has given a sort of blessing to banks extending medium credit to industries. This will enable the banks to acquire experience in a new class of business and in due course contribute further through the new channels to the development of the economy.

Housing & Hire Purchase

In recent years, the banks have learnt the technique of financing hire purchase of consumer goods. The system of hire purchase has in the past few years greatly helped the development of road transport in our country reducing pressure on the railway system. There is great scope for extending the system leading to increased consumption of different consumer goods and expansion of industries. This technique of financing can be further extended to apply to small individual houses which will not cost more than either a car or a truck. Such small houses costing anything between Rs. 10,000 to Rs. 30,000 should be easily and readily marketable. In Western Europe, credit is being extended on such securities to Housing Societies. A great handicap in this respect in our country is that the land laws both in rural and urban areas are very rigorous. This needs careful study by the Central Ministry and State Governments.

Results through Incentives and Initiative

The purpose of our Plan is to create a better life for the people. In this effort, the approach makes for the difference between the communist and the democratic ways of life. What is sought to be achieved through an element of compulsion in the communist way of life is sought to be achieved in the democratic way of life through incentives and initiative. It is a

truth under any circumstances that compulsion produces minimum results with maximum effort. Incentives and initiative produce maximum out of the individual with the least effort. The system of incentives has been recognised in the communist way of life as is evident

from the introduction of output awards, bonus etc. The more efficient machinery of the democratic way of life is thus being used in the communist society while keeping the element of compulsion in the over-all structure. India that has chosen the democratic form of

Government and democratic way of life must use the means that count for results, sure and enduring.

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

Managing Director's Speech

The Dunlop Rubber Co. (India) Ltd.

Mr. John Luckham's Review

THE 33rd Annual General Meeting of the Dunlop Rubber Co. (India) Ltd., was held in Calcutta on the 23rd April. Mr. John Luckham, Managing Director, said:—

Gentlemen,

The Directors' Report and Accounts for the year 1958 have been in your hands for some time, and with your permission I will take them as read.

You will have seen from the Directors' Report that Mr. Reay Geddes resigned from your Board in March, 1959. It was with very great regret that the Directors had to accept his resignation which he felt necessary to submit in view of his increased responsibilities as Managing Director of the Dunlop Rubber Co. Ltd. I am sure you will want to join me in expressing the Company's appreciation of all the advice and guidance which we have received from him.

To fill the vacancy caused by the resignation of Mr. Reay Geddes, the Board appointed Mr. Cecil Stack who now retires by rotation and offers himself for re-election.

Mr. Stack is now Overseas General Manager of the Dunlop Rubber Co. Ltd., which position he took up after his retirement from India two years ago. I am sure that his great experience will be of real value to the Company.

It is also with regret that I have to report the resignations of Mr. A. W. Gillespie and Mr. F. G. W. Jackson.

Mr. Gillespie came to India in 1935, as Secretary and Chief Accountant of the Company, and was appointed a Director in 1947. I should like to express appreciation of his services, and extend best wishes to him in his retirement.

Mr. Jackson came to India in 1951 and has been Works Director since 1954. During his time at Sahaganj considerable expansions have taken place there and, of course, our new factory at Ambattur has been completed under Mr. Jackson's guidance. He is now taking up an appointment with the Dunlop Rubber Co. Ltd., and I should like to thank him for his valuable services and wish him success in his new appointment.

In the places of Mr. Gillespie and Mr. Jackson the Board are recommending the appointments of Mr. J. A. Moore and Mr. K. C. Ferguson respectively, who have each had long and varied experience in the Dunlop organisation and are fully qualified to take up these appointments.

The Directors have the question of filling the remaining vacancies on the Board under very careful consideration.

The Year's Trading

A further increase in production was achieved during the year under review in almost all lines, though this could not keep pace with the ever rising demand.

The expansion of road transport, in particular long-distance goods traffic, referred to in my speech last year, resulted in a steady increase in the demand for truck tyres as the year progressed. In fact, even in the rainy season when, in the past years, a falling off in demand has always been felt, there was for the first time no respite and our order book remained full throughout the year.

In the car tyre market, despite a fall off in demand from the car manufacturers who were affected by the general cut in import licences, our Replacement sales continued to increase. During the year,

plans were made for the introduction of a new and improved car tyre, the Gold Seal, and production of these tyres will commence shortly in all the popular sizes. I should mention here that the position of the car industry in 1959 has improved and the level of production is already increasing.

Though the bicycle manufacturers were also affected by the import restrictions on components, they managed nevertheless to increase their production during the year, with a consequent rise in their off-take of tyres. The Replacement demand was also the highest ever, and we were unable to meet this in full.

Due to the rapid industrialisation of the country, the demand for our range of Industrial Rubber Products rose to a level far above our present capacity. One of the most important items involved is Conveyor Belting and we have already put up to Government our scheme for expansion.

Our total sales of Dunlopillo increased during the year. There was a smaller demand from car manufacturers but this was more than made up by increased sales of household items.

Raw Materials

The raw material supply position was generally satisfactory except for a temporary shortage of steel for the manufacture of bicycle rims. Government's policy for the import of steel was altered during the second half of 1958, which resulted in some delay in securing supplies and we were unable to increase production of bicycle rims to our full capacity.

Our consumption of rubber in 1958 increased to 15,926 tons as against 14,424 tons in 1957. We had to import a considerable quan-

tity of rubber in 1958 because production in India did not show any appreciable increase being 24,327 tons as against 23,767 tons in 1957. The total all-India consumption of rubber in 1958 touched a new record at 38,006 tons as against 34,797 tons in 1957.

The world price of raw rubber was considerably lower than the Indian controlled price throughout the year and as a result we paid to the Rubber Board Rs. 48,83,913 being the difference between the imported rubber price and the Indian controlled price.

Prices of other principal raw materials remained steady throughout the year but there was some increase in local transport charges.

Expansion Plans

Last year I expressed the hope to you that our new factory at Ambattur would be ready to start production at the beginning of this year.

I am very happy to tell you that that hope has been fulfilled and in fact initial production of cycle tyres started there in December. I am sure that you would like me to express your appreciation to all those who contributed to the completion of this project on schedule.

We now have the task of getting this new factory into full production on three shifts per day and the training of labour towards this end is proceeding well.

During the year our programme for increased production of giant and cycle tyres at Sahaganj was completed and the first phase of our cycle rim expansion was also ready for operation by the end of the year. However, we could not utilise the extra rim capacity immediately as there was a raw material difficulty of which I have made mention elsewhere.

You will recall that as an initial step in providing the required additional finance for all this expansion, the sum of Rs. 203 lakhs was raised in 1957 by the issue of 14 lakhs of new Ordinary Shares of ten rupees at a premium of five rupees. This was followed by an offer to the public in September, 1958, of Rs. 1 crore of 6½% Debenture Stock 1968/73 at par, ranking pari passu with the balance of the original Debenture Stock created in 1950. I am glad to be able to report that this issue was an unqualified success.

Profit & Loss Account

The net profit for the year after providing for depreciation, interest and taxation was Rs. 82,42,813 compared with Rs. 80,67,449 for 1957. As a result of the establishment of the Company's new factory at Ambattur the development rebate allowable in respect of the accounting year 1958 is abnormally high, and under the Finance Act 1958 the Company is required to credit to a reserve account not less than 75% of the amount allowable. Accordingly a sum of Rs. 30 lakhs has been transferred to Development Rebate Reserve and the Directors do not therefore consider it necessary, for this year, to make a further appropriation to General Reserve. After allowing for the transfer to General Reserve of the expenses of the Debenture Stock Issue the total Reserves and Surplus have been increased by approximately Rs 25 lakhs and cover the Ordinary Share Capital more than one and a half times. These reserves are, of course, fully employed in the business. The Directors are recommending the same rate of Ordinary Dividend as for 1957, that is 16¼%. As, however, this dividend is payable for a full year on the new shares issued in the middle of 1957 the amount to be distributed is considerably higher than in the previous year, namely Rs. 48,75,000 as against Rs. 38,25,000. The surplus carried forward will then be Rs. 22,46,000.

Balance Sheet

The additions to Fixed Assets during the year amounted to Rs. 2,29,14,000, the bulk of which was in respect of buildings and plant for the new Ambattur factory. The amount of depreciation written off in 1958 was Rs. 31,47,000 as against Rs. 27,69,000 in 1957.

Stock Inventories at Rs. 5,03,31,000 were Rs. 16,47,000 higher than at the close of the previous year but finished goods stocks continue to be abnormally low arising from the constantly increasing demand for the Company's products. In spite of the greater Sales turnover, Sundry Debtors remained at approximately the same level as at the end of 1957.

Turning to the liabilities side of the Balance Sheet, I have already mentioned that Reserves and Surplus are higher by Rs. 25 lakhs and Debenture Stock by Rs. 1 crore. In

addition there has been an increase of Rs. 59 lakhs in bank borrowings. These figures reflect the large additional investment in Fixed Assets which has taken place during the year.

Employee Relations

During the last year a greater strain was put upon our labour relations than at any time in the past. However, I am sure that mutual confidence has not been seriously impaired and that our management and our labour will continue to resolve their problems as in the past.

It is essential for the country's welfare that productivity should be raised to the highest level and this is a necessary and principal step to increase the standard of living. Absenteeism is one of the factors which reduces productivity in our own and other industries, and the damaging effect of this on the country's economy is not generally realised.

On the whole, staff and operatives have given us their loyal support and contributed greatly towards the successful outcome of the year's activities. I am sure you will wish to join with the Directors in thanking them.

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

India's Largest Dairy

IF the present rate of progress is maintained, the Central Dairy in Delhi with its ancillary rural milk collection and chilling centres, which is going to be the biggest in India, will be in commission by August next.

When in full operation, the Dairy will handle 12,000 maunds of milk per day, which is nearly four times the installed capacity of Bombay's Aarey Milk Colony. Initially, however, the daily supply will be 7,000 maunds, which should meet the needs of the 1.8 million population.

A well-organized system for the collection of milk at 30 centres in the surrounding rural areas of Delhi and the adjoining districts of U P, and Punjab will feed the Central Dairy. It is eventually proposed to set up cattle colonies for milch cattle which are now stabled in the residential areas, much to the detriment of the health and cleanliness of the city.

Around Bombay Markets

DALAL STREET last week had only three sessions, April 16, 20 and 22. April 16 was an end-account day but the market was active and distinctly steady. The "budla" charges were generally on the high side but that did not affect the mood of the market. Equities firmed up in kerb. The new account started on Monday on a promising note and it looked as if the market was ready again to resume its upward move after small technical adjustments. Tata Steel were up again from Rs 179.25 to Rs 183, Indian Iron from Rs 23.96 to Rs 24.40, Bombay Dyeing from Rs 59.70 to Rs 61.50, Century from Rs 486 to Rs 515, Kohinoor from Rs 253.50 to Rs 264.25, Bombay Burmah from Rs 498 to Rs 510, National Rayon from Rs 281 to Rs 293, Tata Locomotive from Rs 188.25 to Rs 196.50 and Premier Construction from Rs 264 to Rs 278.

Budget Modifications Disappoint

But the market turned easy again in kerb. The modified budget proposals were a disappointment. While khandsari, rayon and vegetable oils had been given relief, although only modest, adding up to a total of Rs 1.09 crores, corporate taxation had been left untouched. Representations against the adverse repercussions of the revised tax system on the shareholders' fortunes had borne no immediate result.

Sellers predominated when the market reopened on Wednesday and with fresh support lacking prices suffered an all-round sharp decline. With the turn in sentiment market men were once again heard talking about the unhealthy technical position as reflected in the high carry-forward charges on April 16. Tata Steel were down again to Rs 179 and Indian Iron fell to Rs 23.88. Bombay Dyeing declined to Rs 60.30. Century to Rs 500, Kohinoor to Rs 257.25, Bombay Burmah to Rs 492.50, National Rayon to Rs 285.50, Tata Loco to Rs 189 and Premier Construction from Rs 283.50 to Rs 276.

If Wednesday's decline in equity prices reflected market's disappointment over the modified budget proposals then the Finance Minister's statement in the Lok Sabha on Wednesday evening should greatly

help improve sentiment. Shri Morarji Desai has assured that the new scheme would not bring in more revenue to the exchequer and that since the revised tax system would come into force only next year there was enough time to consider the details and give relief where necessary. He made particular mention of the tax burden on dividends declared out of past reserves and intermediary and subsidiary companies. All this should pacify the critics of the simplified tax system. And the stock market can easily feed itself on the hope of tax relief.

Dalal Street's recent trading pattern indicates that the process of technical adjustment is not yet complete. The minor correction is still going on. It is hazardous to predict the amplitude and the duration of a minor trend. About the major trend there can be no doubt. It is upward.

Cotton

Buoyancy in Spot

THE textile news continues to be encouraging. Stocks with mills are said to have declined substantially because of the continued good off-take of both cloth and yarn. Improved off-take has also been accompanied by a hardening tendency in prices. With crop estimates now revised down to around 46½ lakh bales it is scarcely surprising that spot cotton prices continue to show remarkable strength. All superior styles are now commanding a "premium" and they are not easy to obtain. This has turned the trade's attention to Kalyan, Wagad and Kalagin which look cheap by comparison. These varieties which had been neglected and subdued for quite some time have become active and firm and have risen by between Rs 10 and Rs 20 per candy over the week.

But notwithstanding the buoyancy and the strength in the spot market, the futures market continues to be dull and barely steady. Cotton futures continue to move up and down very irregularly, although in a very narrow range. The bears fear the tight supply position and the improving textile situation. And bulls are afraid of the prospect of

Still Digesting Gains

Thursday Morning

large tenders in the maturing contract in the event of high prices, particularly because of the rather unsatisfactory quality of Laxmi and Jayadhar cottons. Then there is also the Forward Markets Commission which has always been very hard on Kalbadevi whenever it has tried to raise its head high.

Futures Neglected

With both bulls and bears in no mood to be aggressive, the volume of business in futures was generally on the low side and activity continued to be essentially professional and of a jobbing type. A good deal of it consisted of switching over from May to August which led to a rise in the spread between the two contracts to Rs 12.50 per candy. After being down to Rs 676.75 Jarilla May moved irregularly upto Rs 683.25, reacted to Rs 678.25 but rallied to finish at Rs 680.50 on April 22. The August contract improved gradually from Rs 688 to Rs 694, receded to Rs 690 and wound up the week at Rs 692.50.

Cotton exports continue to disappoint. Out of the 2½ lakh bales quota the extended shipment period for which expired on April 15, the unused quota amounts to 1,46,305 bales consisting of 67,310 bales of Bengal Deshi and 78,995 bales of ¾ inch cotton. Against the other 2½ lakh bales sales registered up to April 20 amount to only 46,735 bales consisting of 26,233 bales of Bengal Deshi, 13,443 bales of ¾" and 7,057 bales of cotton below ¾ inch. Regarding imports, quantities licensed comprise 2,54,580 bales from the sterling area and 67,580 bales from America. Actual arrivals up to April 20 are 1,61,599 bales and 26,453 bales respectively.

Oilseeds

Foreign Markets Pull Up

ONLY about a week ago groundnut oil in the UK was quoted at around £115 per ton. It is now up at around £125. This sudden spurt is attributed to the recent heavy floods in the Argentine which are thought to have seriously affected new crop prospects. The drastic downward revision of China's 1958 crop is mentioned as another

important factor. Has the steep rise in foreign prices improved the export outlook for our groundnut oil? No. Because Indian oil continues to be about £10 per ton above the world parity. The margin on the export of expellers is about £1½ to £2 per ton and on the basis of three tons of cake for each ton of oil there still remains a gap of £4 to £5 per ton.

The impressive recovery in world prices offers a valuable opportunity and a challenge to the trade. From liberal quotas and fiscal concessions to incentives is the distressing story of the country's export effort. Few observers will deny that the export effort has been seriously impeded by a rise in domestic prices which has quickly followed the announcement of various measures for stimulating exports. The rising trend in the prices of exportable goods therefore must be checked.

It was only towards the end of August that groundnut prices touched their season's best last year—Rs 204 per candy August contract. This year groundnut August has already touched Rs 199 (April 22), indicating near-famine conditions. But few observers place the crop at below 20½ lakh tons. And despite the much-talked about encouraging export policy, the actual performance is not such as to cause a material change in the domestic supply position.

New Peak In Groundnut

Groundnut prices continue to scale new peaks for the season because stocks are tightly held and marketable surpluses remain poor. Since recently buyers have been showing reluctance to follow the rise in the spot material but the market has been able to hold firm due to poor offerings. The volume of business in futures continues to be very meagre because of the heavy margin.

Overseas demand for groundnut extractions is reported to be satisfactory but business is limited by the scarcity of offerings. Sellers are holding off in anticipation of better prices. The latest UK quotation for extractions is placed at around £30-5 for April and five shilling higher for each subsequent month. Distant positions are said to be in better demand. The only other item in which export houses mentioned business last week was linseed cake, the prices realised be-

ing £33 to £33-5.

Castor futures held irregularly firm on persistent talk of imminent export business in castor oil. Market's optimism is based on the low stocks in the US and poor offerings by Brazil. Prospects of business are rated fair unless speculators here mark up prices very much higher. The Communist bloc too has not yet taken its normal annual quota. The general sentiment in castor futures continues to be bullish. The discount on the spot material and the approaching maturity of the May contract seem to be the only important bear factors at present. Margin is also a consideration for bulls but margin can only reduce the volume of speculative business. As a check on the price rise it has proved utterly ineffective in the case of groundnuts.

Linseeds followed the up and down movements in groundnuts and castor. Export of linseed oil continues to be at a standstill. Overseas prices have firmed up recently to around £101/102 and stocks in Rotterdam are said to be very small. Even so the immediate outlook for the export of linseed oil is unpromising because of the wide disparity in prices.

Following were the fluctuations in oilseeds futures during the week ended April 22. The order is: open, high, low, close and the figures in brackets are the previous week-end closing prices.

Groundnut May (per candy): Rs 192, 194, 191, 192.50 (191.25);

Groundnut Aug (per candy): Rs 196.50, 199, 195.50, 197.50 (196.25);

Castor May (per candy): Rs 158.87, 160.25, 158.62, 159.50 (158.37);

Castor Sept. (per candy): Rs 163.37, 165.25, 162.87, 164.37 (163.37);

Cottonseed May (per candy): Rs 128.25, 128.50, 126, 128 (128.25),

Cottonseed Sept (per candy): Rs 130, 131, 128.75, 130.75 (130.25);

Linseed May (per cwt): Rs 32.75, 32.94, 32.56, 32.87 (32.75);

Linseed Sept. (per cwt): Rs 33.50, 33.69, 33.25, 33.62 (33.37).

Money

Bank Advances Decline

HAS the busy season passed its peak? Perhaps, but not quite. Short-term money rates continue to hold their previous levels and the response to the 91 days treasury

bills remains poor. But for the first time in many weeks scheduled bank's returns for the week to April 10 show some decline in advances. It is true that the decline is very modest, merely Rs 77 lakhs, from Rs 1,021.11 crores to Rs 1,020.34 crores, but it could be significant.

Besides, borrowings from the Reserve Bank are down by Rs 8.34 crores and banks' interest-free balances are up by Rs 19.83 crores even though total deposits show only a nominal increase of Rs 29 lakhs. Of course, this could be the result of fiscal year-end disbursements. Investments are down by Rs 3.76 crores at Rs 607.75 crores.

The Reserve Bank of India returns for the week to April 17 show a nominal increase of Rs 70 lakhs in active notes at Rs 1,765.18 crores. Foreign balances are down by Rs 3.07 crores to Rs 210.86 crores.

The Gilt-edged market continues to be extremely dull. Prices are slightly shaded due less to any selling pressure than to lack of fresh inquiry, which, however, is not at all surprising. In fact it is really remarkable that banks should have managed to pull through the busy season without any important reduction in their investment portfolio even though unlike the previous busy seasons there has been quite a marked pull on the demand for funds this time. The Reserve Bank reduced on April 22 its buying rates for 3½ per cent 1964 and 1965 by 5 nP to Rs 99.75 and Rs 99.55 respectively. It also reduced its selling rate for 3½ per cent 1967 by 5 nP to Rs 99.10.

Bullion

Whither Gold?

NEVER in living memory has gold ready been quoted higher than Rs 122.75 per tola. But last week it fetched as much as Rs 124 on April 22. Gold has continued to scale unknown peaks despite the margin against bulls because of the high backwardation charges. With the spread between Chaitra and Vaisakh delivery closing rates more than a rupee margin of Rs 25 per tola on all net "long" outstanding positions came into force on April 22.

Why this spectacular strength in the yellow metal? The huge backwardation charges and the spot premium indicate an abnormal

situation in the market. Apparently, bulls have a firm hold on the market. That has been made possible by the persistent decline in floating stocks following normal off-take and reduced smuggling activity which is the only source of supply.

Since recently market men have been talking about the withdrawal of Indian currency from the Middle East countries where it is being used as a legal tender. It would be very desirable to do that but it is

Company Note

Mahindra and Mahindra

THE young Mahindra group has been expanding at a steady pace ever since it ventured into jeep manufacturing. A large proportion of the turnover of its principal company, Mahindra & Mahindra, is, however, still largely accounted for by imports of steel and similar other agency products. Import of steel on Government account distorts the figures of its sales turnover to a considerable extent. The available figures, for instance, show a decline in income from sales and service during the year ended October 31, 1958 to Rs 17.76 crores from Rs 24.48 crores in the previous year, but the Directors describe this decline as 'apparent', because part of the steel imports was on Government account, on which the company earned agency commission but which did not figure in its sales. There has, nevertheless, been a real decline in earnings due to import difficulties.

Evaluation of accounts for the year is rendered still more difficult by the change in the method of calculating depreciation introduced during the year, which has raised the charge by Rs 2.71 lakhs. Depreciation and development rebate together have claimed Rs 16 lakhs this year against Rs 5.42 lakhs in the previous year; machinery written off has taken away another Rs 2.86 lakhs against nil. Gross profit has risen, nevertheless, from Rs 38 lakhs to Rs 50 lakhs, while the profit margin on sales and service, as shown in the profit and loss account, has moved up from 1.5 per cent to 2.8 per cent. Unlike comparable firms, Mahindras do not give the breakdown of sales into those of manufactured and agency products.

The Directors' commission (at 1-2/3 per cent of the net profits)

doubtful whether New Delhi will take that measure. It would certainly go a long way in checking smuggling activity.

Silver has been holding firm mainly in sympathy with gold. Bears have been covering their sales because of the heavy backwardation charges ranging up to Rs 1.81 per 100 tolas. But bulls have continued to be rather cautious due to talk of fresh supplies of silver coins from Tibet. The seasonal factor

has been in favour of bulls.

Opening, highest, lowest and closing rates for the week ended April 22 were as under:

Gold Chaitra: Rs 120.94, 123.50, 120.31, 123.31;

Gold Vaisakh: Rs 120.37, 122.44, 119.62, Rs 122.25 per tola.

Silver Chaitra: Rs 200.56, 201.81, 200.06, 201.31;

Silver Vaisakh: Rs 199.69, 200.19, 199.12, 199.50 per 100 tolas.

rose during the year from Rs 1.97 lakhs to Rs 2.96 lakhs. Salaries, wages, and bonus took away Rs 77 lakhs against Rs 61 lakhs; the accounts, however, do not indicate how much was paid out under this head to Directors. This information would have been useful in view of the proposed revision of the remuneration payable to Executive Directors.

Provision for taxation has absorbed Rs 31.25 lakhs this year against Rs 15.50 lakhs. It is not clear from the accounts whether the whole of this increase pertains to the latest year, or a part of it arises from last year's liability. Decline in net earnings after tax from Rs 22 lakhs to Rs 19 lakhs, and increase in share capital, have reduced the net earning per ordinary share of Rs 10 from Rs 3.76 to Rs 2.94. Liability to Section 23A of the Income Tax Act has, presumably, compelled the Directors to raise the equity dividend from Rs 1.75 to Rs 2.20. In spite of higher taxation and distribution, reserves have expanded from Rs 27 lakhs to Rs 37 lakhs and net block from Rs 93 lakhs to Rs 110 lakhs. Contraction of imports has enabled a reduction of Rs 2 crores under loans and another Rs 1 crore under current liabilities.

The investment portfolio has been enlarged from Rs 19 lakhs to Rs 24 lakhs by the taking up of a minority interest in Otis Elevator. Other companies in the group, either controlled by or closely associated with Mahindra & Mahindra are Turner Hoare, Mahindra Engineering, Indian & Eastern Engineer, Machinery Manufacturers Corporation, Indian National Diesel Engine, Press Syndicate, Indian Liggett and Mahindra-Owen.

To relieve heavy pressure on

finances, the share capital was enlarged shortly before the close of the accounting year from Rs 80 lakhs to Rs 187 lakhs, of which Rs 30 lakhs was raised from new preference shares. The Directors claim that "The shareholders' response to this offer was overwhelming and the applications received for both classes of shares exceeded by far the amounts offered". According to the company's public statement issued last November, however, more than 18,000 ordinary shares out of the total offer of 770,000 remained unapplied for and were allotted by Directors to members of the staff other than the Directors themselves, under Section 81(d) of the Companies Act, 1956; it was only the preference issue which was fully subscribed. These conflicting statements, both emanating from the Directors, call for clarification.

The jeep manufacturing division is now making 63 per cent of the vehicle. Government has approved the company's programme for expanding capacity in this division from 2,500 units per year to 5,500 units. The necessary import licences have been received and the first two phases of expansion have already been completed. Proposals have been submitted for the manufacture of Willys one ton 4-wheel-drive truck, the engine and other functional components of which are interchangeable with the jeep.

Proposals submitted to Government for manufacture of David Brown tractors have also been approved. A new company will be floated for this purpose in collaboration with British associates. The trailer division of the company has already been segregated into Mahindra-Owen, in which Mahindras will ultimately hold 51 per cent of the capital

CURRENT STATISTICS

BANKING RETURNS					JUTE STATISTICS				
Rs Crores					(1958-59)				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago	Feb	Jan	Dec	July-Feb	
1. Note circulation	1765.18	1764.48	1692.60	1627.77					
2. Rupee Coin	131.34	131.69	130.17	131.58					
3. Deposits									
Central									
Government's	49.62	49.59	51.17	52.45					
Other									
Governments'	24.71	7.50	36.01	13.09					
Banks'	77.91	91.53	74.22	90.99					
Others'	117.96	118.29	120.66	116.73					
4. Foreign Securities	178.01	178.01	178.01	227.39					
5. Balances held abroad	32.36	35.93	38.75	42.48					
6. Rupee Securities	1351.10	1351.25	1281.36	1174.91					
7. Investments	246.06	211.51	259.68	230.14					
8. Loans and advances to Governments	38.17	35.99	20.69	51.17					
9. Other loans and advances	79.45	89.06	113.03	54.37					
Scheduled Banks									
1. Demand Liabilities (net)	743.08	749.53	727.71	757.30					
2. Time Liabilities (net)	924.11	917.40	896.31	742.77					
3. Cash	132.89	115.95	105.99	116.11					
4. Borrowings from Reserve Bank of which against Usance Bills	40.33	48.69	46.42	22.16					
5. Advances & Bills (inland & foreign) discounted of which State Bank's	1020.34	1021.12	979.04	951.44					
6. Invst. in Govt. Sec. of which State Bank's	607.75	611.52	618.76	441.43					
Cheque Clearance	173.46	154.41	217.16	156.74					
For Reserve Bank and Cheque Clearance week ended 17-4-59					Scheduled Banks week ended 10-4-59				
Bombay Money Rates (per cent per annum)					Raw Jute Consumption : (lakh bales)				
Call Money	10-4-59	3-4-59	13-3-59	11-4-58					
From banks	3½-3¾	3½-3¾	3½	3-3¾					
From public	3½-3¾	3-3¾	3-3¾	—					
Three Months	2½-4	3-4	3-4	3-4½					
Six Months	2-4	2-4	2-4	2-4½					
Bombay Bullion (In Rupees and nP)					IJMA Mills' Purchase of Raw Jute ('000 bales)				
	23-4-59	Week Ago	Month Ago	Year Ago	Pakistani	8	Nil	Nil	124
Gold (per fine tola)					In corresponding months :				
Spot	123.75	121.30	121.12	114.25	1957-58	20	2	21	407
Forward	123.30	120.93	120.25	112.50	1956-57	839	887	136.1	8,234
Silver (per 100 tolas)					Indian	556	666	655	4,904
Spot	202.00	201.50	200.12	199.25	In corresponding months :				
Forward	201.30	201.50	200.12	197.25	1957-58	430	620	652	4,238
					1956-57	470	497	762	4,611

†Includes despatches for exports and sales for internal consumption.

Source : Indian Jute Mills Association

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Group and Sub-Group	Week Ended				Monthly Average			Annual Average	
	4-4-59	28-3-59	7-3-59	5-4-58	March 59	Feb 59	Mar 58	1958-1959	1957-58
Food Articles	113.3	112.6	114.6	103.9	113.8	115.7	102.3	115.2	106.4
Cereals	99.8	100.5	102.4	96.3	101.8	105.1	95.2	106.8	100.9
Pulses	105.0	109.4	114.2	81.2	113.3	121.0	77.8	103.9	82.4
Fruits & Vegetables	117.6	117.7	117.7	98.2	119.3	114.9	98.0	117.1	113.6
Milk & Ghee	113.1	105.2	110.7	103.5	106.9	105.2	102.8	107.3	104.8
Edible Oils	123.2	123.9	120.9	122.0	123.3	121.7	117.9	124.3	125.5
Fish, Eggs & Meat	106.1	104.0	102.7	101.1	103.7	105.7	110.5	108.3	98.0
Sugar & Gur	126.9	128.1	128.3	114.0	128.2	127.5	111.4	127.2	108.1
Others	151.2	148.7	151.7	129.6	149.9	156.5	127.9	151.3	131.3
Liquor and Tobacco	97.3	98.9	101.7	93.4	100.3	104.4	94.9	95.4	94.0
Tobacco	95.8	97.5	100.5	91.7	99.0	103.4	93.3	93.8	92.3
Fuel, Power, Light & Lubricants:	115.0	115.1	115.1	115.1	115.1	115.1	114.3	115.4	113.5
Industrial Raw Materials	114.9	115.9	115.0	113.6	116.4	115.5	111.3	115.6	116.5
Fibres	116.8	107.2	107.2	111.4	108.3	107.4	110.2	108.0	117.5
Oilseeds	125.6	127.7	125.3	117.9	127.6	126.4	113.0	127.0	120.4
Minerals	103.6	103.6	102.9	107.3	102.9	103.1	108.2	106.0	108.4
Others	111.1	111.3	111.4	110.2	111.2	111.1	110.2	109.2	107.7
Manufactures:	108.1	108.2	107.9	107.8	108.1	108.4	107.6	108.3	108.1
Intermediate Products	108.4	109.0	109.6	108.4	109.4	110.6	106.8	110.3	107.3
Finished Products	108.0	108.1	107.6	107.7	107.9	108.0	107.7	110.0	108.2
Textiles	102.4	102.4	101.5	105.6	102.1	101.7	105.9	103.2	107.3
Cotton	110.9	110.9	111.0	115.3	111.0	111.1	116.4	111.7	116.2
Jute	—	—	80.8	87.1	82.3	82.0	86.0	86.5	95.2
Woollen	105.9	105.9	105.9	103.7	105.9	105.9	103.0	105.6	102.9
Silk & Rayon	95.7	95.7	94.2	93.2	95.0	92.4	92.5	93.2	85.7
Metal Products	143.3	143.3	143.3	143.0	143.3	143.3	143.4	143.1	141.2
Chemicals	110.4	110.3	110.1	99.1	110.2	110.6	99.3	106.8	98.4
Oilcakes	138.1	140.7	140.1	115.1	140.1	147.5	112.2	136.0	114.8
Machinery & Transport Equipment	105.6	105.6	105.5	102.8	105.4	104.7	102.6	103.8	101.7
Others	112.9	112.9	113.6	112.4	113.2	113.7	112.1	113.7	110.0
All Commodities	111.8	111.6	112.5	106.6	112.3	113.3	105.4	112.9	108.4

WORLD TERMS OF TRADE

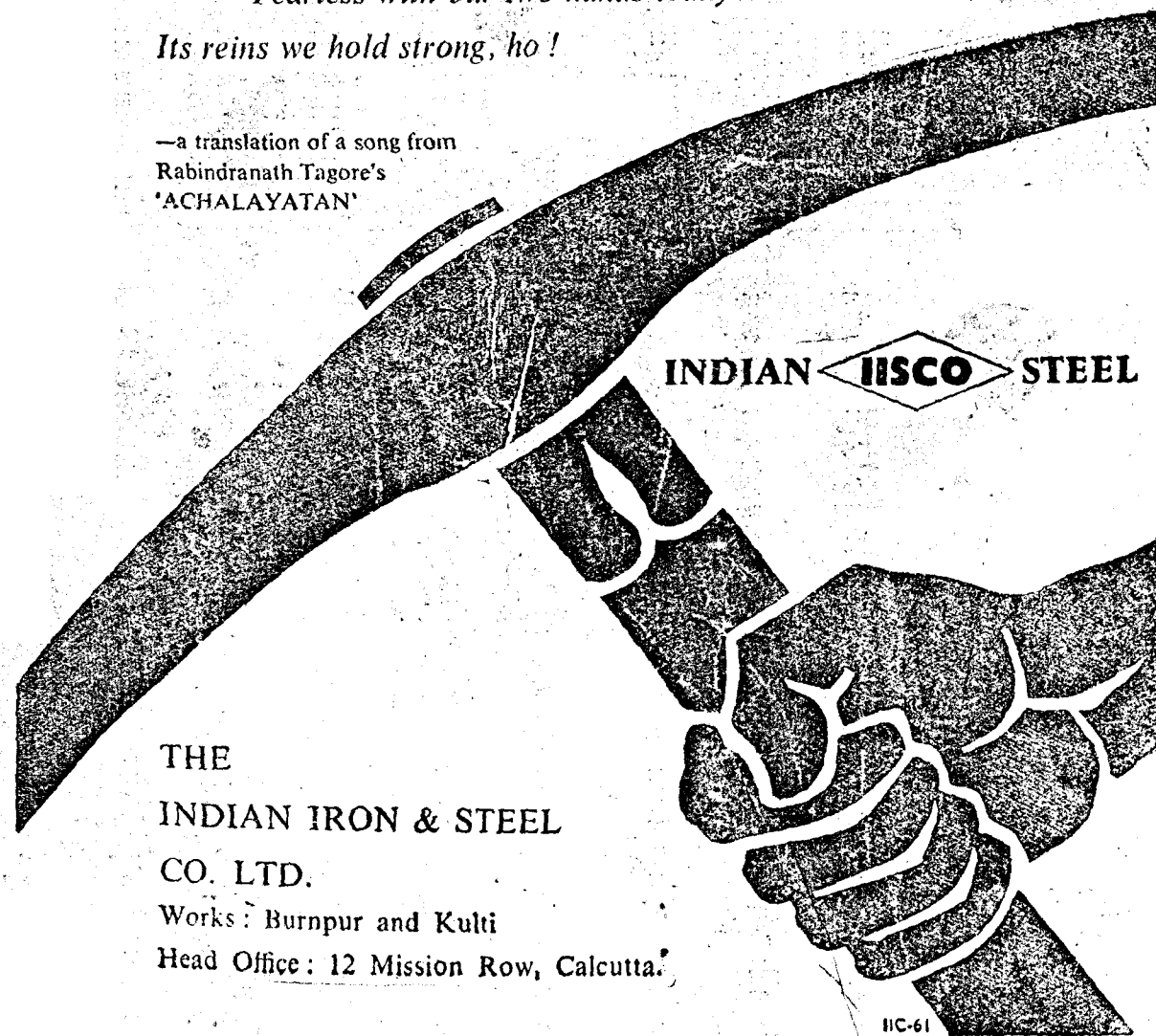
(1953 = 100)

Name of country	1937	1950	1951	1952	1954	1955	1956	1957	1958
United States	131	100	91	95	96	98	98	102	107 Sept
Canada	98	91	91	103	97	98	100	94	96 Sept
Latin America	78	108	105	100	110	101	98	94	88 Sept
Europe	107	99	104	101	102	103	102	101	...
Austria	..	..	..	..	102	109	107	108	108 Oct
Belgium	95	102	110	112	98	101	104	104	104 Aug
Denmark	120*	100	88	95	102	102	102	96	..
Finland	98	85	129	110	110	118	111	106	112 Oct
France	100*	98	88	97	95	97	97	95	99 III
Germany	107†	80	80	92	100	98	99	101	110 Nov
Greece	..	..	108	102	102	112	116	110	128 Sept
Italy	119	108	98	95	104	101	99	94	106 Aug
Netherlands	114	102	97	98	100	101	100	98	101 Oct
Norway	100	96	108	106	107	108	110	106	111 Oct
Sweden	95*	91	113	106	99	101	99	96	100 III
Switzerland	98*	110	96	98	100	99	95	95	100 III
Turkey	125	108	110	94	101	..	..	..	..
United Kingdom	115	100	88	95	100	99	101	104	110 Nov
U K Dot's	92	127	135	112	103	112	103	95	94 Sept
Other Sterling	82	113	118	101	106	106	98	104	..
Australia	87	121	119	90	92	81	80	81	63 II
Burma	..	..	..	..	..	..	..	..	..
Ceylon	100*	125	126	91	121	135	121	109	117 Oct
Ghana	..	94	103	95	148	132	101	95	140 II
India	109	109	130	104	108	108	107	98	101 Sept
Ireland	77	99	92	93	97	97	91	88	94 Oct
Malaya	..	..	..	129	107	166	142	132	116 II
New Zealand	98	114	115	86	104	105	99	92	76 III
Pakistan	..	158	166	139	108	100	86	84	..
Rest of the World:	..	..	..	..	..	..	..	..	..
Egypt	..	133	139	103	104	120	110	113	100 II
Indonesia	91;	92	104	95	100	100	104	101	106 Nov
Japan	..	..	..	..	..	..	..	..	..
Lebanon	..	103	98	78	93	86	85	84	87 Sept
Philippines	..	..	..	..	..	..	..	..	..
Thailand	..	..	..	..	..	..	..	..	..

* 1938, † 1939, ** 1939, ‡ 1934/36 .. = Figures not available. Figures for 1958 relate to month or quarter indicated against each figure. Source : International Financial Statistics.

The hard iron lay dead in slumber deep
 And we stirred it to life, ho!
 In the dark depths of a million years it lay hid
 And we stirred it to life, ho!
 Tamed by our strong hands
 It sings to the tune we eall.
 Its silence of long years have we broken, ho!
 The dead doth stir with new life today
 And rushes forth the wide world to conquer.
 Fearless with our two hands today
 Its reins we hold strong, ho!

—a translation of a song from
 Rabindranath Tagore's
 'ACHALAYATAN'



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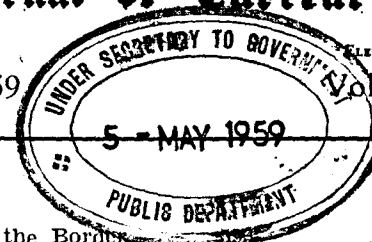
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Guns Across the Border

THIS country's concern over the increasing tendency of police and army personnel to resort to firing is natural and justified. As has just been pointed out by a Government spokesman in the Rajya Sabha, no less than eleven cease-fire agreements have been broken by Pakistan in the last two years, some of them repeatedly. In addition, there are frequent armed incursions into Indian villages, and sometimes these are consolidated by Pakistan into cases of forced occupation. Takergram is an example. Then, there are violations of our air-space—a matter on which our forbearance has been grossly abused and, no doubt (as the Defence Minister suggests) mistaken for weakness. The shooting down of our Canberra jet has rightly caused great indignation in India, for while the hostility behind the incident does not really shock this country, this has been one of its worst examples so far; and, apart from its innate brutality, shows how rapidly Pakistan is shedding all its inhibitions in regard to her aggressiveness towards India.

The Canberra jet incident is a particularly sordid one. Pakistan's defence is that the plane in question was on a questionable strategic mission over Pakistani territory, that this mission was none other than that of photographing military targets, that the plane was shot down only after it had ignored persistent warnings to turn back, that its crew fully admitted and signed their guilt, and that this confession was purely voluntary. Each one of these claims collapses on an examination of even the most cursory nature.

First of all, there is the question of the nature of the jet's mission. Had the plane really been on an assignment to photograph military targets, it is the considered opinion of experts that the particular targets mentioned by Pakistan could have been photographed and the entire mission completed in about four minutes. In point of actual fact, the plane was in Pakistani air-space for at least twelve minutes. Is one seriously to assume that a crew on so delicate and dangerous a mission as alleged would have lingered on for fun, once its work was over? Besides, a number of the so-called targets named by Pakistan (and notably the bridge over the Ravi) are landmarks of such familiarity to millions of people in this country that there could have been absolutely no need whatever to organise an aerial photographic excursion to know about them.

Next, there is the claim that the jet crew were warned, and shot down only when they ignored the warning. In fact, there could have been no warning given at all, or it would automatically have been recorded at the Indian aerodromes nearby. Even from a commonsense point of view, it seems absurd to imagine that an unarmed crew on a perilous, strategic mission would ignore warnings and stay on in dangerous territory a full eight minutes after its job was over.

The story of the confessions is so ridiculous that it need not even be discussed. We are being asked to believe that a pilot, badly wounded, shocked and dazed by the shooting down of his plane and falling down from a considerable height, proceeded to volunteer a coherent confession, signed it in a steady hand, and even made a few passing notes in the margin. Even if the experts had not testified that the signatures on these alleged confessions and the actual signatures of the men concerned were different, no intelligent person could possibly credit so tall a tale.

But, as we say, the Canberra jet incident (important though it is in itself) is primarily important for the index it provides to the Pakistani attitude towards this country. And here the question becomes broader, and passes on from the merely Indo-Pakistani plane to something infinitely more serious and wide. It involves the intentions and policy of the United States towards India. From the very day when America began to arm Pakistan, we have been trying to emphasise to the United States our grave concern and fears of this move. But all these representations have not so far had the slightest effect. America has gone on arming Pakistan. From time to time, American envoys in Delhi and Karachi have made attempts to explain away the policy of their Government, and assuage these apprehensions; but in terms which, has served only to add confusion to anxiety. Various U S Ambassadors in Karachi have insisted that the arming of Pakistan is part of a treaty obligation on the part of their country, and that these arms would only be used in defence of "the aggressed". The American envoys in Delhi, on the other hand, have gone to the extent of assuring us that, whatever the circumstances of an armed conflict between India and Pakistan, these arms would never be used against India.

There are several points to be considered here. First, that American arms are in fact being used against India today, in circumstances which even the far-fetched imagination of General Ayub cannot identify as constituting "aggression" against Pakistan. These arms are habitually used in the border raids against India; and the Canberra jet the Pakistanis have now shot down was destroyed with American equipment. What is the value of American assurances in the face of these facts?

Secondly, even if the United States assurances to India are to be accepted as bona fide (which is no longer easy), precisely how is Washington to make certain that they are carried out in actual practice by Pakistan? The guns and the bullets are in the hands of Pakistanis. In the circumstances, the triggers can be pulled whenever Pakistan chooses, and the U S can do absolutely nothing about it. Indeed, they are already being so

used, and the impotency of the U S to intervene is being so demonstrated.

Thirdly—and perhaps most importantly of all—Pakistan does not subscribe to the avowed American view that the U S arms are not for use against India. The highest spokesmen of official policy in Karachi have reiterated again and again that there is no such bar on the use of American arms. Naturally, this being the central question in the whole issue, India has been trying to get a positive American statement of policy. The worst feature of the whole affair is that this statement has not been forthcoming from the appropriate authorities in the United States, and India has again and again been reduced to the consolation of relying on ambassadorial "clarifications" in New Delhi—"clarifications" which, incidentally, have almost every time been immediately refuted by contrary statements by the U S Ambassador in Karachi.

More Thought for the Pattern

AT this stage of thinking about the Third Plan, one thing seems certain; it is going to be a big plan. We have travelled a long way from the inexperienced days of the First Plan, when the public sector programme was laboriously worked out from a pile of schemes and projects, with one eye always on available resources! We are convinced that the essence of dynamism lies in deciding the order of outlay first and then working out the subsidiary questions of what it is to be spent on and where the resources will be found later. There is, of course, a great deal to be said in favour of this reversal of one's stand. After all, if you are determined to achieve an objective, you are bound to find the means necessary.

All this is, doubtless, encouraging. What bothers one is that a great many things which have to be done to make the Plan a workable programme may be ill-done as a result of too much pre-occupation with the broad arithmetic of the Plan. Given the objective of a Rs 10,000-crore outlay, the question is naturally asked about the manner of financing it. This apparently is engaging the time and talent of technicians in and outside Government. While one cannot deny the importance of serious thinking in this field, one has to recognise the

This state of affairs has got to end if Indo-American relations are not to deteriorate beyond repair. What is required is nothing less than a clear and categorical statement by the State Department that in no circumstances can Pakistan use American arms against India. What is more, this statement should be accompanied by the practical steps which the United States is willing to take in order to make this assurance effective in practice. It would not be of the slightest use if Washington contented itself by saying that its weapons are for use only against "the aggression". Confusion over the exact position of two parties in an aggression is too familiar a phenomenon to make any such assurance of any use. Kashmir is the classic example of this; and, in any event, India cannot be content that the naming of the "aggressed" should be left to American verdict in a conflict where America is already the military ally of Pakistan.

fact that there are other elements in programming which are equally important. To be more precise, it is the use of resources today which determines the availability of resources tomorrow and the day after. What we can hope to raise in the form of loans or taxes during the course of the Plan depends as much on the pattern of resource-use in each year of the Plan as on the level and composition of the national product at the starting point. The problem of resources and pattern of investment are, in other words, inter-connected; and to attempt projection of future resources solely, or even largely, in terms of past trends is to take too static and pessimistic a view of things. All this is, admittedly, very elementary. There would have been no need to repeat it if in the speeches and writings about the Third Plan, there had been any evidence of serious interest in the pattern of investment.

To be sure, it has often been said that the Third Plan should transform the structure of the economy and this obviously implies assigning priorities to industry, transport and so forth. This is, perhaps, a gain inasmuch as it can be interpreted as an indication of retreat from the panicky attitude of some during the 'Appraisal' stage of the Second Plan.

But once we have said that the so-called emphasis on structural change remains an element of thinking in respect of the Third Plan, we have perhaps said all that can be said about this part of programming. What really is the structural change that we want in the next five to seven years? Is it enough to say that India will march forward, majestically or otherwise, to 'industrialisation'?

The Second Plan was intended to initiate the process of industrialisation and has to some extent done it. What we have to decide now is the manner in which we are going to build on whatever foundation has been laid so far. If everything had gone on smoothly with the Second Plan, we could have drawn up, in the industrial field, a programme (a) for filling the gaps in the industrial complex arising from the previous Plan and (b) for initiating projects into which schemes in the succeeding plan would be detailed. This would be true not only of the detailed programme within the industrial structure but also of the relative developments as between industry, transport, agriculture and services. But the unhappy fact is that the Second Plan has not had a smooth course.

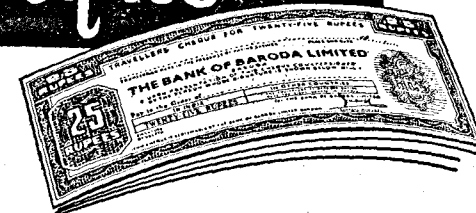
The need, in other words, is to move away from the idea that by distributing the total outlay of Rs 10,000 crores between broad sectors like 'industry' and 'agriculture', we have an idea of the pattern of investment or of the likely structural change in the Third Plan period. Such a summary statement has its uses; but most of it is, if one may say so, propaganda. An allocation like that does not tell us anything about the relation between investment and real output, or about the developing strength of the industrial structure. It is entirely possible to have a large outlay on industries which leaves us no better off in terms of the growth potential. This can happen if we build up capacity in industries which process raw materials without building up capacity in industries producing raw materials. Or, for that matter, vice versa. It is, admittedly, true that any one plan may not be able to do both of these; indeed it is being unduly optimistic to expect it to do so. For that reason, it becomes necessary to assess, at a time of transition from one plan to another the raw materials position vis-a-vis capacity in a fairly detailed manner.

This becomes all the more necessary today because the foreign exchange situation compels us to be extremely careful in depending on imports for raw materials. Obviously, there will always be some raw materials which we will have to import. But there are at present a variety of semi-finished goods which come in as raw materials, and will continue to do so year after year if we do not make a deliberate at-

tempt to stem their flow. Some of these perhaps may be justified if the final product is exported, but one has to be absolutely certain that it is so. It is this sort of intensive study that is time-consuming and needs to be started ahead of date. Possibly, some earnest boys in Delhi are working along these lines; their task will be easier and more fruitful if they have the benefit of considered opinion by men outside.

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Weekly Notes

Special Rupee Notes For Persian Gulf

IT would be naive indeed for the Finance Ministry to expect that by stopping the smuggling of rupee notes out of the country, the smuggling of gold would also be automatically stopped. There is no doubt, however, that the facility of unrestricted and unconditional conversion of Indian currency notes into sterling hitherto extended by the Reserve Bank to the Persian (now Iraqi) Gulf countries had made gold smuggling relatively easy and that if this facility is restricted, it will be more difficult for smugglers to convert their ill gotten gains into other currencies. To say that gold smuggling can be stopped by issuing a special type of rupee notes to the Gulf countries for circulation is to forget that the black market in currencies thrives as much in India as it does in other countries. There are devious ways of transferring funds—under-invoicing of exports, for example—on which it should be possible for his business friends to make him wise in five minutes, if Morarji bhai would care to listen.

The broad facts are well-known and were set out in some detail in these columns in the Weekly Notes 'Stop this Leakage' and 'Indian Currency Abroad' in the issue of August 30, 1958. The import of currency notes which had been running at an annual average of some Rs 12 crores in the past shot up to Rs 44 crores in 1951-52, the year of the Korean boom and a peak year of gold smuggling. In the following years, it went down, but again in 1957, import of currency notes shot up to Rs 48.25 crores and it remained at the same high figure in 1958, being Rs 47.50 crores (provisional, based on 11 months' figures). Against these imports, there has always been a steady export of currency notes also, but in much smaller amounts.

This practice of accepting freely for conversion rupee notes coming from Gulf countries which goes back into the past, originated from the circulation of the Indian rupee in these areas. One can appreciate New Delhi's reluctance to do any-

thing which would lower its prestige in the Middle East or spoil its good relations with the Persian (now Iraqi) Gulf countries. That is no reason, however, why it should shrink from applying the normal exchange control measures to any one group of countries when these are enforced rigidly against all the others, including its own nationals.

The solution now proposed is unexceptionable. It is certainly much better than the more drastic one of withdrawing Indian currency notes from Gulf territories where they circulate as currency. But whether it would be effective or not in preventing gold smuggling or how effective it would be, that is quite another matter. Even the limited effectiveness of the measure will be greatly impaired if, under pressure of the countries concerned, Government were to relax and extend indefinitely the period of conversion of the old notes into new.

Second Largest Film Exporter?

INDIAN films have made an impact on the world. Quite a few of them have got rave reviews and gained recognition from the highest-brow critics as works of art. But these are usually shown in exclusive cinemas which are outside the commercial circuit and show only films of artistic merit. There are other Indian films, too, which have made a hit, but with a different class of audience and not in Western Europe or United States. These have drawn big audiences in the Middle East and been eagerly lapped up, according to reports, by the people of Soviet Russia and Eastern Europe. It is this type of films which have made some money, not so much the artistic ones—the latter merely win the applause of critics and awards in film festivals.

Now the total number of feature films produced in India has been very large, at least since the war. And in point of number of productions in a year, India could claim second or third place in the world. Whether this claim was also tenable in terms of footage exposed, number of prints taken out or the number of showings, however, is difficult to determine in the absence of adequate statistics. Government

publicity had, nevertheless, a solid enough base to operate from. But instead of doing that, on the occasion of State Awards for films, it has made a fresh claim for India, this time, that of being the second largest exporter of films! Films being the special concern of the Ministry in charge of Government publicity, one would expect it to know.

The press release in question gives the earnings from export of films for 1956 and 1957, these being the latest years for which presumably data are available. For both these years, the rupee value of export of Indian films was about a crore and quarter. But these are also very nearly the figures given in the foreign trade statistics as earnings from the export of 'exposed' films. So though the balance of payments division of the Reserve Bank must be seized of the problem, it does not appear to have succeeded in dissociating the cost of a print exported from royalties earned or payable on the exhibition of the film in a foreign territory. The latter should logically come under the surveillance of this Division, being an invisible earning, if there was one.

Now taking at its face value the figures quoted by the Press Information Bureau as export earnings of Indian films, what sense can one make of the claim that India comes second among the film exporters of the world? No figure for the foreign earnings of American films is ready to hand, but taking the usual assessment of the American distributors that India constitutes only one per cent of their total foreign market, it should be of the order of 400 crores (India remits Rs 4 crores annually for American films). So if India comes second, she must be a very poor second indeed, coming a long way behind the first. But even without having the exact figures on hand, one may risk the guess that Britain, France, Italy and even Russia (in terms of imputed value) must be earning much more from exports of films than does India. It is good to be told that the Directorate of Export Promotion in New Delhi assists individual exporters in the export of Indian films. With this knowledge of the film business?

Resignation of Charan Singh

Our Delhi Correspondent Writes :

THE resignation by Shri Charan Singh from U P Cabinet surprisingly did not create much commotion in the capital. May be because it was nothing unexpected. That all is not well with U P Congress politics was apparent in the last general election when Congress lost so many seats to other parties. The resignation not only indicates further fall in the prestige of the party but may precipitate matters. In this connection one is reminded of the resignation of Shri Siddhartha Ray from West Bengal Ministry last year. What has come upon the Congress party that it cannot keep within its fold the more conscientious and abler of its members can only be guessed. The charges that have been put forward by Shri Charan Singh are indeed serious. They are of waste in expenditure, of lack of integrity and of inefficiency. They are not different from those of November 1957 when he first tendered his resignation.

Shri Charan Singh is, however, more specific in his charge that "the way the energy of the Rihand dam was proposed to be allotted to Birlas leaving practically little or no energy for public consumption proved the last straw for me." We understand that this charge is not based on facts. It appears that Birlas with the collaboration of an American firm intend to set up an aluminium factory with a capacity of about 20,000 tons per annum. The proposed factory, if set up, may consume about 30,000 KW of electricity. On the other hand the total power that would be generated by the Rihand project is 250,000 KW. This is not to suggest that private business sector is not playing a part in formulating State's economic policies. The way the rebate on electricity was given to the private sector under this year's State budget is indeed a pointer to the fact. This is surprising in view of the failure of these industrialists to clear arrears of electricity dues, sales tax (amounting to Rs 4 crores) and cane cess duties (about Rs 3.54 crores).

Manufacture of Watches

THE belated desire of the Government of India to sponsor the manufacture of watches within the country has so far remained unrealised. This is because, among other reasons, watch makers of

many countries including America have shown some interest in the proposal, but not the watch makers of Switzerland who have resisted so far the modern trend towards dispersal of production in different countries. There has been no Swiss collaboration in the manufacture of watches outside Switzerland, no desire on the part of Swiss watch makers to move with the times and to meet the threat of loss of markets by agreeing to allow others to exploit their patents and techniques for a mere royalty or to exploit the latter jointly, in partnership with the nationals of other countries. Manubhai's exhortations and Import Control's blandishments have both failed to produce the desired result.

The latest reports from Delhi, however, suggest a slight softening of the attitude of the Swiss watch makers in so far as they have expressed a willingness to study the terms offered by the Government of India for the establishment of a watch industry in this country and to report on it. Import Control blandishments, however, seem to be working on the standard, familiar lines. The willingness to help or collaborate in the establishment of watch making is conditional upon the permission to import Swiss watches according to an agreed quota, until the domestic industry goes into full production.

There may be no watch makers in this country but there is a large number of skilled hands in the repairing of watches. What effect the substitution of movement imports for imports of finished watches is expected to have on the eventual development of watch making in the country has not been studied or the findings, if any, have not been publicised. So the familiar argument of proceeding from assembly to the manufacture of finished products does not seem to hold in watch making.

For the manufacture of clocks, however, this principle has recently been applied. There are a handful of clock makers in this country, some of them quite well established, who make some of the parts and had been importing the others. At least one of the clock makers claimed that it had been manufacturing all the parts locally. The ban on imports of parts which was imposed some time ago should go to show, at no distant date, whe-

ther indigenous manufacture of clocks has been stimulated thereby or whether it has come to a dead stop. There is a strong case for utilising the skills developed by a body of intelligent craftsmen in the repairing of watches and this appears to be a fit case for setting up a producers' co-operative under intelligent direction, if ever there was one. The lackadaisical manner in which the proposal for watch making is being handled is therefore to be regretted all the more.

State Collieries

THE second annual report of the National Coal Development Corporation is far more optimistic and confident than the first. Set up as a Private Limited Company three years ago to take over the Government Collieries, then run departmentally to execute the expansion programme for coal in the Public Sector in the second Plan, the Corporation had a formidable task before it. The Collieries it inherited were mostly uneconomic with too many surplus hands and too little production and the second Plan had allotted to it 10.5 million tons of increased production. It had to modernise mines, recruit and train personnel, and simultaneously arrange for electricity and railway transport, both of which required new construction in many cases. As if this was not enough, the change in the accounting system following the transfer from departmental to company management created many complications, which have not been resolved even now, as can be seen from the long Auditors' Report attached to the accounts for the year ended March 31, 1958.

The Corporation did not get off to a fine start but it has now been hoping to do better. Production in the old collieries is well on its way towards achieving the Plan target of an additional 0.5 million tons by 1960-61. In 1957-58, they produced 3.4 million tons. Two of these have been run at a substantial loss, but for which the profit of Rs. 12 lakhs for the year would have been higher by Rs 35 lakhs. Management of all these collieries is now being improved, cost accounting is being introduced and productivity studies have been taken up. The method of calculating depreciation has, however, still to be finalised.

The opening of new mines, however, is still in the preparatory stage.

Drilling has so far proved a reserve of 1,200 million tons of coal, but most of it is coal of inferior quality. Plant and machinery worth about Rs 8.8 crores has been ordered, of which equipment worth Rs 5 crores has been received. Additional machinery proposed to be purchased, mainly under the U. S. Export Import Bank credit and under Japanese loans, will cost about Rs 8.5 crores. Foreign exchange difficulties caused some delay in placing orders, but the position has improved lately. Recruitment and training of various grades of personnel has made considerable progress. About 150 officers and 1,800 junior staff and workmen had been recruited by the end of the year under review. Training schools for technicians and apprenticeship programmes for engineers have been started. A modest beginning has also been made in giving specialised training abroad to mining engineers.

The first annual report had envisaged an additional production of 8 million tons by the end of the Second Plan, as against 10.5 tons allotted to the Corporation under the Plan. The Corporation has now revised its expectations and programmes and hopes to fulfil if not to exceed the Plan target. How far this optimism is justified depends not merely on the Corporation's own capacity and performance, but also on the completion of related projects like construction of railway lines, improvement of wagon supply and provision of sidings, and supply of power by the DVC and the Madhya Pradesh Electricity Board's thermal plant at Korba. The Corporation is maximising its reliance on its own power. Three power houses, which had been closed down earlier, on receipt of power from the DVC are being revived. It is also operating some diesel generating sets and has ordered three more sets of 375 KVA. If the Corporation ultimately fails in achieving its own and the Plan targets, bottlenecks in transport and power would bear a large share of the responsibility. Shortage of trained personnel and foreign exchange may also bedevil the Corporation. Its task is much more complex than that of, say, Hindustan Machine Tools which has achieved such spectacular success. Given sufficient drive, National Coal, too, may be able to deliver the goods provided the ancillary services come up according to schedule.

Letters to the Editor

Managing Agency A COMMENT

IN your editorial, entitled "Why After Managing Agency?" in the 'Economic Weekly' of 18th April, you have rightly emphasised that improvement of the general climate of company management "cannot be achieved merely by abolition of the managing agency system or placing the latter in a strait jacket."

A policy of applying the guillotine next year would appear to be out of question as no responsible Government could afford to face the risk of a vacuum in corporate management by abolishing a system without sedulously fostering some suitable alternate form of management.

Speaking of alternate form of management, what other types could the country contemplate in the immediate future? The system of holding companies as in the USA? Management by Board of Directors when the large run of Company Directors are weighed with heavy responsibilities inherent in multifarious activities? Reposing management in a professional managerial class—an entity which is still in its infancy in this country? When all is said and done one cannot with equanimity consider summarily dismissing a set of business houses within one year and visualising the creation of a more efficient alternate entity by the mere wave of the magic wand.

To those initiated in high finance and to the layman the conclusion is inescapable, namely, that for some years at least—may be a decade or two more—the country cannot but have recourse to the Managing Agency institution, which after all has sponsored the development of India's major industries. A system which has so much to its credit cannot overnight be regarded as having shed all its virtues.

If this conclusion is reasonable—and your admirable editorial clearly implies this—then it would be short-sighted policy to clamp the Managing Agency houses by seeking to pay for their services something very much less than what they are worth. Emphasis therefore should be on whether or not the system has exhausted its usefulness, and if the answer is a

clear affirmative that it has still possibilities, then following the adage that the labourer is worth of his hire, the scale of remuneration to the Managing Agency houses when their Agreement come up for renewal in the coming months should be such as not to be out of tune with the benefits the economy can still derive from the system.

R P Aiyar

Killick Industries Ltd
Bombay,
April, 23.

[The compliment, embarrassing being wholly undeserved, should go to the printer's devil who changed the heading from 'What after managing agency?' to 'Why (be) after managing agency?'—Ed.]

"Forward Markets Bulletin" A REJOINDER

I AM directed to refer to the review under the caption "Forward Markets Bulletin" appearing in the April 4, 1959 issue (page 496) of your Weekly and to point out that the statement "The March issue... contains information only upto the end of January," appearing in para 3 thereof does not represent the correct position. All the market reviews ("Working of Forward Markets"), for instance, appearing in that issue of the Bulletin cover the period upto the end of February, and the information given under "Action under Forward Contracts (Regulation) Act" refers to a notification issued on 2nd March, 1959 ("Ban on forward contracts in rice and paddy").

The statistical tables, no doubt, refer to the month of January, but the data has, for the most part, to be compiled from individual statements submitted by the members of the eighteen recognised associations situated all over the country. These returns are seldom received in time, and have to be subsequently processed and seen through the press. You will appreciate, that in view of these circumstances, the time lag of one month is not too long for a journal of this kind.

M A Mulky
Secretary

Forward Markets Commission,
Bombay-2,
April 27.

Official Papers

The Corporate Sector

R K Hazari

The Second Annual Report on the Working and Administration of the Companies Act, 1956 for the year ended March 31, 1958, Department of Company Law Administration, Ministry of Commerce & Industry, Government of India, Delhi. Manager of Publications, 1959, Pp 92.

THE Company Law Department was set up in 1955 within the Finance Ministry to administer the Companies Act of 1956. Prior to its establishment, supervision over joint stock companies, was exercised by State Governments through parttime Registrars, who had neither the time nor the inclination to discharge the limited functions and powers assigned to them under the Acts of 1913 and 1936. With the passing of the new Act, all functions relating to its administration were assumed by the Central Government. State Registrars became full-time Central officers with establishments of their own. Regional Directors of the status of Deputy Secretaries were appointed in each of the five regions, which were subsequently reduced to four. While the Registrars carry out routine functions, the Regional Directors maintain liaison between them and the Central Government; the latter, in addition, advise companies on the meaning and implications of various sections of the voluminous Act and also provide expert advice to the Registrars.

During the second year of its working, the Department was transferred to the Ministry of Commerce & Industry, but other related offices such as those connected with control of capital issues, working of stock exchanges and financial institutions like IFC and ICICI, remained in the Finance Ministry. The report politely complains that "The full implications of this change on the already difficult problem of the co-ordination and the integration of the activities relating to the corporate sector which were not realized at the time will need careful examination in the near future." The rationale of this bifurcation has never been explained by Government, which is merely another illustration of the absence of rationalisation within the Government, though its spokesmen preach its virtues to others with enthusiasm.

As one who has come in rather intimate contact with the Depart-

ment and its field offices and received all possible help, I can testify to the sincerity with which all its officers are tackling complicated administrative problems thrown up by the Act. The new Department does not suffer, on the whole, from stiff-neck nor does it wallow in routine notings on files; perhaps, the staff has not yet had sufficient time and experience to get innured to the normal pace of official work. Most officers take a genuine interest in their duties and possess a clear understanding of the social purpose behind the new Act. Some are, in fact, zealous and have managed to keep their imagination unimpaired.

Considerable effort would be necessary to maintain this good start. This warning is necessary because one can already notice the creeping in of avoidable routine and multiplication of useless forms. The Act and some of the cumbersome rules framed under it are partly responsible for this unhealthy development. To give only a few examples. A lot of time in Registrars' offices is wasted in checking up on the signatory to the Auditors' Report, consent of Directors for election, appointments of Directors' relatives, re-election of superannuated Directors, and similar other matters of little importance. They are also required, fairly often, to answer queries from Regional offices and from New Delhi on matters regarding which information is already available with the latter if they only care to search for it. The Regional Directorates have little work and less power. It is astonishing, for example, why the approval of a company's name should come from New Delhi, after prolonged correspondence, instead of from the Regional Directors or even the State Registrars themselves, in consultation with one another. Such instances could be multiplied. The tone of the report is unruffled by such trifles. It merely says that no formal delegation of powers was made by the Department during

the first year, but now the question of delegating some of the powers under Section 637 is under active consideration; and that a 'cautious policy' is proposed to be followed in this respect. Then, why have officers of the rank of Deputy Secretary in each region, if they are only to work as post offices?

Another administrative difficulty that is assuming importance is the grading of Registrars. It appears that Registrars are divided into three grades, depending upon the number of companies within their jurisdiction. The result is that each time a Grade II or Grade I Registrar retires or is transferred, a large number of transfers become necessary. Unlike revenue or police duties, the work of a Registrar requires close acquaintance with the affairs of the companies under his jurisdiction. As the Department expands, transfers and promotions are likely to become more frequent.

Penalties on Defaulters

The Department has done a lot of useful work within a few years of its establishment, but it could do even better if the offices of Registrars were better organised to secure information of major importance instead of having to file heaps of forms which they are in no position to scrutinise closely. To my knowledge, not a single Registrar has an up-to-date all-India Index of Companies, the reason being that the staff is too busy (after arriving late) with sending routine notices to companies. Much of this time-consuming work could be cut down if Registrars had powers on their own to impose penalties on companies which do not file their returns within a period of grace after their due date. The Act invests them with no such powers. The recent Report of the Sastri Committee has also refused to do so, in spite of strong representations from the Department. It is surprising that while officers of the income tax and customs departments and even petty officials like railway ticket

examiners have the power to impose penalties for defaults, Registrars of Companies are required to go to Court for dealing with defaulters.

The argument that the Department is meant to serve and not to harass companies could well be applied to all departments of the Government of a welfare state, whether they collect revenue or safeguard the public interest in any manner. The creation of a legal person in the form of a joint stock company is a special favour granted by public authority to a relatively small body of persons for subserving the common good. This favour is granted on condition, *inter alia*, that the company's annual returns and accounts be filed regularly with the Registrar. If this obligation is not discharged faithfully, either because the company is fictitious or because it is concealing information which the public has a right to demand in return for the special favour, the Registrar should have the power to impose penalties on company managements. The absence of this power, moreover, constitutes discrimination against honest companies which are compelled to incur large expenses to satisfy the provisions of the new Act.

Some improvement is also necessary in the actual method of filing the annual and other returns in Registrars' offices. Though I am given to understand that instructions have been issued from New Delhi laying down a standard procedure for filing of documents, the heavy pressure of work at large centres like Bombay and Calcutta has, apparently, made it difficult to carry out these instructions properly. At the latter centre, moreover, the time-lag between receipt of documents and their filing seems to be unduly long, with the result that any one desiring to see the latest returns is generally disappointed.

New Registrations

To come back to the statutory report itself. The number of new registrations in 1957-58 was 961 against 848 in the previous year. This improvement is believed to have set at rest fears that had, earlier, been generated by the new Act. Of these, only 65 were public limited companies with a total authorised capital of Rs 53 crores out of an aggregate of Rs 103 crores,

the latter being nearly one-half of what it was in 1956-57. The fall in authorised capital of new companies is attributed to the formation of smaller companies and decline in registration of new Government companies. No tears need be shed over this decline as such, since a company's authorised capital has little to do with its actual capital.

The industrial distribution of new companies continues to show the predominance of 'Manufacturing and Commerce' but there is a noticeable decline under 'Mining and Quarrying'. This classification needs to be taken with a generous pinch of salt, for, it is based on the principal object clause in the Memorandum of a company. The actual business of many a company differs widely from what it is officially given out to be. Quite a few 'industrial' companies are in fact investment or holding companies, while some trading companies deal principally in shares which should make them also investment companies.

The state-wise distribution indicates the continued predominance of West Bengal, Bombay, Madras and Delhi, which accounted for 77 per cent of new registrations against 80 per cent in the previous year.

Only 15 out of the 961 new companies propose to have managing agents against 14 out of 848 in the previous year. Barring 3 against 2, which desire Secretaries & Treasurers or Managers, all the rest are to be managed by Directors. The office of secretaries and treasurers does not appear as yet to have commended itself to company promoters nor have existing managements been attracted significantly by it. What effect the proposed reduction in managing agents' remuneration from the maximum of 10 per cent of net profits to 5 per cent will have in future, cannot be foreseen, but it would obviously be inequitable to reduce their remuneration below the maximum of 7½ per cent allowed to secretaries and treasurers, unless Government intends to use the latter as an inducement to facilitate the 'changeover'. Management by Directors may be welcomed by critics of the Managing agency system but there is no inherent virtue in it by itself. In the case of large companies, most directors hold offices only by courtesy or because of their financial standing; they have little to do with

actual management. The Directors of smaller companies belonging to well-known groups are generally mere executives or nominees and exercise little control over management. The increasing frequency of Director-managed companies is inspired not merely by the bad odour now attached to managing agents, but also by the desire to conceal the real controlling interest and to avoid coming under the legal definition of 'under the same management', which requires a common managing agency or a common majority of the Directors. Those who are concerned at the growing abuses of corporate management can therefore, derive no comfort from the practical disappearance of managing agents from new companies and their gradual displacement in older companies.

'Companies at Work'

The steady decline in the number of companies at work over the last three years has been a source of anxiety to the Federation of Chambers of Commerce and Industry. The number of companies at work on March 31, 1958 was 28,283 against 29,357 a year back and 29,874 on April 1, 1956 when the new Act came into force. The paid up capital has, however, moved up over the period from Rs 1,024 crores to Rs 1,151 crores. (These figures are probably under-estimates, since the Department has often to use obsolete information, though Registrars are supposed to send one copy of each balance sheet they receive to New Delhi.) What these figures indicate is not stagnation or lack of confidence and incentives, as the Federation has led itself to believe, but the gradual weeding out of companies that are actually not working at all. According to Income Tax Statistics, 'companies and other persons liable to tax at Company rates' assessed to tax in 1956-57 were only 10,780! Since it is in the interest of every company to submit its tax returns even if it is making losses, in order to get the benefit of carrying losses forward to offset future profits, it would not be surprising if the number of 'companies at work', as reported by the Company Law Department were substantially larger than those actually alive and doing business. Neither the Company Law Department nor the Income Tax Department has ever explained this glaring

(Continued on page 612)

From the London End

U S Capital Investments in Britain

FOLLOWING the surrender of the British aluminium industry to American control earlier this year, there is now the prospect of a strategic sector of British engineering industry, viz, the manufacture of ball-bearings, also going under direct American control. It is reported that the U S Timken Roller Bearing Company of Ohio proposes to purchase the remaining British-held equity stock in British Timken, the largest manufacturing enterprise in ball-bearings and similar engineering products in Britain. These developments have caused an evident anxiety in this country and a series of very pertinent questions were raised in the British Parliament as to what the Government's policy was towards the tendency for a number of key industries to pass out of British hands.

Aggressive Drive

The past six months have witnessed what to all intents and purposes appears to be an aggressive American drive to acquire a number of British industrial enterprises. Further, groups of U S stockbrokers have been visiting London with the explicit purpose of investigating new outlets in Britain for the rising capital surplus of the United States. It is now estimated that already the value of U S capital interests in the British economy amounts to as much as \$3,000 million and that U S controlled enterprises account for about five per cent of the British gross domestic output, and possibly more of the total of Britain's industrial production.

The British Government certainly has no direct policy. The Chancellor of the Exchequer, replying to the many questions raised in Parliament on this matter, declared that international investment was a two-way traffic and that as long as Britain found freedom to invest abroad she would provide the same freedom to foreign investment in Britain. The one proviso was that the exchange control regulations would have to be complied with. In the case of the proposed American acquisition of British Timken, the United States purchasers offered shares in their company to the British equity stockholders. The British

Government requires instead that the British stockholders should be paid in cash since the exchange control regulations forbid British residents to increase their holdings of dollar securities beyond the present pool of dollar securities in British hands. It now appears that the Americans will be prepared to make a cash offer to the British shareholders in the Timken Company.

To Circumvent Discrimination

It is not difficult to understand the present United States drive to enlarge its economic interests in Britain. The most prominent feature of the American economy at the present time is the rising volume of capital funds available in the United States. A situation like this must in the nature of things dictate a more aggressive export of capital to areas where investment opportunities appear to be more profitable. A more pressing reason in the present situation is the increasing export difficulties which the Americans are experiencing in various export markets. A number of the rising and growing markets for U S manufactured products are well tied up in effective preferential and tariff arrangements in favour of particular West European countries. One way to circumvent this discrimination against U S exports of goods, and ultimately to weaken the anti-American element in the existing preferential trading arrangements, is to penetrate such areas with U S capital exports: to acquire existing enterprises or set up subsidiaries and

branches of American parent companies in the very centres of such preferential trading areas.

The centres of the preferential trading areas are, of course, the United Kingdom and continental West Europe. Both Britain and West Europe possess relatively advanced economies encompassing a large and developed internal market. More important, Britain and the countries of West Europe possess entry into large areas of preferential and protected trade into which the United States cannot enter on equal terms. The sterling area tariff preferences and exchange control system directly discriminate against the U S; similarly, the Common Market arrangement encompasses not only the six most important West European countries but also large and rich colonial territories in Africa which, as time goes on, will increase the level of discrimination against U S exports.

'Anglo-American' Companies

In the accompanying table the volume of U S direct investments and earnings in British industry for the years 1956 and 1957 are given. These figures have been taken from the 'Survey of Current Business', published by the U S Department of Commerce, which each year estimates the international investment activity of American enterprises. Of all the West European countries, Britain is quantitatively the most important field for U S direct investments. In 1957 the book value of such investments in Britain

U S Direct Investments and Earnings in British Industry (\$ mn)

	1956		1957			
	Total	Total	Mining	Petroleum	Mfg	Other
Total Value of Direct Investment at end of year	1612	1899	3	394	1201	302
Net new capital inflow	278	157	—	87	59	13
add Undistributed earnings	85	128	—	29	88	10
Net increase	363	285	—	116	147	23
Total earnings of which	271	326	—	111	165	50
Remitted to U S	186	198	—	82	77	40
Earnings reinvested	85	128	—	29	88	10

amounted to \$1,899 million of which some 85 per cent was in manufacturing industry. For 1958, the US balance of payments statistics suggest that a further \$100 million of new US funds entered Britain. On the other hand, having regard to the re-investment of current earnings and of the past rate of growth in the net value of US capital in British industry (a rate of 15 per cent per annum), by the end of 1958 the American interest in British industry could have been as much as \$2,178 million.

Even this latter figure may not truly reflect the size of US infiltrations into British industry. According to J H Dunning (in his authoritative study, 'American Investments in British Manufacturing Industry') there exist a number of what he calls "Anglo-American Companies" in which a part of the share capital continues to be held in British hands but in which the controlling interest is in American hands. Companies like the giant Monsanto Chemicals, Ford Motors, Goodyear Tyres, may very well fall in this category. If these companies are taken into account then the value of American capital interest in British industry may very well amount to between \$2,800—\$3,000 million or well over £1,000 million.

Distribution of US Investments

It will be seen from the data in the table that of the total US investments in 1957 amounting to \$1,899 million about \$1,600 million was placed in the British petroleum and manufacturing industries. According to the study of J H Dunning, about three-fifths of this \$1,600 million was concentrated in the ten largest enterprises operating in Britain. A further twenty per cent of this capital is invested in the next twenty-five largest firms in the U K.

The most striking point about the direction of American direct capital investments in Britain is that almost all of it is concentrated in industries of comparatively recent origin (excluding petroleum, of course). These industries have been commercialised in the last twenty or thirty years and encompass the products of recent invention, discovery and application. There appears to be little or no American influence in Britain's traditional industries, like cotton, iron and steel, and ship-building. However, in the production of office machinery,

agricultural tractors and machinery, tracklaying tractors and earthmoving equipment, refrigerators, washing machines, petroleum refinery equipment, industrial instruments, abrasives and refined petroleum, the estimated US share in British production is put at about 45 per cent. In certain other new products the share is even larger. In the very newest of industries like electronics, the major American investment interest has been secured through the device of Anglo-American companies in which capital is jointly held and patents shared.

Share of Exports

The dynamic factors which determine the outflow of American investment funds to the UK remain the large internal British market and the large preferential export markets to which Britain is connected with the sterling area. From the available information it is clear that the Americans are taking full advantage of the latter. J H Dunning describes the results of a survey that was carried out among 101 American subsidiaries operating in Britain (55 in the engineering industry and 46 in non-engineering industries). Of the total output of the engineering subsidiaries 48 per cent was exported and this mainly to the overseas sterling area. Of the output of the non-engineering subsidiaries, some 35 per cent was exported, again mainly to the overseas sterling area. These percentages were found to be well above the output-export ratio of purely British controlled firms.

All in all, it is estimated that American controlled firms in Britain contribute between 10 and 12 per cent of all UK exports of manufactured products and about 35 per cent of products which have been developed in the past twenty to thirty years. This level of exports is clearly directed to a number of Britain's export markets in the overseas sterling area. In more recent years, the export of Ford cars and cars made by the General Motors subsidiary in Britain, Vauxhall Motors, have been directed as well to the United States—a remarkable phenomenon which explains the competitiveness of these American-controlled industries in Britain in the American market.

It is quite clear that the US has become intensely interested in the

British economy and that it may only be a matter of time before American capital enters the more basic industries of the country. In pure economic terms there can be little doubt that American methods of management and of design and production have introduced a new element of efficiency into the British economy. This must be welcomed. Politically, of course, the consequences of this high level of American investments in Britain can tell on the country's independence and, more particularly, on the independence of its policy.

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An Assembly Constituency in Orissa

Pranab Mahapatra

THIS article chronicles democratic preferences in one constituency over the last thirty years. There are significant differences in the voters' behaviour before and after Independence. An attempt is made below to unravel some of the complicated factors which today lead to success in elections to a Legislative Assembly.

The Background

The police station (hereafter PS) of Balikuda is to the east of Cuttack city. Jagatsingpur lies to the north and west, Ersama to the east, and Kakatpur PS of Puri district to the south. It has an area of 88 sq miles with a population of 86,720, according to the 1951 census.

The entire area lies in the delta of the river Mahanadi. On the south the river Devi, a branch of the Mahanadi, forms the border between Cuttack and Puri districts. The Alka, another branch of the Devi, has been closed at the head to protect the Machgan canal. But the mouth of the Alka, near Machgan, being open during the floods, permits the backwaters of the Devi to inundate the south-eastern region. This divides the area into flooded and non-flooded tracts, which, at times, has played a significant role in the determination of voters' preferences in the area.

The important villages are Balikuda, Alanahat, Parahat, and Machgan. A road connects Balikuda and Machgan with Cuttack. Out of 43 miles of this road the last eight miles are yet to be metalled. Balikuda is at the 38th mile. There is another kutchra road to Alanahat, leaving the main road at the 34th mile. There is a similar kutchra road to Parahat. From December to June a daily private bus service runs between Cuttack and Machgan via Balikuda. Another service turns to Alanahat during the fair weather. The principal form of transport is the bullock cart. The Machgan canal is not navigable beyond Jagatsingpur.

Balikuda has a police station, a charitable dispensary, and a high school. Alanahat has a branch post office and a high school. Parahat and Machgan each have a branch post office.

The caste composition of this area

is estimated (percentage) as follows: Brahmins 5; Karans 7; Chasa and Khandayat 55; Artisans 10; Untouchables 15; Others 8. Brahmins and Karans are the highest castes. The artisans include carpenters, smiths, tailors, and so forth. Untouchable castes are Bauri, Kandara, Hadi, and Pano. In the category of 'others' I have included fishermen, Muslims, and such nomadic castes as Kelas. The Chasas and Khandayats are numerically the largest caste. Those who are advanced and educated call themselves Khandayat and the rest call themselves Chasa. The economy is mainly agricultural, and there are neither forests nor industries in the area. Cultivation is the main occupation, supplemented by casual labour of other kinds. Before Zemindari abolition there were many small landlords in this area, most of them Karans. An important family of Karan landlords had their estates at Balikuda and Gajrapur.

Against this background we shall now consider election returns in Balikuda PS and subsequently in Balikuda constituency.

District Board Elections

In 1933 Balikuda returned a Congress member to the Cuttack District Board. This man was a veteran political worker. He entered politics at the time of the Non-Cooperation movement and he was imprisoned in 1930 and during the salt march. He was an inspiring leader in the locality and he mobilized many workers for the Independence movement. He belonged to the zemindar family of Balikuda, and was related to the Choudhury's, a family politically prominent in Orissa. An Ashram was opened in Balikuda in 1930 and the Congress movement began to gather momentum in the area.

The rival candidate was a Chasa from the Alanahat area. Congress won an overwhelming victory. We may suggest two reasons, among others, for this victory. First, Congress had the irresistible emotional appeal of Independence behind it. Secondly, what votes the Chasa, a member of the largest caste numerically in the area, might have got, were diminished by the fact that the

property and educational qualifications for voting excluded a large part of the Chasas from the franchise.

In the subsequent District Board elections Congress was throughout victorious, until the Board was liquidated after Independence.

The 1936 Elections

The first elections to the Orissa Assembly were held in 1936. This area, together with Jagatsingpur, returned one candidate to a 60 member legislature, still elected on a limited franchise. At that time the opponents of Congress were encouraged by the British Government and formed a group under the principal landlords. The contest in that year was between N Kanungo (Congress) and S Mahapatra (Independent). The former won by a large majority and became a minister in the Provincial Government.

Once again Congress was carried by the rising tide of Independence. Congress election expenses were negligible. Workers were paid little or nothing. The voters did not ask themselves about the merits of candidates set up by Congress. Caste considerations weighed little in the election, since both candidates were Karans. Money equally had little effect on the electorate. There was a rumour going about that even paid supporters of the other candidate took advantage of the secret ballot to vote Congress. Kanungo is from Balikuda and Mahapatra from Jagatsingpur. But with such strong support for Congress, local loyalties can have played little part in the election.

The 1946 Elections

The next general election was held in 1946. In the interval came the '42 Movement, the world war, and the resignation of the Congress ministries. In Orissa a large number of legislators were arrested and detained.

In 1946 the old constituency of Balikuda with Jagatsingpur returned Kanungo uncontested to the Assembly. His only opponent was an Independent, who withdrew before the poll. National feeling was high at the time. The trial of officers of the INA was in progress.



The dress of the people...

Costumes, whether they are for occasions or for daily wear vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

Many varied costumes are worn in India but different costumes need different qualities of cloth. The Mafatlal Group of Mills manufactures a wide range of cloth for everyday use in all parts of the country.



Over her salwar and kameez the beautiful Punjabi women very often wear a heavy Pulkari chaddar, a colourful, richly embroidered home-made garment

SHORROCK, Ahmedabad. NEW SHORROCK, Nadiad. STANDARD, Bombay. NEW CHINA, Bombay. SASSOON, Bombay. NEW UNION, Bombay. SURAT COTTON, Surat and Dewas. MAFATLAL FINE, Navsari. GAGAI BHAI JUTE, Calcutta.

MAFATLAL GROUP OF MILLS



CLOTH FOR THE NATION

Mafatlal's other interests include Sugar and Dyestuffs

MAFATLAL HOUSE, BACKBAY RECLAMATION, BOMBAY I.

The Cripps Mission and the Cabinet Mission had begun deliberations to grant Independence. No one could have stood against the Congress, and in fact in the 1946 house Congress secured 45 out of 60 seats.

The 1952 Elections

In 1947 India achieved Independence. The Legislature, with 56 elected members and 4 nominated members, continued up to 1952. In the new constitution universal adult franchise was introduced. Balikuda PS, together with two unions from Jagatsingpur PS, was delimited as a single-member constituency for the State Legislature.

Three candidates presented themselves in 1952: B Mahapatra (Congress); B K Sahu (Socialist); and P Parija (Independent). The results were as follows: Parija—38.25 per cent of valid votes; Mahapatra—36.61 per cent; and Sahu—25.12 per cent in a total poll of 44.38 per cent of the electorate.

Mahapatra was a veteran Congressman from Jagatsingpur proper, and he had not previously worked in the Balikuda area. He depended entirely on party support. He is a Karan by caste.

Sahu was a practising lawyer and from the Alanahat area. He was a newcomer to politics, and a Sundi by caste. His father, also a lawyer, once contested in the District Board elections in 1940 as an Independent and was defeated by the Congress candidate.

Parija's success was a shock to the Congress. Balikuda, throughout a stronghold of Congress, returned an Independent, and the Socialist candidate, although a novice in politics, secured no less than 25 per cent of the votes.

Local Issues Predominate

We may suggest some of the reasons for the Congress defeat. The sitting member, Kanungo, did not contest for the State Assembly and was standing for the House of the People. Parija is an eminent scholar and a well-known man, a local man who had made a name for himself in the world. Moreover the selection of Mahapatra, a Jagatsingpur man, was viewed with displeasure by some of the old Congress workers of Balikuda. They are rumoured to have supported, directly or indirectly, Parija's candidature.

Again, as always, there had been disappointed expectations. It was alleged by Parija's followers in their election campaign that Kanungo, although he had held the seat for 15 years, and was a Minister throughout this period except when the Assembly was dissolved, had not given the people what they wanted. The roads in the area were not improved. No development work was undertaken. The high school at Balikuda was short of funds, and when public donations were exhausted, state aid could not be procured. For all this the public blamed their own representative. Mahapatra is a relative of Kanungo and for that reason he was identified with the latter, as well as through their common political affiliation.

Parija's appearance on the scene offered an opportunity for change. In the flooded area Sahu took a large part of the votes. Students and younger groups supported either Parija or Sahu. In this election caste seems to have been of little account.

The 1957 Elections

In the general elections of 1957 the picture was different. (see table below) This time Parija did not contest. By 1957 the tide of Congress in this area was in ebb. Many old workers had ceased to take an active interest in the party. A few of them had retired from politics: some joined the Bhoodan movement. The area had failed to get an N E S block. The dispensary and the roads had not been improved. Kanungo, now a Minister in the Central Government, seemed a remote and distant figure. Parija's representation had aroused similar feelings, and the people perhaps felt that the more important the man the less likely was he to minister to their interests. Local issues and local grievances are what count with the electorate. Although Cuttack is only 40 miles from Balikuda and many people go there, they have not become aware of national and international prob-

lems, hardly even of State problems.

In addition to this, some issues which might have served as party campaign material were now in the background. Zemindars had already been liquidated. The National movement had passed its flowering. Official panchayats were yet to come. Without these major causes to dispute about, caste and local loyalties and local grievances began to play a bigger part in the elections than they had done before.

Failure of Land Reform

The election in 1957 came after the disastrous floods of 1955, by which this area was badly affected. The relief operations of Government gave local touts an opportunity to exploit the situation. People believed that assistance which was meant for the general benefit sometimes went into the wrong hands. Congress was blamed.

Again, the Bhagchas Act, which fixed the share of the cultivator as 2/3 and that of the owner at 1/3, did not forbid land being left fallow, and it was not difficult for the owners to exact half the yield on pain of leaving the land uncultivated. And there are many people in this area who depend upon sharecropping. High expectations from the legislation were not fulfilled. Nor did Bhoodan make much headway in the area: some donors gave fallow and unproductive land. All these grievances gave an opportunity to the Praja Socialists.

Caste Enters the Scene

For these elections there was actually a dearth of candidates who might win the confidence of the electorate. The Congress was in a dilemma about selecting a candidate. The name of Amitav Mahapatra, the son of the 1952 Congress candidate was suggested, but in the end the ticket was given to B K Sahu. This disappointed local workers, who did not like the idea of supporting someone who had

				% of valid votes
Candidates	Party	Caste	Locality	
B N Mahanty	PSP	Chasa	Balikuda	37.87
B K Sahu	Congress	Sundi	Alanahat	26.43
M S Biswal	Ind	Karan	Alanahat	14.23
D Lenka	Ind	Caste	Jagatsingpur	13.19
R K Sahu	Ganatantra Parishad	Sundi	Alanahat	4.28
R K Das	Ind	Karan	Balikuda	3.98

contested the 1952 elections on a socialist ticket. They suspected that the electorate would mistrust him for this reason.

Furthermore, being of relatively low caste, he was not wholly acceptable to the higher castes. By this time caste was becoming important, and these higher castes, apart from their own votes, still retained a hold over a large number of votes in the artisan castes and the scheduled castes. In the Alanahat area the predominant Chasas are believed to have given their votes either to Lenka or to Biswal. Finally, the Ganatantra Parishad put up a rival of the same caste and who came from the same locality as the Congress candidate and so further divided his vote.

A Man of the People

All these factors contributed to the success of Mahanty. Mahanty is a man of the people, without the educational or political eminence of men like Parija and Kanungo. His wife helped to organize the women voters. He was supported by the young men and the students, and they gave him considerable campaign assistance. Nor did the Chasas of Balikuda proper give their support completely to Biswal or Lenka, as did those in the flooded area: many of them were influenced by their sons to give their votes to Mahanty. Finally, with the exception of B K Sahu, all the rest contested for the first time. Mahanty alone was a veteran in politics.

Complicated caste and locality loyalties, together with the large number of candidates, played an important part in the results. Yet it is quite clear that it was now not the party, but the person which was the most important factor in electoral success.

Conclusion

Prior to 1936, when Orissa was made a separate province, Balikuda PS was returning a member to the Cuttack District Board. In 1933, for the first time, an official Congress nominee was elected, defeating a non-Congress candidate. From 1933 onwards this area was a stronghold of the Congress. Congress was then the forum for all Nationalists under Ganddiji's leadership. The present Praja Socialists and Communists were all within that movement, and they were all ranged against the landowners and

other influential persons who had the backing of the British. The wide loyalties which Congress commanded at that time, transcending narrower loyalties, are shown in the results of the District Board elections between 1933 and 1946.

In the Assembly elections of 1936 the same influences are at work. The Congress candidate won with a substantial majority. His opponent was backed by all the forces against Nationalism. Up to 1952 there was a limited franchise, and most of the Chasa cultivators and a good number of the artisan castes and untouchables were not voters. Yet the greater part of the landowners, the middle-class, and the intelligentsia remained solidly behind the Congress.

But in the post-Independence era all this is changed. Adult franchise enrolled voters from all castes and classes. Some progressive elements

Indian Aluminium

THE Second Plan provided for expansion in aluminium production from 7,500 tons to 25,000 tons by 1960. The largest producer of aluminium in the country, Indian Aluminium, an affiliate of Aluminium of Canada, continues to make a substantial contribution towards the achievement of this target. The phenomenal expansion of Rs 2 crores in its net block last year, has been followed by a further addition of Rs 1.66 crores in the year ended December 31, 1958. Gross and net block stood at Rs 9.31 crores and Rs 6.82 crores, respectively, at the end of the year.

Sales rose by 36 per cent to Rs 743 lakhs, of which the company's own products accounted for Rs 563 lakhs, and agency products for the balance.

Gross profit margin on turnover also rose slightly from 12 to 13 per cent. Profits before income and wealth taxes went up from Rs 65 lakhs to Rs 98 lakhs, but taxation absorbed Rs 61 lakhs against Rs 39 lakhs, leaving a net profit of Rs 37 lakhs, which is, still, higher than Rs 26 lakhs in the previous year. Net earning per ordinary share of Rs 10, after deducting preference dividend, has consequently moved up from Rs 0.65 to Rs 0.91. Distribution has been stepped up from Rs 0.60 to Rs 0.70.

Reserves, including share premium, have expanded from Rs 1.23

left Congress and it became rather disorganized in the constituency. By 1952, and still more in 1957, Congress had to hire workers and could no longer rely on voluntary labour. Election campaigns became expensive. At the same time caste considerations began to be felt. The merits and demerits of the candidates were more closely considered by the voters. Political parties as such were not very significant in electoral determination. The party which found the most popular candidate had, certain other things being equal, the best chance at the polls.

In the absence of a great cause like Independence the personality of the candidates, local grievances, local loyalties, and caste loyalties have come to be the more important factors in determining the results of elections in constituencies like Balikuda.

crores to Rs 1.47 crores. At the end of the year, total capital employed in business was Rs 8.28 crores against Rs 6.68 crores; owned capital had risen only slightly from Rs 5.48 crores to Rs 5.72 crores, entirely on account of larger reserves, while borrowings had gone up from Rs 1.20 crores to Rs 2.18 crores, mostly from bankers but partly also from its Canadian parent.

The Hirakud smelter commenced production early in 1959, while expansion of the alumina plant at Muri to 18,000 tons annual capacity was completed in July 1958. Higher level of fabricating operations during the year necessitated use of greater quantities of imported ingots, a large part of which came from Canada under Colombo Plan aid. The company proposes to expand the Hirakud smelter to produce 20,000 ingot tons per year and, alongside, to increase the capacity of the alumina plant at Muri to 32,000 tons from the existing level of 18,000 tons. The Canadian parent company has offered a loan of upto \$ 6 million to finance the foreign exchange component of this programme. Negotiations are proceeding with the Orissa Government to secure additional electric power to enable the company to finalise this programme.

The Tariff Commission has recommended, after an inquiry held last year, continuation of protection to the industry till the end of 1960.

France under de Gaulle

(i) The Meaning of de Gaulle

(From Our ex-Paris-Correspondent)

MUCH water has flowed down the Seine past the Palais Bourbon, the French Assembly House, since I sent my last despatch from Paris. This ancient palace has witnessed many curious spectacles, but none so weird as the spectacle of a new system being born with the faces and limbs of precisely those who had built their political career on the denunciation of the 'system'. The halls, corridors and lobbies of Palais Bourbon are full of absolutely new faces. Never have faces inside the French Assembly house changed so totally and so rapidly and yet the faces look remarkably alike, like those of brothers, which they are, being Gaullists. Louis XVIII had spoken incredulously of the "chambre introuvable", a house too good to be true. Like Napoleon, his imitator has also managed to remove the word 'impossible' from his dictionary, and the French bourgeoisie is rubbing its eyes at the undreamt of good fortune of having a bloodless revolution offered to it on a gilded plate—and a chamber with no other representatives except its own.

The Bride is too Beautiful

The joy, however, is far from being unmixed. The bride should be beautiful, but not too much so—thus decrees the rustic wisdom of the gallic peasant; a too beautiful bride does not last long. Sober bourgeois journals are also shaking their heads and talking of the swing of the pendulum. News reaching after this article was written about the municipal elections in France show that the pendulum is already swinging. The nation has gone to bed trusting in a Father Christmas. De Gaulle may not be a fascist, but that is precisely the worst thing about him. Behind his bulky figure knives are being sharpened by murderers. What is going to happen when de Gaulle moves out or is made to move out?

From the contradictory nature of the apprehensions it should be clear that the drama is far from being over yet. The fast moving first and second acts are over, and while the slow moving third act (which dates from the inauguration of the Fifth Republic) unfolds itself, we have

time to look back at the events of the last few months and see whether we can discover beneath the surface certain broad lines of historical movement. In a series of two despatches only a few weeks before the 13th of May under the title "France towards Fascism" we discussed the socio-political conditions that were leading France towards Fascism. We argued schematically in terms of three participants in a struggle: the Big Bourgeoisie, the Petty Bourgeoisie and the working class. We shall find it convenient to continue our analysis of the situation in France in terms of the same categories. We do not of course deny that such schematic analysis sins by oversimplifying reality. The use of such schematisation however is no less valid and no less helpful to understanding in the treatment of socio-economic problems than is the use of models to that of economic ones. We shall therefore continue to use the model of a triangular struggle to interpret the developments in France, hanging on its bare frame as many supplementary details as would be necessary in the different parts of the discussion.

Fissures in the Alliance

We have argued in our previous analysis that during a fascist crisis the triangular struggle passes through two stages. At the first, the Big Bourgeoisie and the Petty Bourgeoisie approach each other to make a common front against the working class; with the victory of the alliance over the working class, comes the second stage when the Petty Bourgeoisie is betrayed and crushed by its more powerful ally. We also distinguished the roles of these two victors in the alliance: the Big Bourgeoisie providing the purse, and the Petty Bourgeoisie the fist. At that time only the rapprochement of the Big Bourgeoisie and the Petty Bourgeoisie was coming into evidence. At the present moment, speaking in very broad terms, it can be said that the first stage is over and the struggle is now on between the two sections of the Bourgeoisie, with the Big Bourgeoisie clearly on the offensive.

In order to apply the model to the

French situation, we have to identify the three corners of the triangle in terms of distinct forces or camps in French politics and take account of the more important conflicts and contradictions within each camp. Let us consider the camp we are naming Petty Bourgeoisie. This camp which provides the mass base to the Fascist movement consists not only of the small property owners, hotel owners, shop owners, small merchants, middle farmers, etc., of the French mainland. It also includes the semi-feudal Algerian colons with their landed property interests. As a matter of fact the Petty Bourgeoisie of mainland France never managed to gather the dynamism required by a thorough going Fascist movement. It is the Algerian colons that really provide the spearhead to the French Fascist movement. They have enormous financial resources, possess a great deal of dynamism and have an elaborately worked out racialist ideology. Poujadism, on the other hand, was never a militant mass movement: at no stage did its activities go much beyond vituperative demagoguery. What puts these two rather dissimilar social classes in the same camp is that they both have a common interest in the preservation of the socio-economic status quo—a status quo that permits the small business man, the middle farmer, and the backward industrialist to continue to be sheltered from competition and the Algerian colon to continue to fatten on the toil of the Arab landless labourer. Contradictions between the two classes arise from the fact that Algerian colon capital has much more powerful relations with important sections of the French big bourgeoisie than has the Petty Bourgeoisie of the mainland.

Fascists and Americanists

The Big Bourgeoisie camp also consists of two wings, the one of an internationally competitive order and the other only of national significance. Capitalists of the first category represent the most modern, the avant garde section of French industries that can stand German competition even on Germany's own soil and they have close links with



German and American capital. Capitalists of the second category, like the Petty Bourgeoisie, have hitherto needed being sheltered from German and American competition. Industries run by them, however, are capable of becoming competitive with a certain amount of rationalisation and modernisation. Their relative weakness puts their interests in contradiction with those of the internationally competitive capitalists whose desire to free themselves from the shackles of protective policies lead them towards various measures (e.g. the Common Market) which are designed to liquidate the Petty Bourgeoisie. But what puts the weaker section of the Big Bourgeoisie in the same camp as the avant garde is that modernisation of the economy is a necessity for both, and this necessity makes them common enemies of the Petty Bourgeoisie of the French mainland as well as the colon capitalists of Algeria.

While the conflict of interest defines the camps in the social infrastructure as 'Big Bourgeoisie' and 'Petty Bourgeoisie', in the political superstructure they appear as 'Americanists' and 'Fascists' both of whom are passing under the name of Gaullists. They are both grouped under the new upstart majority party that is holding power under the new constitution: the U N R.

What the Americanists aim at is a regime of complete domination of the Big Bourgeoisie, a government for the capitalists, of the capitalists and by the capitalists, a government of highly centralised all powerful executive but one which allows enough of civil liberties to create the illusion that the regimen is still republican and democratic. The Americanists realise that the workers, even though the most important political adversary of big capital, cannot be got rid of: workers will remain as long as there is capital. The Petty Bourgeoisie, however, appropriates to itself a part of the social surplus without contributing much to producing it, and can therefore be eliminated completely. The attitude of the Americanists towards the Petty Bourgeoisie, therefore is one of unmitigated hostility; but as far as the working class is concerned, they aim at softening it up with chocolates and chewing gum, washing machines and refrigerators; make it contented, bourgeois in outlook, and as safe and unrevolutionary as the American working class.

As to the colonies, the Americanists realise that the policy that serves the interest of capital best at the present time is the one followed by Great Britain—of converting colonies into commonwealth partners. Not only that it gains for the capitalists valuable allies among the native bourgeoisie; aid in the industrialisation of the colonies can act as an outlet for the export of profits which might be necessary for maintenance of full employment. In so far as Algeria is concerned, the Americanists realise that it is high time the war was brought to an end; that it is becoming more and more unprofitable to continue it; that it is better to come to an understanding with the local bourgeoisie, develop the oil resources of Sahara in peace, and on the basis of oil and in co-operation with the local bourgeoisie, build up local industries.

What the Fascists Want

The Fascists, on the other hand, want a fullfledged Fascist regime. The working class is their principal enemy. They want a coalition of Big Bourgeoisie and Petty Bourgeoisie, to completely pulverise working class opposition. As to the colonies, the Fascists stand for fighting for every inch of ground. As to Algeria, their programme, in their own language is 'integration'; that is total absorption of Algeria by France. They are ferociously against any compromise with the rebels and are determined to resist industrialisation in Algeria. The Fascist camp includes the entirety of the colon population of Algeria and a substantial section of the Petty Bourgeoisie of France. But the dividing line between Fascists and the Americanists is not coincident with that between the Big Bourgeoisie and the Petty Bourgeoisie (as social classes); there is a certain amount of overlapping. Thus some important sections of the Big Bourgeoisie are in the Fascist camp. There are capitalists with financial links with the colon capitalists of Algeria; there are capitalists in agriculture-based industries with close links with the backward middle farmers. They belong to the Fascist camp; and so do certain sections of that part of the Big Bourgeoisie which is only of national importance, who are afraid of German and American competition, and who are fiercely anti-American and anti-Common Market.

The Personnel

It is a difficult task to identify parties and persons as representing this or that class interest. The correspondence between interests and politicians is not one-to-many (each interest being represented by a number of individuals who do not represent any other interest) but many-to-many (each interest being represented by several individuals each of whom represent more than one interest). Subject to this reservation, the chief leaders of the Fascist camp are Soustelle (present Deputy Prime Minister), Debre (present Prime Minister), Chaban Delmas, etc, representing that wing of the camp which receives the backing of certain sections of the Big Bourgeoisie; and men like Alain de Serigny and the Army Generals of Algeria representing the other wing of the camp backed by colon interests. There are also several smaller men like Biaggi, le Pen, etc, who are notorious but non-influential Fascists with certain small amount of lumpen proletariat following. It is interesting to note that the Petty Bourgeoisie properly speaking of mainland France is without representation in the Fascist leadership.

Leaders of the American Camp

The real leaders of the Americanist camp are not to be found among the leaders of the old parties: they are mostly new to politics. The relation between the internationally competitive section of the Big Bourgeoisie and these new Americanist leaders is clearcut and straightforward. It is one of the rare occasions in history when the relation between the interest and the representative is of the one-to-many type. It is one of the rare occasions when the Big Bourgeoisie decides to take things in its own hands and instead of pulling strings and bribing politicians of uncertain allegiance, places its own men directly at the helm of affairs. One has only to take a look at the interim Cabinet of de Gaulle and the present cabinet of Debre to find out the men who matter in the Americanist camp. There are five financial houses that completely dominate the world of high capital in France, and they were each one of them represented in the Cabinet of de Gaulle and they are mostly retained either in the Cabinet of Debre or in the Presidential Secretariat of de Gaulle. The five houses are the Rothschilds (represented in the de

Gaulle Cabinet by M Pompidou, Director General of the Rothschild Bank); the Lazards (represented by M Jacquinet in both the de Gaulle Cabinet and the Debre Cabinet); the Bank of Paris and Holland (represented in both de Gaulle Cabinet and Debre Cabinet by Berthoin, the bank's agent for the whole of North Africa); the Bank of Parisian Union (represented in both the Cabinets by M Couve de Murville and by M Joseph Roos in the de Gaulle Cabinet); and the High Professional Bank (represented once again by M Couve de Murville).

The most important representative of the Americanist camp however seems to be de Gaulle himself. The famous ambiguity of de Gaulle is gradually getting dissipated; more and more is he turning out to be the chosen representative of that section of the Big Bourgeoisie which is backing the Americanist camp in the political arena.

Fascist-Americanist Conflict

The differences between the Fascists and the Americanists is of course not a matter of differences of opinion. The conflict is chiefly of interest. Despite external appearances, the struggle is bitter and hard, if complicated and to some extent confused. That is because a stage has been reached in the triangular conflict when the Americanists have to make their supremacy both known and felt; otherwise the situation might go out of their control. French Big Bourgeoisie is not interested in Fascism proper: a highly authoritarian Presidential regime will serve its purpose best. On the other hand it is afraid that an attempt to instal Fascism would be disastrous to its own long term interests, for political opinion seems to be unanimous in France that a Fascist experiment cannot but benefit the Communists sooner or later. As long as the third force, the working class, remained a menace, and the Constitution of the Fourth Republic prevented complete hold on political power it was to the interest of the Big Bourgeoisie to aid, abet and foster the conspiracies of the French Fascists, the Army Generals and the Colon leaders. But once the purpose has been served, once the threatened Fascist coup d'etat had succeeded in permitting it to occupy the citadel of power, and scrap the Constitution, it became urgent to take away the initiative from the Fascists and put them back into their own place. The

French Big Bourgeoisie could not forget the disastrous experience of the German capitalists who brought Hitler to power.

Stock Market After the Coup

The attitude of the French Big Bourgeoisie towards de Gaulle and the Fascists is very clearly revealed in the course run by the Paris Stock Market after the 13th of May. The market fell at the news, and continued to fall until de Gaulle's press conference. After this, the curve began to move up but not de Gaulle's declaration on the morning of hesitancy and reversion at the time of the invasion of Corsica by the insurgents, but it vanished with de Gaulle's declaration on the morning of 27th May that he had started the 'regular process' for the establishment of a republican regime and that the Army, the Navy and the Air Force should remain disciplined under their respective commands. From this time onwards, the market shot vertically up until the official assumption of power by de Gaulle.

Respectability at All Costs

No less revealing of the same attitude is the very pronouncement of de Gaulle cited above. At the time, de Gaulle's declaration about having started the 'regular process' and his direct address to the Army leaders created a lot of confusion. For it was not true that he had started any such process, though it was true that contact had been established between him and Pflimlin and Mollet. It is now known that the bluff was meant for the consumption of the Fascist leaders of Alger. Plans were ready to land paratroopers in Paris on the night of the 28th. De Gaulle wanted to come to power only through the constitutional channel, only as an 'invitee of the people', as he put it. He refused to come to power 'in a turmoil of colonels', he said to ex-President Vincent Auriol. While he made full use of blackmail, (it has now been disclosed that de Gaulle was all through in close touch with the conspiracy for a coup d'etat in Algeria and a putsch in Paris), he was all too keen to maintain respectability. It was necessary to have the threat of a putsch, but an actual putsch had to be avoided at any cost. For, apart from the danger of the military junta escaping the control of the Big Bourgeoisie, there was the grave danger of the working class uniting and resisting a naked Fascist on-

slaught. Socialists would have without doubt been obliged to join the Communists in the opposition in that eventuality.

Two More Indications

The entourage of de Gaulle and the reactions of the Big Bourgeoisie to his coming to power do not of course establish his class character. For that, it is necessary to examine the social and economic policies pursued by him since his coming to power, and this we propose to do in the other parts of the article. Nevertheless we would briefly refer to two other developments which are highly suggestive.

The first is the oversubscription of the Gold Loan launched by him immediately on coming to power. It was the most successful of such loans floated in the last ten years. This cannot but indicate confidence in de Gaulle of those who have something to save. The other is the very significant opposition of Poujade and Bourges Manoury. The elections not only inflicted a heavy defeat on the Communists; they completely liquidated the Poujadist movement. Much of the Petty Bourgeoisie of France fell victim to the Gaullist illusion in the same way as the workers who voted 'Yes' to de Gaulle. But Poujade, it has to be admitted, despite all his demagogic political philosophy, had sufficient lucidity to perceive the real meaning of de Gaulle. While Catholics and Independents, Radicals and Socialists, turned coats one after the other, in one of the most fantastic political pantomimes of world history, Poujade remained doggedly pitted against de Gaulle and his Constitution. He went down fighting, without glory and without ceremony, and is already almost completely forgotten. This determined antagonism of Poujade finds an echo in the opposition of Bourges Manoury, the Prime Minister who succeeded Mollet in the infamous culminating period of the Fourth Republic. Bourges Manoury presided over no few crimes in Algeria and no few violations of civil liberty in France. Today he has discovered that he has been digging graves for himself and for his own class, and this representative of the Petty Bourgeoisie of the South of France has been carrying on for some time past a spirited campaign against 'violations of democracy'.

Indian Aluminium Company Limited

Chairman Reviews Record

The following is an abbreviated version of the address delivered by Mr. K. C. Mahindra, Chairman, Indian Aluminium Company, Limited, at the Annual General Meeting of the Company held at Calcutta on 27 April 1959 :

THE Directors' report submitted to you along with the audited accounts, for the year 1958 gives you the factual background of record activity in the operations of the Company. Production of bauxite ore and alumina, of primary ingots and rolled products reached new high levels, as also sales of own and agency products.

Capacity Expansion

Since our last meeting the Company has passed an important milestone in its history. Our Hirakud smelter started operations on the sixth of January this year and it is a measure of the eminently successful start-up that in February aluminium production at the plant attained its rated capacity of 10,000 tons per annum. There is reason for additional pride and satisfaction in that this smelter costing nearly Rs. 5 crores was built largely by the Company's Indian technicians. We took care in providing for highly skilled supervision from Canada for a short period during the concluding phase. That all the smelter pots have functioned without interruption, since the start-up, and functioned efficiently speaks well of the technical proficiency and care and skill devoted during the construction and initial operating stages. And our Canadian friends tell us that to have operated without break during the initial period and to have reached the capacity output within two months is a record achievement.

The Company is now a significant producer of the metal with an annual production rate of nearly 16,000 tons of aluminium. The members of this Company can justly take pride in this achievement and the contribution it makes to strengthening the foundations of the country's economy.

Financial Accounts

Turning to the financial accounts for 1958, you will notice that a sum of Rs. 11.1 lakhs has been transferred to Development Rebate Reserve—a statutory requirement if the Company wishes to avail of

certain tax concessions in respect of new plant and machinery. The allocation for 1958 related principally to the additional plant at Muri where production facilities have been increased to 18,000 tons of alumina per year. For 1959 the Development Rebate Reserve will be correspondingly high because of the new installation at Hirakud. A further amount of Rs. 60 lakhs has been provided for current taxes. While gross profits show a healthy corresponding increase, corporate taxation absorbs over 55% more than it did last year. Because of these heavy deductions, the net profit was reduced to Rs. 36.6 lakhs in 1958, which still is an improvement on the previous year.

The higher rate of production and the resulting increase in total profits enables and justifies a slightly higher dividend on ordinary shares than that declared for 1957. At the present time, however, when the Company is engaged in an expansion programme of considerable magnitude and the effect of annual changes in tax measures on our finances cannot be accurately foreseen, your Directors feel that it would be prudent to conserve cash resources somewhat and yet meet the legitimate expectation of a higher dividend. We have therefore recommended a dividend of 7% on the ordinary share capital and I trust this will meet with your approval.

Preparing for Second Stage

For private enterprises such as ours, it is the profits we make and the cash the shareholders receive in dividends which determine whether or not the Company will continue to attract the capital needed for expansion of the industry. With the completion of the Hirakud Smelter we are entering the second stage of expansion—the Hirakud smelter to 20,000 tons, the Muri alumina plant sufficient to meet the requirements of both the Hirakud and Alupuram smelters and the provision of requisite additional fabrication facilities. The implementation of these plans will require considerable funds from internal as well as external sources

and our ability to obtain them will be influenced greatly by the policies of the Government.

As shareholders will probably have read, the Chief Minister of Orissa announced at the formal opening of our Hirakud smelter on 12th February, 1959 that the electric power required to expand the smelter to 20,000 tons capacity will be made available to us in two years' time. In the light of this announcement, we have been actively pursuing our negotiations with the Orissa Government and hope that a satisfactory power contract will soon be concluded permitting us to proceed with the expansion.

Keeping in view the needs of our expanding business and its complexity, we have during the past year sent a number of our employees for technical and administrative training in North America and Europe. This training has been provided by the subsidiary companies of our Canadian shareholder, Aluminium Limited. We have also continued to receive their assistance by the loan of some of their specialists for various assignments in our Company. These facilities, as you will appreciate, represent a valuable asset to the Company and enable it to maintain its technological leadership in the Indian aluminium industry.

'Adoption' of Villages

It has been customary with me to utilise this occasion to offer a few personal comments on the economic questions raised during the past twelve months, to take stock of the prevailing moods and submit for critical appraisal a suggestion or two. Thus, I made an unusual suggestion last year, namely that a taxpayer may be permitted to "invest" 10% of the tax amounts due from him in soil improvements and soil productivity in the locality of his choice and in the manner he considered most effective. This suggestion was novel and met with no response. Yet if I repeat it with some variation it is in the belief that it is paramount for the non-farming citizen not merely to

know the complex agricultural problems facing our country, but to learn to know how to help in reaching practical solutions.

The variation is in the line that joint stock manufacturing units may be permitted to "adopt" a village or cluster of villages and in co-operation and consultation with the local authorities as well as the Community Development officers make itself responsible for the economy and health of the village or group of villages so adopted. Expenditure of the corporation on this account, duly checked and certified, may be treated as a business expense for taxation purposes. I regard it as of growing importance that the people engaged in the development of industries should get mixed up somehow and in some manner actively with village economies.

Joint Co-operative Farming

Joint co-operative farming proposals as enunciated by the Congress Party and now supported in a generalised manner by the Lok Sabha have evoked contrary and highly surcharged emotions. Criticisms, appraisals, appreciations of fundamental problems are within the rights of democratic people, but the controversies which have raged round the joint farming proposals have reached the nadir of bickering and bathos and reveal the alleged essentially Indian capacity for sustained confusion. The political and intellectual opponents of the proposals see in them the fatal approaches to a totalitarian system, for to them coercion is implicit and extinction of individual identity and proprietorship inevitable. Yet they seem to ignore the urges behind land reforms which aim to correct a situation which has made the agriculturist a veritable serf and a situation disturbing and explosive enough to demand immediate attention. The advocates on the other hand refuse to be daunted by economic equations composed entirely of variables and acclaim the support of many economists and operators in statistics.

It is confusing for a lay citizen to read on the one hand, a distinguished economist (who perhaps has never been near a farm) to affirm that co-operative farming would enable Government to provide employment to the unemployed and he under-employed in the villages, and on the other, to listen to a

practical agricultural land-owner who states categorically that joint farming means surplus hands, that if pooling takes place some people will be thrown out of work—they will become absentee landowners. Joint farming is proposed for increasing production—yet the same enthusiastic economist proclaims that the smaller the holding, the larger the production per acre. Amidst such confusion of advice one can only paraphrase the old English adage:—"If you consult a doctor, nothing is wholesome; if you consult the soldiers nothing is safe"—and say in modern parlance that if you consult the economists, nothing would remain economic!

A Lengthy and Expensive Process

I am conscious of the fact that what would make economic sense often makes political nonsense and that while continuation of large one-unit farms owned by a single individual or family would make for increased production rapidly, given the necessary assistance by way of better seeds, fertilizers, irrigation water and mechanised power, there may be gained larger social satisfaction if the ownership was broken up and land distributed to tillers.

The basic problem however remains—the problem of how to release and guide the energies of the millions now locked up in the rural subsistence economy. The joint farming Co-operatives aim to meet this challenge. We should recognize the psychological as well as the emotional implications of the proposals, but for practical ends one does not see in the villages either the democratic interplay of cohesive forces or the emotional appeals of sustaining faiths and credo. It is therefore going to be a long, long process and a most expensive one if the country is to be covered with joint co-operatives at all levels of ownership, tilling, production, marketing and credit within a short period. It is questionable if the individual owner of a small plot of land would voluntarily agree to join the pool, when he knows he may have no work to do and would hereafter depend upon the toils of others. A Japanese proverb is apt: "Nobody is more stupid than the man who allows his pot to be stolen on a moonlit night".

Declare Agriculture an 'Industry'

In statecraft one pursues not what is most desirable, but what

is best attainable in the shortest time. Discussions on the platform, in Parliament and in the press have been free and uncurbed; it is good to see our Prime Minister lashing at the critics of the joint co-operative farming proposals and inviting a better alternative course. Without being critical of the ultimates of the socialist ideal of a co-operative commonwealth, I can visualise the immense difficulties in formulating the details of a practical programme and then in executing and administering the same with speed and determination.

I venture to suggest an alternative which will not disrupt the course of social reform and does not conflict with any ideological acceptances. The aim is to increase agricultural productivity per acre and per man in as short a period as possible. I suggest that agriculture be declared an "Industry" under the Industries (Development & Regulation) Act of 1951 and henceforth be treated as such in Government thinking. That India imported about Rs. 1200 crores worth of food grains during the last ten years is a most harrowing fact. The record of handling of our food problem both at the Centre and at the States level has not hitherto been bright—on the contrary, the various survey reports confirm that there has been a considerable amount of confusion and muddle over this problem. Throw open the land for massive and intensive development with the one and sole end-purpose of increased production and increased productivity per acre. Scientific aggregation of culturable areas, mechanisation, technology, experience and co-ordination should override, at any rate for the next 20 years, demands for fractionising of land.

From Estates to Co-operatives

The inclusion of agriculture under the 1951 Act would mean that invitation is given to farmers and others to apply for a licence to set up agronomical estates for economic production. The size, the location, the crop selected, the financial structure, employment factor—these would receive the scrutiny of the agricultural Development Wing before a licence is granted. It may be in accord with the accepted social principles that only leasehold rights be granted to the applicants and for a period of say 40/50 years only; it will be in accord with the

country's needs that the programme of cultivation be got under way as soon as possible. The 1951 Act contains sufficient powers for the Government to control production and prices and direct distribution channels, and take over in the event of mismanagement.

At the start, the experiment may be confined to regions where "new" water goes, to gramdan villages and newly reclaimed colonies where betterment levies can be openly accepted. A success will serve as a signal example to others who are shy of paying today for something which they are not sure will yield better fortune. As the estates will remain leasehold and safeguarding

provisions can be evolved for the benefit of the workers employed, there can arise no conflict with the concept of joint co-operative farming; in fact if a joint stock company promotes the estates, the gradual development of shares of the company to the workers on the estate is possible and may be considered desirable, thereby ultimately leading to the estate being substantially owned by the workers in joint title. Government may then consider converting the leasehold into a freehold co-operatively held by the workers of the soil.

Since our last meeting, Mr. W. A. Russell resigned from the Board on his departure from India. Mr.

Russel served as a Director for five years and I would like to express, on your behalf and mine, our appreciation of the services he rendered to the Company. I am sure all of you would also like to join me in the praise which is due to the Management and employees of the Company for the notable achievements to which I referred earlier. Their sustained effort has largely been responsible for the progress and on them we depend to further enhance the stature of the Company in the years ahead.

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

The Corporate Sector

(Continued from page 600)

ing disparity in their figures, though the former estimates (unofficially) that there are about 7,000 inactive companies which will be struck off the register in due course.

It is also rather surprising that though the Company Law Department has all the relevant data in its possession, it insists on doling out figures of authorised and paid up capital alone, which give no idea of the total assets and operations of companies.

Of the 28,000 companies 'at work' at the end of 1957-58, only a little more than 8,000 were public companies but they had about 66 per cent of the total paid up capital. The Act gives some latitude to private limited companies which are not subsidiaries of public companies. These companies are exempt from a number of provisions and do not have to file their profit and loss accounts with the Registrar. In consequence, their flotation, and conversion of public into private companies has received a great fillip. What is not so well-known in this connection is the fact that, shares of quite a few private companies are distributed among a number of public companies so that they avoid becoming subsidiaries of the latter; that, the concessions to these companies are utilised in some groups for multilateral transfers of funds through loans and investments which would otherwise attract Section 370 to 373 of the Act; and that, through a complex network (which can be perceived but is difficult to disentangle) of direct and indirect

inter-locking, these companies are able not merely to weld the group together, but also to buy their own shares in some cases!

Private companies were given many exemptions under the Act on the ground that, they were mainly family and/or small concerns, which need not be supervised closely since the public had no substantial interest in them. This argument is largely fallacious. If they are family concerns and outsiders like Government and the general public are not expected to bother about them, they should be organised as partnership firms and not set themselves up as legal persons. If they are small, so are many public companies. The distinction between public and private companies, in fact, leaves much to be desired, particularly since many of the public companies are, in reality, private: apart from several well-known companies which are subject to Section 23A of the Income Tax Act, there are many others in which nominees make up the requisite number of shareholders. If some companies are to be exempted from the more burdensome provisions of the Act, it is small companies that should qualify for the favour, irrespective of whether they are public or private. In principle, the claim for exemptions is justified only in the case of small companies which do not belong to any important group. Otherwise, some groups, at least, would multiply the number of their small companies further in order to avail of this concession. Adminis-

trative difficulties may, however, prevent this logical discrimination against important groups.

Inter-Company Investments

The last report had admitted that the restrictions laid down by Sections 372 and 373 of the Act on inter-company investments had been easily evaded owing to the very narrow definition of companies 'under the same management'. It is now proposed that the restrictions should apply to all investments made by a company regardless of whether they are within the same group or outside it. The Sastri Committee has also recommended an amended definition of the group in terms of a common ultimate controlling interest. It is difficult to judge whether this proposed amendment of the definition would be able to cover all companies belonging in reality to a single group. At first sight, it appears that the Sastri Committee definition covers only the chain of holding and subsidiary companies. The technique of controlling companies without attracting the above sections is not so simple. Exceptions apart, the shareholding of many companies is distributed over the investment portfolios of several other companies, so that the company investigated escapes becoming the subsidiary of any single investor company. More information on this technique will be necessary on the basis of which lawyers and accountants can devise a suitable definition of companies under the same management.

Around Bombay Markets

Bright Spots Abound

Thursday Morning

TRADING on the stock market last week was notable for the emergence of numerous bright spots. The speculators' favourites continued to move up and down in a rather indecisive fashion. This made a big difference to the general look of the market, which merely underlines the predominantly speculative character of Dalal Street.

Steels continued to be subdued, particularly Tata Steel. This is attributed to the large volume of floating stocks and persistent talk of fresh capital issue by the Tata Iron and Steel Company. Informed sources say that the company would like to see production stabilised at the higher level before raising fresh capital. Be that as it may, there is yet little enthusiasm to follow the rise in Steels despite the improved production trend.

Textile shares continued to show great strength, quickly rebounding each time they reacted on corrective profit-taking. The popularity of Cotton Mill shares reflects the turn in the industry's fortunes because of the excellent off-take, both of cloth and yarn, which has reduced mills' stocks to the lowest figure for over a year. Bombay Dyeing and Svadeshi were the last week's favourites, but near the week-end even Central India shot into limelight. Of course, unlike other shares, they are still available only a little above their face value.

Sugar shares displayed remarkable firmness, with all the popular counters striking new high levels for a long time. Buying in these shares was based on the encouraging corporate news. The sugar industry is having a really good time. Cement shares were out of favour. Reports about the off-take of cement are encouraging but A.C.C. are having labour trouble and there is the uncertainty about the verdict of the Wage Board which, however, is still a long way off.

Miscellaneous Section Prominent

Miscellaneous section contained many bright features. Premier Construction made news by rising to a record high level for about 12 years. Buying was prompted by optimism

about the capital reorganisation scheme and a possible change in the management's conservative dividend policy. Tata Oil and Premier Automobile were the other popular counters. Voltas also struck a new high. And to make mention of the growing strength in cash shares is to state the very obvious but it bears repetition because here lies the clue to the primary trend of the market.

Dyes shares continue to make news. It is not merely because of the spectacular response to the Colour-Chem issue which is expected to be over-subscribed more than 12 times. The 100-rupee share is already quoted at between Rs 180 and Rs 200. But the rise is even more spectacular in Indian Dyestuff which are now quoted at around Rs 790 against the previous week's low of Rs 430. On February 28 these shares could be had at around Rs 205. Ahmedabad's Atul has also been seeking new high levels.

Cotton

Spurt in Futures

THE cotton futures market which had been dull and rather subdued for some weeks made a big dash last week. Jarilla May and August contracts which were quoted at Rs 676.50 and Rs 688.50 on April 23 advanced to Rs 695.75 and Rs 700.75 respectively by April 29. The rise was almost uninterrupted. It was due both to persistent anxious short covering and scarcity of fresh offerings. Bulls too supported the markets.

In a way the futures market touched new high levels. In a way because for the first time has the hedge contract hit the Rs 700-mark before the month of maturity. Jarilla March did rise above Rs 700 but that was when it was about to go off the board. Although still Rs 120 below the official ceiling for Moglai fine 25/32" (the basis of the hedge contract) Rs 700-level has come to be regarded as a ceiling for all practical purposes because of the Forward Markets Commission's actions in the past. With the futures market now at this historic level many market men have already begun to ask whether the hedge market will

survive long. This depends entirely on the Commission's mood.

The tendering differences fixed on April 25 for the May contract were generally described as fair, reflecting the conditions in the spot market. Being normal they are unlikely to have any noticeable effect on the volume of tenders. That has been another reason for the last week's spurt in cotton futures.

That the futures market should have staged a spectacular rise is not the least surprising. It was the market's prolonged hesitancy and subdued tone which had really intrigued observers. It is only natural that the hedge market should try to catch up with the spot material, which had been displaying remarkable strength since long. Not many varieties can be had in the ready market at below the "ceiling" rates. Even the hitherto neglected varieties like Mathia, Kalagin and Wagad have come into limelight and have recorded handsome gains over the past two weeks.

Mills are Cautious

With several varieties fetching black market prices, mills' attitude is naturally one of caution. Business in superior styles therefore has been on the low side. Kalyan, Wagad and Kalagin, however, have been attracting good attention recently. Export interest continues to be poor but Bengals have been quite active because of short covering by export houses against their previous commitments.

It bears repetition that the growing strength in spot cotton mainly reflects the demand and supply position. The crop is small around 46½ lakh bales and consumption continues to be encouraging. Off-take of cloth and yarn is good and stocks with mills are about the lowest for over a year.

il:ce's

Mixed Performance

OILSEEDS made a mixed showing last week. While castor and linseeds were slightly down over the week, groundnuts and cottonseeds hit new highs for the season. Business in futures was limited and speculative interest centred chiefly

on the margin-free castor. Cottonseed and linseed have never been popular with speculators in Bombay and the margin of Rs 6,500 per unit of trading (100 candies) has made business in groundnuts almost prohibitive.

Groundnuts showed further strength under the influence of encouraging reports of export business in oil. The quantity was mentioned around 2,500 tons and the buyers were Rumania, Burma and Singapore. Rumania paid up to £117-10 per ton fob Bombay and Burma about £1,740 c and f. But exporters were unable to sell any oil to the UK, our traditional customer, because business continues to be unremunerative despite the price rise there.

Inquiries in groundnut extractions were also reported to be fairly encouraging, particularly for distant positions. But business was limited by the scarcity of offerings. Sellers were inclined to wait for better prices. The UK quotation for extractions 50 per cent O and A was mentioned around £30-5, April-May shipment. Over the last few days, however, overseas interest in groundnut oil and oilcakes is reported to have declined appreciably and prices too have tended to ease. Groundnut oil in UK is down from £124/125 to £119/120 per ton.

Apart from prospects of export business in oil and oilcakes, sentiment in groundnuts locally continues to be sustained by the small marketable supplies and continued reluctance on the part of the trade to part with stocks. Buyers are resisting the rise but they are unable to get all they need at their prices because of the poor offerings.

Cottonseeds were generally dull but steady. It was only on April 29 that prices recorded a sudden spurt. With cotton futures steeply up, bears rushed to cover their sales in the maturing May contract to avoid the risk of a possible squeeze, floating supplies being meagre.

Castor futures moved irregularly within a narrow range. Persistent optimism about oil export business induced bear covering at setbacks and also encouraged fresh bull support. But the approaching maturity of the May contract and the discount on the spot material prompted selling on the rise. Confidence to follow the rise is lacking but prospects

of any big decline are generally discounted.

With supplies of castor oil both in the UK and US on the low side and India the only important source of supply for another few months, the near-term outlook for castor oil exports is considered promising. The opportunity of selling sizable quantities of oil exists. But it has to be availed of. The time factor is in favour of India at present but it will turn against us in another few months when Brazil's new crop comes into the market.

Despite the recent improvement in linseed oil prices abroad, export business in oil remains at a standstill and the outlook too is obscure because the price disparity is still too wide. Indian prices continue to be on the high side because of the remarkable strength in groundnuts. The crop is normal. Australia is said to be in the market for about 1,000 tons of linseed oil. This business should come through because India is the only convenient source of supply for Australia. Export houses continued to mention stray business in linseed cake at prices varying between £33-5 and £33-15 per ton.

Shipments and Prices

Shipments from Bombay between January 1 and April 24 are as follows: (the figures are in tons)

Groundnut HPS 4,922, groundnut oil 1,096, groundnut oilcakes 61,797, linseed oil 1,390, linseed cake 3,134, castor oil 2,319, sesame oil 128, cottonseed cake 9,572, nigerseed 237, kardiseed 6, niger cake 397, kardi cake 100 and mowra cake 133.

Following were the fluctuations in seeds futures during the week to April 29. The figures in brackets are the previous week-end closing prices.

Groundnut May (per candy): Rs 192, 191.50, 193.25, 192, 195, 193.25, 194 (192.50);

Groundnut Aug: Rs 197.50, 197, 198.50, 197-25, 200, 198.50, 199 (197.50);

Castor May (per candy): Rs 159, 157.25, 159.75, 158.37, 158.62 (159.60); Castor Sept: Rs 163.87, 162.50, 165, 163.87, 164.37, 164 (164.37);

Cottonseed May (per candy): Rs 127.50, 127.25, 134, 133.25 (128); Cottonseed Sept: Rs 130.50, 130, 136, 135.75, (130.25);

Linseed May (per cwt): Rs 32.69, 32.44, 32.87, 32.62, 32.69 (32.87);

Linseed Sept: Rs 33.31, 33.06, 33.56, 33.37 (33.62).

Bullion

Check on Smuggling

THE remarkable strength in gold over the past several weeks had not been due merely to the seasonal factor. Market men had often talked of sustained influential buying. Rumours had been thick that New Delhi was getting ready with some effective measures to check smuggling of gold. These rumours have now come true and in retrospect it is apparent that influential buying was also informed buying. The Reserve Bank of India Act is being amended to make possible the withdrawal of Indian currency from the Persian Gulf area and the issue of special bank notes for circulation in that area.

With supplies of smuggled gold likely to dwindle appreciably and the market no longer fed by Kolar gold, the outlook for the yellow metal is bound to undergo a basic change. And in the absence of fresh supplies from either source there would be little sense in continuing forward trading in gold. Already the continued high backwardation charges which have led to the enforcement of heavier margins indicate an abnormal situation in the market.

Trading in gold last week was characterised by irregular fluctuations, with the undertone continuing to be distinctly strong. Bulls continued to dominate the scene. They sold on the rise only to replace their positions at setbacks. Silver was erratic, and the general tone not quite so strong as that of gold.

Fluctuations last week are as follows: Gold Vaisakh: Rs 122.5, 122.14, 121.10, 123.2, 122.2, 122.8½;

Silver Vaisakh: Rs 199.10, 196.14, 200.10, 199.2, 199.5.

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CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores			
	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1751.46	1765.18	1701.53	1619.12
2. Rupee Coin	182.80	181.84	180.09	182.01
3. Deposits				
Central				
Government's	53.63	49.62	53.83	53.05
Other				
Governments'	32.97	24.71	26.72	15.64
Banks'	91.60	77.91	67.57	94.14
Others'	117.94	117.96	119.06	112.32
4. Foreign Securities	178.01	178.01	178.01	228.80
5. Balances held abroad	80.68	32.96	35.06	89.01
6. Rupee Securities	1351.04	1351.10	1291.26	1178.50
7. Investments	275.51	246.07	251.70	227.27
8. Loans and advances to Governments	43.95	38.17	24.77	54.72
9. Other loans and advances	73.44	79.45	113.44	54.69
Scheduled Banks				
1. Demand liabilities (net)	753.63	743.03	736.61	754.57
2. Time Liabilities (net)	929.86	924.11	892.80	749.36
3. Cash	117.92	132.39	109.94	125.98
4. Borrowings from Reserve Bank of which against Usance Bills	33.09	40.33	60.70	19.71
5. Advances & Bills (inland & foreign) discounted of which State Bank's	1023.44	1020.34	995.93	1358.63
6. Invst. in Govt. Sec. of which State Bank's	293.01	207.33	202.80	208.02
8. Invst. in Govt. Sec. of which State Bank's	614.11	607.75	613.75	443.36
Cheque Clearance	131.59	173.46	133.32	125.40

For Reserve Bank and Cheque Clearance week ended 24-4-59 Scheduled Banks week ended 17-4-59

Bombay Money Rates

	(per cent per annum)			
	17-4-59	10-4-59	20-3-59	18-4-58
Call Money	3½-3½	3½-3½	3½	3-4½
From banks	2½-3½	2½-3½	3-3½	—
From public	3-4	2½-4	3-4	3-4½
Three Months	2-4	2-4	2-4	2-4½
Six Months	2-4	2-4	2-4	2-4½

Bombay Bullion	(In Rupees and nP)			
	29-4-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	123.93	123.75	118.75	114.25
Forward	122.53	123.31	118.31	112.50
Silver (per 100 tolas)				
Spot	201.56	202.00	197.50	199.25
Forward	199.31	201.31	197.12	197.25

INDEX NUMBER OF WHOLESALE PRICES

Group and Sub-Group	(Base: 1952-53=100)			
	WEEK		ENDED	
	11-4-59	4-4-59	14-3-59	12-1-58
Food Articles	113.6	113.1	113.8	105.2
Cereals	100.1	99.8	101.7	97.0
Pulses	98.9	102.3	115.9	82.2
Fruits & Veg.	116.8	116.0	118.9	109.4
Milk and Ghee	115.6	113.2	105.7	104.5
Edible Oils	124.1	123.6	124.1	123.0
Fish, Eggs & Meat	106.8	103.9	103.9	103.9
Sugar & Gur	128.1	126.9	128.3	114.8
Others	151.4	152.1	149.8	130.6
Liquor and Tobacco	97.3	97.3	101.7	93.4
Tobacco	95.8	95.8	100.5	91.7
Fuel, Power, Light & Lubricants	115.1	115.0	115.1	115.0
Industrial Raw Materials	115.0	115.0	116.8	113.7
Fibres	106.6	106.8	108.4	110.8
Oilseeds	126.0	125.6	128.7	118.6
Minerals	101.4	103.6	101.4	107.3
Others	111.2	111.2	111.2	110.3
Manufactures	108.1	108.2	108.1	107.5
Intermediate Products	108.7	108.5	109.7	109.1
Finished Products	108.0	108.1	107.9	107.2
Textiles	102.3	102.4	101.9	104.8
Cotton	110.9	110.9	111.0	114.1
Jute	83.4	—	82.1	86.9
Woollen	105.9	105.9	105.9	103.7
Silk & Rayon	95.7	95.7	94.2	93.2
Metal Products	143.3	143.3	143.3	143.0
Chemicals	110.2	110.6	110.3	98.9
Oilcakes	139.3	138.1	130.2	117.0
Machinery and Trans Equipment	106.1	106.1	106.0	102.8
Others	112.8	112.8	113.4	112.3
All Commodities	111.9	111.7	112.4	107.2

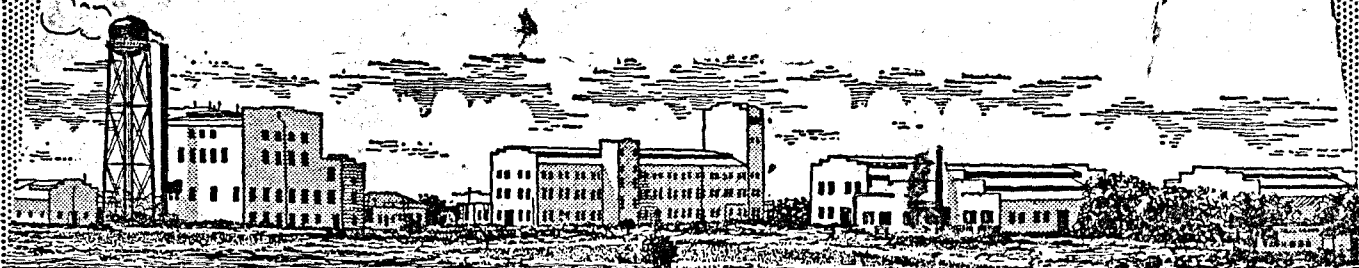
COAL PRODUCTION AND DISTRIBUTION

	(Monthly Average or Calendar Months) ('000 tons)		
	Raisings	Despatches	Stock at Pit heads*
1955	3,185	2,745	3,617
1956	3,286	2,913	2,766
1957	3,625	3,140	3,279
1957: Jan	3,627	3,136	2,780
Feb	3,518	2,851	3,029
Mar	3,653	3,249	3,000
April	3,726	3,184	3,087
May	3,794	3,187	3,245
June	3,330	2,915	3,252
July	3,296	3,045	3,065
Aug	3,376	3,239	2,780
Sept	3,647	3,227	2,755
Oct	3,555	3,323	2,539
Nov	3,929	3,164	2,834
Dec	4,050	3,164	3,279
1958: Jan	3,947	3,326	3,418
Feb	3,712	3,063	3,655
Mar	3,701	3,354	3,522
April	3,802	3,432	3,422
May	3,893	3,380	3,464
June	3,563	3,115	3,452
July	3,749	3,368	3,357
Aug	3,539	3,478	2,921
Sept	3,848	3,475	2,907
Oct	3,747	3,474	2,682
Nov	3,677	3,364	2,572
Dec	4,131	3,486	—
Jan	4,062	3,426	—

* At or about the end of each period. — = not available. Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

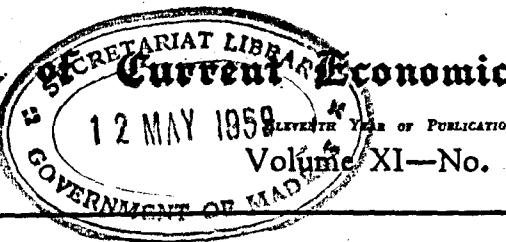
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A Promising Start

THERE was gathered in Washington this week a distinguished group of men whose objective was to find succour and comfort for India during the strenuous period of transition from an underdeveloped to a developed country. It was a weighty group, at any rate from the point of view of status, and one is bound to consider its meeting as an event of major importance. Indeed, a meeting of this nature would have been almost unthinkable a couple of years ago, and is remarkable for the change in Indo-US relationship indicated. Outwardly, it was a conference organised in Washington by the Committee for International Economic Growth, a private body, devoted to exploring ways and means for adapting US foreign economic policy to changed conditions in the world. But the participants in this conference were men concerned, one way or other, with high policy in the United States and India. There were Mr Nixon, Vice-President of the United States, and Senator John Kennedy, who might well be the Democratic nominee for US Presidency next year. Senators Fulbright and John Sherman Cooper and Mr Chester Bowles and many others from the United States were joined by Shri Chagla, Shri B K Nehru, Shri Asoka Mehta and Shri H V R Iengar from the Indian side. It was perhaps as powerful a group of men from India and America as could be gathered to discuss the role that the United States should play in assisting India without bringing in the President of the United States and the Prime Minister of India.

It was, therefore, inevitable that the statements made at the conference should receive not only wide publicity but also serious consideration. Unexpectedly, it was Mr Nixon, rather than Senator Kennedy, who gave expression to a sentiment that might carry special appeal to many thinking men in India and elsewhere. He made a valiant attempt to dissociate the question of aid to India from the question of fighting world Communism. He said, "I would not like the case for United States assistance to rest simply on the negative defensive issue of helping India in order to save the United States from Communism... Our primary interest must be the victory of plenty over want, of health over disease, of freedom over tyranny, wherever it exists." This indeed represents a refreshing change from the standpoint typified by Senator Kennedy's statement that if India failed to develop, it would be gripped by frustration and political instability and that its role as a counter to Red China would be lost, with Communism winning its greatest bloodless victory.

One should not be too harsh on Senator Kennedy because many others have said the same thing for many years, but it is about time the good friends of India in the United States realised the harm that such an argument for supporting aid to India might cause. It is, of course, undeniable that what goes on in mainland China will influence the attitudes and aspirations of particular sections of the Indian population. But it does not follow from this that political or economic or social stability in India would be ensured by the rate of economic progress in India being faster than in mainland China. What influences people's attitudes and activities principally is the difference between where they are now and where they were, say, five years ago. It does not matter very much whether the percentage calculated in India appears

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much better than that of China: what matters is the percentage of improvement by itself. And, equally, there is no guarantee that major political and social changes would be avoided merely by attaining a high rate of economic growth in the country. Indeed, it is difficult to see how such changes can occur without an almost revolutionary overhaul of social institutions in India; and it would be surprising if this were not accompanied by equally important political changes. This, of course, does not mean that the democratic institutions so highly valued in India would or should disappear from the scene. But it might well mean instability in the sense of Congress being deprived of its pre-eminent position in the political sphere. It can be argued that, far from being inimical to the interests of democracy, such a change might make it more efficient.

Meanwhile, the Conference leads one to hope that the traditional argument for aid to India of what Mr Nixon has called the 'defensive' type will in the future become less of an irritating element in Indo-US relationship. There is another area in which a shift in emphasis would have been helpful; in regard to this, unfortunately, the Washington Conference does not seem to have got far. This is the old question of private and public investment and the importance of private foreign investment. Mr Nixon conceded the need of Government loans to assist India; but he appeared to argue how it would be much more beneficial to underdeveloped countries if private capital could come in large amounts. There is no doubt that if private foreign investment in underdeveloped countries became larger than heretofore, there would be so much more of resources available for development. But it does not seem realistic to expect a tremendous increase in the flow of private foreign investment to underdeveloped countries; nor would it be true to say that such an influx would be free from political implications while Governmental loans invariably carried such implications.

What is equally surprising is the seeming anxiety on the part of Indian participants in the conference to assure the other delegates that the private sector in India is large and is not being cribbed by the growth of the public sector. It

would appear from Press reports that even Shri Asoka Mehta has been at pains to justify the public sector's programme in India in terms which are somewhat perplexing. To compare the expansion of the public sector in an underdeveloped country with enlarged Governmental spending at a time of depression in a developed country is misleading. For the main purpose of the former is to lay the foundation for a major structural change in the economy whereas the latter is concerned with preserving the existing structure. It may be that Shri Asoka Mehta has been quoted wrongly or out of context. But this is the sort of argument which has an apologetic air about it and does not do anybody any good in the long run. Very much similar is the argument that if one took into account agriculture, small-scale industry, retail trade and so on, the private sector in India would be many times larger than the public sector. This would only confound people's appreciation of what is sought to be achieved in India. In any event, agriculture

A Summit of Our Own

MR CHESTER BOWLES is, surely, a good friend of this country; and there is no reason to doubt that when he calls for a 'summit meeting' between India and Pakistan, in order to 'break through the accumulated bitterness' between the two countries, he does so from the best of motives. He realises (as who does not) that the present state of continual tension between India and Pakistan is the cause of a heavy drain on their meagre financial resources, which need desperately to be diverted to more constructive projects. But his reasoning and conclusions are as questionable as his motives are not.

The first thing to consider is: what are the causes of the Indo-Pakistan tension? Generally, it is assumed that these can be reduced to two—the conflict over Kashmir and the canal waters dispute; and it is suggested, by Mr Bowles as also others that once these two disputes are put out of the way, the road will be open for Mr Nehru and General Ayub Khan to rush into each other's arms. This is a facile assumption; and it springs from the failure of such observers to realise that the Kashmir and Canal waters disputes are the

has nowhere been considered a major area for the exercise of private enterprise; it certainly is not so in India. Over and above this, we are apparently planning to convert the agrarian sector into a huge co-operative organisation. Against this background, it is difficult to see what special purpose could be served by trying to convince Americans that our economy is, in fact, much more of a private enterprise type than they think.

All this notwithstanding, the Conference makes one hopeful of longer and more systematic support for India's development programmes in the coming years. This is no small gain. For, however much we may dislike it, our dependence on supplementary resources from abroad will be considerable; and as likely as not it will continue to be so for many more years. One wishes that some attempt had been made at the Conference to dispel the notion that by the mid-sixties India would have fully overcome its balance of payments difficulties. But one cannot expect a two-day conference to achieve everything.

result, not the cause, of Pakistani hostility towards this country.

If Karachi's feelings towards New Delhi had been basically friendly, aggression on Kashmir would never have occurred; or having occurred, would have been vacated early enough. All thinking people in this country know that the solution of the Kashmir and canal water disputes would leave the core of Pakistani hostility towards India untouched. Some new excuse would be found for keeping up the tension—a tension which, it is pertinent to note, has well served the successive rulers of Pakistan in keeping the attention of their people off their own domestic failures; and a tension which has been artificially built up over the years by means of a sustained and virulent campaign through the Pakistani press and radio.

Mr Bowles, failing to grasp all this, goes on to suggest that the climate for an Indo-Pakistani 'summit' now exists, having been brought about by the twin factors of a possible settlement of the canal waters dispute and 'the friendly and conciliatory attitude of President Ayub Khan.' Apart from the fact that the canal waters dispute has still not

been finally settled, what evidence does Mr Bowles have of the 'friendly and conciliatory attitude' which he speaks of? As far as India itself is concerned, the latest evidence of it is provided by the shooting down of the unarmed Canberra jet which had strayed into Pakistan territory. It is also provided by the border incidents, which have perhaps never been as frequent as now.

But Mr Bowles has a third reason for assuming that a Delhi-Karachi 'summit' would be both desirable and possible at this stage. This reason is the same as what is uppermost in General Ayub Khan's mind when he calls for joint Indo-Pakistani defence of the Indian sub-continent. It is the recent trouble in Tibet, and the role of Communist China in Lhasa. But this is the most absurd reason of all. Do General Ayub and Mr Bowles seriously believe that India is so frightened of alleged Chinese 'expansionism' that it will suddenly drop its faith in Panch Shila and non-alignment, and immediately seek the 'protection' of a military pact with Pakistan? Do they really imagine that India, in order to lessen the burden of its armaments in relation to Pakistan's military strength, will take on the far greater burden (in fact, the impossible burden) of an arms race with China?

And if there is a military alliance between Pakistan and India, what precisely is to happen on the two sides of the cease-fire line in Kashmir? Are joint Indo-Pakistani forces to man the positions on both sides? The proposition gets more and more ridiculous as one examines it.

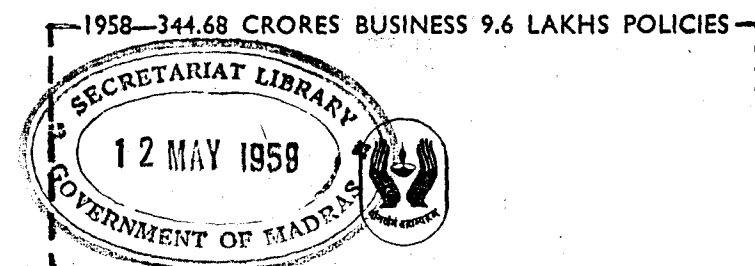
In a way it is amazing that a person like Mr Chester Bowles, who has done much in the past to explain Indian policy to the American people, should now show himself to be so sadly ignorant of the fundamentals of Mr Nehru's stand. What this country wants is nothing more complex than living at peace and harmony with its neighbours—and, for that matter, with countries farther afield too. That is why Mr Nehru has been so restrained in his utterances on Tibet. We do not want, and cannot afford, a hostile China; and we have made it quite clear by our actions that we wish to do our little best, as and when the opportunity for it arises, to facilitate an understanding between

Tibet and China. At the same time, our sympathies with Tibet have been clearly expressed. The same fundamental desire to live in amity with our neighbours also explains our normal restraint towards Pakistan, often in the face of grave provocation.

Now what would be the first and immediate effect of entering into a defence pact with Pakistan (even if

that were possible)? Alienation of China, and, of course, of the entire Communist bloc. For, such a pact would obviously be directed against China and would be quickly recognised in Peking as such. A contingency like this could never be countenanced in this country.

Both Mr Bowles and General Ayub should ponder a simple but important fact: that, the aggression



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of Kashmir and the thousand-and-one border incidents notwithstanding, India has still never contemplated a military alliance against Pakistan. What provocation is there for such a pact against China?

This does not mean that India does not want to be friendly with Pakistan; it only means that India does not want to be friendly with Pakistan at the cost of its friendship with China. It does not mean, either, that India would not welcome a lessening of tensions with Pakistan; it only means that the tensions cannot, in our opinion, be lessened on the basis Mr Bowles and General Ayub suggest. And, finally, it does not mean that, having said their ill-considered say, these gentlemen can now withdraw with a shrug of the shoulders and the parting remark, "Well, we've

done our best. What more can anyone do?"

Both America and Pakistan can do a lot. Mr. Bowles's real quest in the interests of Indo-Pakistani relations should be to dissuade his own Government from placing guns in the hands of trigger-happy Pakistanis. And let the United States stop pretending that these guns are for use against Russia; for, Russia has nuclear weapons so advanced and deadly that these guns would be wholly ineffective against them. It is only against India that the arms aid is directed: if not by U.S.A., at least by Pakistan.

Let Mr Bowles plead with his Government to give as much economic aid to Pakistan as it can. We will be happy to have a prosperous neighbour next door; for, a prosperous neighbour means a con-

tented and friendly neighbour. The withdrawal of the arms aid from Pakistan would also release India from the necessity of spending a considerable part of its national resources on defence, and thus expedite the task of national construction which alone can, in the long run, provide that guarantee against China which Mr Bowles so keenly wants. Any threat that this country faces from China is ideological, not military; and this threat can only be met with results in the economic sphere.

General Ayub's part in the easing of Indo-Pakistan tensions would be that of stopping the border raids at once and entering a no-war pact with India. With these two things accomplished, he could ask for a really profitable 'summit' with Mr Nehru.

Ganga Bridge

AN important barrier to the industrial development of the northern areas of Bihar was broken last week when the Prime Minister declared open the Rs 16-crore rail-cum-road Ganga Bridge at Mokameh. For many decades, the want of a bridge over the 516-mile stretch of the Ganga between the Malaviya Bridge at Varanasi and the Harding Bridge near Paksey (now in East Pakistan) had obstructed the movement of men and materials between the areas to the south and north of the river. The new bridge, by making possible a continuous flow of rail and road traffic to north Bihar, north Bengal, Assam and Nepal, opens up the prospect of rapid industrial development in this region.

Some flow of traffic over this stretch of the river was, of course, organised in the form of transshipment by boats and steamers and by the wagon ferries of the railways. The difficulties involved were, however, tremendous because of the nature of the river itself. The tonnage that could be transhipped across the river at any time always remained an uncertain figure and the costs were heavy. The very ghats at which the transshipment was to take place had to be frequently shifted at heavy cost and with complete dislocation of transshipment work. In spite of the imposition of all kinds of restriction on the booking of traffic, heavy accumulation of goods at rail heads

are common, with delays and increased pilferage as natural results. No wonder railway officials have heaved a sigh of relief at what one of them has described as the end of a nightmare, the happy cracking of a bottleneck.

These and other difficulties, such as diversions over longer routes, have been completely eliminated with the opening of the two and a half mile Mokameh bridge. The choice of site was determined by a number of considerations, the advice of Shri M Visveswaraya having finally clinched the issue. The bridge being a rail-cum-road bridge, a substantial volume of road traffic will also flow across the bridge. The rail link across the river is broad gauge (single line) with the transshipment yard and sheds located on the north side of the river, thus increasing the capacity of the bridge for rail traffic. The railway system in north Bihar being metre gauge, transshipment cannot be avoided. It is hoped, however, that traffic from points close to Barauni, which is the broad gauge rail head on the north side of the river, will come directly to Barauni by road, thus making transshipment at the break of gauge point unnecessary. The construction of the bridge has been an engineering feat, the north channel of the river at this point being completely blocked and the bridge constructed of a length of only two and a half miles against the five or six miles

that would otherwise have been necessary at a cost thrice that actually incurred. That the bridge was constructed well within the estimated cost and nine months ahead of schedule is a tribute to those in charge of the project.

It augurs well for the development of the backward region north of the Ganga that the opening of the bridge coincides with plans for establishment of an oil refinery at Barauni and also a State-owned thermal power station based on coal transported over the new bridge. Now that the transport bottleneck to this region has been broken, opportunity should be taken to survey its resources and plan for its development on sound lines.

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Weekly Notes

Coalition Move in Orissa

THE arguments advanced by Dr Harekrushna Mahtab, Chief Minister of Orissa, in support of his move for a coalition of the Congress Party and the Ganatantra Parishad reflect little credit on the state of the Congress in that State. Addressing the Executive Committee of the Utkal Pradesh Congress on May 5, he frankly stated, "If the Party goes on as it is, there is no doubt that it is likely to be entirely crushed at the next general election." Whether by going in for a marriage of convenience with the Ganatantra Parishad, which it has fought bitterly in the past, there can be any improvement in Congress prospects, is a question that baffles not only outsiders, but quite a few Congressmen in Orissa itself. Dr Mahtab on his part, however, seems to have persuaded himself into the belief that by seeking an alliance with the Ganatantra Parishad, the Congress would not only strengthen itself, but also be in a position to extend its influence to all parts of Orissa. That the Ganatantra Parishad on its part might be hugging a similar hope for itself and that indeed it might be in a better position to exploit its alliance with the ruling party for advancing its interests, does not seem to bother Dr Mahtab though it does disturb some of his own followers.

The Orissa Chief Minister sounded almost naive when, referring to members of the Ganatantra Parishad, he said, "Those who offer to work out the policy and programme of the Congress should be considered recruits and efforts should be made to make them full-fledged Congressmen." What ground he has for thinking that the Parishad men would be ready to shed their separate identity and merge themselves in the Congress is not known. Indeed, present circumstances seem to point to the contrary. Anyway, when a report stating that the proposed coalition Government would be bound by the directives of the Congress Central Parliamentary Board was published in certain Orissa papers, Ganatantra spokesmen were at pains to make it clear that no such understanding had been reached between the two parties. As the coalition had to work on the basis

of a common programme, the question of directives did not arise, it was pointed out. But if at any stage it did arise, the Parishad Ministers would obey the dictates of their own Parliamentary Board and not of any other party, the spokesmen stated bluntly.

Against this background, it is a little far-fetched at least at this point of time to think of Parishad men as willing recruits only too eager to be schooled into the Congress way of thought and action. Dr Mahtab is obviously obsessed with the plan of coalition he has hit upon to save the Congress from the 'fruitless task' of sitting in Opposition. And being deeply in love with the idea, he might well be expected to lay stress only on such circumstances as seem to be in favour of his move. But that does not mean that the other circumstances will cease to exist or necessarily lose their severity with the formation of a coalition. Dr Mahtab, in his enthusiasm for a coalition Government, has tried to make out that it is the only alternative thinkable in the prevailing circumstances. If that be so, the least that can be said is that the party invited to help the Congress to remain in power cannot be expected to be unaware of the bargaining power that inevitably goes with the position it has been accorded.

State Trading Proves Profitable

THE activities of the State Trading Corporation may not evoke enthusiasm in the private sector, but they are definitely proving profitable to Government. Apart from earning a surplus of more than Rs 9 crores in the two years since its inception in July 1956 from its cement monopoly, the proceeds of which are not included in its accounts, the Corporation has so far netted profits of Rs 1.38 crores after tax. Government has earned Rs 13 lakhs in the shape of dividend, Rs 1.72 crores from income tax and Rs 1.75 crores from customs duty. The country, has, therefore, gained not merely by the opening up of new channels of trade but also by the mobilisation of resources, which would otherwise have been dispersed over a large number of persons, giving rise to the usual difficulties in the matter of realising taxes.

In order to diversify the pattern and direction of foreign trade, the Corporation is establishing business contacts with countries which believe in bilateral balancing and practise State trading. Contracts of the value of more than Rs 19 crores have so far been concluded with various Communist countries to reduce our payments deficit with them. These include overdraft facilities intended to maintain a steady flow of Indian goods, which the Communist countries had so long found difficult to purchase owing, among other reasons, to shortage of rupee finance and absence of trade contacts. The export list comprises a variety of items such as oils, spices, hides and skins, mica, tea, coffee and some light engineering goods. A beginning was also made during the year ended June 30, 1958 with 'compensation' transactions: the import of rice from North Vietnam was compensated by the export of gunnies, sugar, hemp and cotton waste. The new bilateral agreements recently concluded with Communist countries, which provide for the mutual balancing of trade and settlement of outstanding balances in inconvertible rupees, will give a further fillip to the Corporation's activities.

Mineral ores constitute the core of the Corporation's export business. Since July 1957, the Corporation has been enjoying a monopoly in the export of iron ore. Despite a slump in the steel industry abroad, contracts for the sale of 2.2 million tons were secured in the year under review, of which 1.9 million tons were shipped. Bulk contracts facilitated 'renovation of the trading mechanism' and extension of purchases to new areas where transport was easily available. Export of low-grade ores through minor ports was specially organised. Bulk handling made it possible to achieve significant economies in transportation and loading. The regional office at Madras, for instance, was able to achieve a record loading of 5,800 tons of ore in a day without any mechanical facilities. How long this record performance was maintained is not mentioned in the Corporation's report. Delivery schedules have been well maintained, and adequate measures for quality control have been taken. The

possibility of organising bulk shipments from the West Coast to West European countries is now being explored.

The Corporation has, however, not met with any notable success in the field of manganese export. Recession in the U S, greater competition from new producers and lack of experience in the trading of a commodity subject to wide price fluctuations are responsible for this. During the year, the Corporation exported 4.41 lakh tons of manganese ore out of the country's total of 13 lakh tons. The Corporation has been compelled to carry forward into the current year purchase commitments of the order of 100,000 tons undertaken in a period of relatively high prices. This quantity is proposed to be marketed as and when price and demand conditions improve.

Promotional Activities

PROMOTIONAL activities have been undertaken in developing overseas markets for woollen fabrics, handicrafts, shoes, lemongrass oil, cashewnuts, sports goods and turmeric. Exports in other fields have proved unrewarding so far. Business techniques for expanding foreign markets are under study. A sum of Rs 15 lakhs has been set aside in a special trade development fund for investment in trade promotional ventures.

The Corporation has a monopoly in the import of important industrial items like caustic soda, soda ash and raw silk in addition to some fertilisers. During the year, it fulfilled special import contracts totalling Rs 10 crores to relieve shortages and service essential requirements. These included tractors,

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printing machinery, newsprint and machine tools. The distribution and sale of nitrates were supervised in an effort to assess their value and utility for specialised uses in stimulating agricultural production. An endeavour, not entirely successful, was also made to ensure sales at fixed prices. With the experience now gained, the Corporation should be able to control physical stocks with dealers more effectively.

The Corporation's total assets, as on June 30, 1958, amounted to Rs 9 crores, of which cash alone accounted for Rs 1.4 crores. Its sales turnover during the year was Rs 28.58 crores against Rs 9.19 crores in the previous year, but profit before tax as a proportion of sales turnover declined from 9.6 per cent to 7.9 per cent. Profits before tax rose from Rs 89 lakhs to Rs 226 lakhs, but taxation took away Rs 121 lakhs

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against Rs 51 lakhs. Net profit, therefore, was Rs 105 lakhs against Rs 38 lakhs. Valued like the profits of any other joint stock company, its net earning per ordinary share of Rs 100 was Rs 105 against Rs 38 in the year before. Distribution in the shape of dividend has been raised from Rs 6 to Rs 7. This record retention of profits has increased reserves from Rs 36 lakhs to Rs 131 lakhs, while share capital remains constant at Rs 1 crore. Included in the reserves is an insurance fund of Rs 17 lakhs, a price fluctuation fund of Rs 30 lakhs, a trade development fund of Rs 15 lakhs, a general reserve of Rs 14 lakhs, and a capital reserve of Rs 2 lakhs. On the last day of its accounting year, it had an overdraft of Rs 48 lakhs at the State Bank (against a credit limit of Rs 5 crores) and an outstanding loan of Rs 198 lakhs from Government. Total fixed capital employed in the business is Rs 630 lakhs, while the net working capital, i.e., the difference between current and short-term liabilities on the one hand and liquid assets on the other, is Rs 288 lakhs. These figures would warm the heart of any balance sheet analyst.

Banks Also Must Try

IN his speech from the chair of the United Bank of India, Dr N N Law has brought together many of the complaints that bankers have against the existing state of affairs. Dr Law is not satisfied with the present ceiling on interest rates on time deposits and pleads for a further reduction in it. He is unhappy about the rising operating expenses; he dislikes the competition that banks have to face from the small savings campaign of the public sector; and he is worried by the unutilized credit limits of borrowers. All these woes of Commercial Banks have been voiced for quite a number of years and it will perhaps not be unkind to say that they have lost their appeal very considerably.

The reason for this is the growing feeling that in a good many of these cases there is a great deal that the banks themselves can do but are not doing effectively. Take for instance the question of operating expenses. This is an area in which the banks can do much more than they are now doing to rationalise their procedures of work.

Again, considering the widespread concern about the small savings movement in the country, it is difficult to believe that because of this movement the resources of banks have been greatly affected. And in the matter of interest rates, it is no doubt true that the banks would feel happier if they had to pay less on their time deposits. But is it not necessary to consider at the same time the effect that lower interest rates would have on the growth of deposits? Surely one can make out a very strong case for higher interest rates in a country like India. And theoretical arguments apart, it should by now be obvious that over the long period interest rates in India are more likely to rise than fall. It would be more realistic on the part of commercial banks to accept this trend and worry more about increasing the volume of their lending than about reducing the cost at which they can themselves borrow.

M P Water Rates Commission

A TWENTY-MEMBER Committee to review the water rates prevailing in the different units of Madhya Pradesh, has been appointed by the State Government. It will examine the feasibility of introducing uniform water rates and recommend criteria for splitting them into compulsory and voluntary levy. Finally, the Committee will recommend how the water rate structure is to be revised.

The Committee will visit irrigation works situated near the border of Madhya Pradesh, in Orissa, Uttar Pradesh, Bombay and Andhra. It will study irrigation practices and water rates in vogue there.

A questionnaire prepared for eliciting public opinion and gathering information on the subject was circulated last month. The last date of the receipt of the replies to it has been extended to May 20, 1959.



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Our Delhi Letter

Ford Foundation Team on Food Crisis

IT is a well-known fact that the major limiting factor for the development efforts of an under-developed country is often the insufficient response of food production to the pressure of demand. This is particularly true of countries in which the rate of population growth is high and the standards of consumption are already low. It is therefore not surprising that the Ford Foundation Team should recommend for everybody's consideration a major effort for increasing rapidly India's food production. What they say has in fact been said by many experts and non-experts before. But what is new is the vehemence with which they argue the case for increased attention to agriculture.

During the First Plan period, India's population growth was about 5 million persons per annum. Comparing this rate of growth over the years since the beginning of the First Plan, it is estimated that food will have to be provided for 80 million more people by the end of the Third Plan. Keeping in view this addition to the number of mouths and allowing for some improvement in net daily consumption per person of cereals and pulses, preliminary estimates, in recent discussions of food target, put requirements at 100 million tons. The Team is not satisfied with this target since it does not make sufficient allowance for reserve stocks, which they want to be of the order of 10 million tons.

Their target is therefore 110 million tons, and they make it clear that unless heroic efforts are made, the achievement of this target will be well-nigh impossible. It requires action at the highest levels of Government. "Decisions which are binding on all Ministries of Government and on all levels of Government and which are supported by political leaders, must be made". For, in order to produce 110 million tons of foodgrains by the end of the Third Plan, the rate at which food production grows must be more than doubled—from 3.2 per cent between 1952-53 to 1958-59 to 8.2 per cent per year in the next seven years!

How then is this order of increase in foodgrain production to be achieved? In fixing priorities for investment in agriculture, the pride

of place until now has gone to irrigation, particularly by major irrigation works. Now it is being realised that provision of more water for increasing yields would be costlier than to get the same increase in yield through the consumption of more chemical fertilizers. The relationship between fertilizer and water is clearly not one of perfect substitutability there would not be any increase in yield if fertilizers were applied to dry lands. But after the completion of the Second Plan, we should have enough of wet land on which production could be increased substantially through a more intensive use of fertilizers. And this, in fact, would yield much better results than mere extension of irrigation.

The most favourable increase in production due to more irrigation that can be expected is estimated at about a third of a ton per acre: that is, to increase food production by one ton would require provision of irrigation to three acres. For 'major' irrigation projects the capital cost per acre amounts to Rs 350, so that to increase food production by one ton would require a capital investment of over a thousand rupees. On the other hand, it may be observed from the experiments that have been undertaken in our country, that one ton of nitrogenous fertiliser will produce at least 10 tons of foodgrains. Since the cost of producing one ton of fertiliser would be approximately Rs 4,000, the capital cost needed to increase food production by one ton through increased use of this fertilizer would work out at about Rs 400. These estimates are in fact on the conservative side. For example, the average response to fertilizer and unit production capacity of nitrogen, as noticed in cultivators' fields in the Bihar experiment, were as given in the table alongside.

(In the Bihar experiments response varied from 1.5 to 4.7 mds per acre for a standard dose of 20 lbs of nitrogen per acre. This means response came to 3.4 mds per acre or 13.9 pounds per pound of nitrogen applied.)

Although the Ford Foundation Team has put considerable emphasis on better water-management for

greater and more immediate gains in food production, the target it has set for fertilizer production (which is twice for nitrogen, four times for phosphorous and seven times for potassium over the target set by the Working Committee on Fertilizers of the Ministry of Food and Agriculture) implies that fertilizers will have to play a major role in increasing food production. But this has to be inferred. Such difficulties of interpretation arise again and again in the Team's report probably because different chapters were written by different members. The result is that we do not get any co-ordinated plan of action with priorities; and everything, from reduction of the number of cattle to changing food habits, seems equally important for meeting the crisis. Nor has the Team examined the implication of much greater emphasis on agriculture against the total resource position and the impact it will have on industrialization or the building up of the capital base during the Third Plan. All the same, some of the defects with regard to water utilization pointed out by the Team—such as unduly large seepage of water (it has quoted a report where it is stated that 50 per cent of water diverted from rivers and streams is lost in conveyance), bad distribution of water due to irregular formation of fields and inability to grow more than one crop in 88 per cent of irrigated areas—may well be remediable without too large a diversion of resources and be extremely useful in raising productivity per acre.

Crop	Response to N in mds per acre.
	25 lbs of N.
1. Paddy (Response)	5.3
UPC*	17.0
2. Wheat (Response)	3.6
UPC	15.8
3. Maize (Response)	3.7
UPC	10.6

*UPC—Unit production capacity (grain in pounds per pound of fertilizer used)

(See Fertilizer News published in March 1958 by Fertilizer Association of India).

Book Reviews

Rampur Is Only One Village

Taya Zinkin

Village Life in Northern India by Oscar Lewis, University of Illinois Press, 1958. Pp 380. Price \$ 7.50.

TRADITIONALLY nations have been represented, to themselves and to each other, by their governing classes. The Roman, one remembers, was a Senator; the supposedly typical Englishman is a member of the Establishment; Indian culture often turns out on further inspection to be Brahmin culture.

This is because, normally, the governing classes are also educated. They have therefore the capacity as well as the power to impress their image of themselves on the world. In the past this did not perhaps matter very much. Today, in the new world of egalitarianism and the socialistic pattern, it matters desperately. When everybody has a vote, everybody is a member of the governing classes. If, therefore, government is expressing coherently the people's ideals, and if nations are to have some understanding of each other's aspirations, the ways of thought and life of all sections of society, and not just of the few educated and influential, must be recorded and made known.

The example has been set largely by America, the country in which everybody has belonged to the governing classes longest. As the common man accedes to power elsewhere, sociology takes roots in other countries too. Here the great increase in the importance of the villager since independence has naturally been followed by a series of village studies, studies in the publication of which the 'Economic Weekly' has been the pioneer.

Of these studies Professor Lewis's book is one. Professor Lewis is primarily an observer and recorder. His one really wild generalisation is his title. His is not a study of Northern India; or even of Haryana. It is a study of a particular village of Dabas Jats in the vicinity of Delhi. A village in Meerut or Hissar would have less bicycles, less people employed outside: probably less matriculates. A village in the East U P or Bihar would have a quite different caste structure, probably different attitudes to work and different marriage customs, almost certainly a different power distribution.

For his own village of Rampur, however, Professor Lewis is a careful and thorough observer. He gives us all the external facts we need, who owns the land, how the population is divided over castes, how the jajmani system works, how the festivals are observed, how people get married, how they look on the gods, and how they divide up into factions. He does not tell us much of their inner feelings about each other, or of the sort of religious experience the people have, or of what Jats feel about Chamars and vice-versa (as distinct from how they act towards each other in certain well-defined situations). But such description would require a psychiatrist or a novelist, and Professor Lewis does not pretend to be giving us more than sociology.

Within his self-imposed limitations Professor Lewis is admirably comprehensive and beautifully impartial. If he has views on what village life ought to be like, he never intrudes them. He confines himself to telling us what it is like. Unfortunately he often does so with unnecessary jargon and his sociograms are not very clear. And he perhaps exaggerates the importance of factions.

To generalise from what he tells us about Rampur is perhaps to fall into the very pit Professor Lewis has so carefully avoided, but certain of his facts are at least suggestive of wider conclusions. The jajmani system, for instance, is breaking down because the jajman every now and then, tries to pay less, and the kamin occasionally tries to get more. Each time this happens, some jajmans learn to do without kamins by doing the work for themselves and perhaps even for others, and some kamins drift away to other jobs.

Tenancy is not important in this village, only 1/12 of the land is tenant cultivated, but this 1/12 is not recorded; people know enough about land reforms to take care to get their land recorded as self-cultivated, and when they live in the village or the tenant is a near relation, this is not difficult.

The Delhi revenue records are of a form and kept in a way that seems to invite the patwari to be

corrupt; they have none of the simplicity of the Bombay system. Nevertheless, now that so many villagers have some education, the willingness to pay the patwari's bribes has obviously gone down. He is having a temporary hey day because of consolidation, but once consolidation is over, his already lessened opportunities will lessen further.

The education which is defeating the patwari is now becoming general. Nearly all the Jat boys go to school, for instance, and about 1/3 of the girls. One wonders what a generation of this will do to the festivals people so seldom seem to worry about the meaning of, or to the traditional ways of dealing with disease which Professor Lewis describes so carefully.

The dominant fact about Rampur, however, is that it is a Jat village. Two thirds of the inhabitants are Jats and an even larger percentage of the land belongs to them. They control everything; when they quarrel with the other castes, they nearly always win. This is perhaps the situation Pandit Nehru hopes to break down by co-operative joint farming; but one wonders why a Rampur Jat should ever agree thus to destroy his own importance.

Rampur is only one village. Before one draws conclusions for national policy, one needs a score of studies like Professor Lewis's. But they need to be made quickly, for at present policy is made by urban intellectuals for the satisfaction of urban intellectuals. After all they do not know what the villagers would like.

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From the London End

Opening Moves for May 11

THE 'agreement' in approach and tactics which the Western Foreign Ministers are said to have reached for the May 11th encounter with the Soviet Foreign Minister at Geneva, masks a considerable uncertainty as to whether there really is unity in the Western camp on the problem of Berlin and Germany. What is feared is that the Western Foreign Ministers will as a group take up a relatively frozen position so as to avoid an open breach among themselves, and make it impossible for the Geneva meeting to give place to a Summit in course of time.

Three distinct strands of thinking now appear to characterize the Western approach. There is a clear British approach which seeks to secure certain changes in the German status quo. It favours recognition of East Germany as a separate entity, in preparation for unification of the two Germanys in the distant future and seeks to freeze the level of West German armament. The British position, as distinct from the Franco-German and the U.S. attitudes, is so new and imaginative that it may be considered as one of the major peace initiatives since Yalta.

Balance of Strength
In any appraisal of the balance of forces—military, political and economic—in Europe, the Soviet Union's position now is extremely impressive. Indeed, it can no longer be justly claimed that the West as a group has an edge on the Soviet Union in any of the constituent fields in the European balance. It is this situation which in the first instance impresses British political opinion. It provides a new basis for negotiations—equality in the balance of strength for the two sides. Failing negotiations, the British see, quite correctly, a number of dangerous tendencies which can disturb this balance and so let loose a chain-reaction ultimately ending in a hopeless war. The Soviet Union cannot tolerate for long the steady transformation of the West German Bundeswehr into a fully nuclear-equipped military force in Central Europe. What is significant is that Britain, too, cannot in its own self-interest tolerate such rearmament of the Bundeswehr.

The 'Times' recently attempted an analysis of the Commons statement by the Foreign Secretary on the Geneva negotiations for a ban on nuclear tests. The particular point of the British suggestion for a pre-determined quota of inspections, which has obtained Soviet support, was to achieve some basis for fruitful negotiations on disarmament as an adjunct to the solution of the Berlin problem. Put in another way, the quiet and subtle direction of British initiatives on nuclear inspections towards securing a basis for some progress in achieving at least a limited disengagement in Central Europe is seen as an attempt to make it difficult for France to emerge as an independent nuclear power. It may be that the French authorities have seen through this scheme of things. M. Couve de Murville, in his Assembly report, appeared to retort that the "normalisation of relationship" with Russia lay not in terms of disarmament but, rather oddly, in terms of the economic development of under-developed countries. Quite clearly, France is not going to tolerate any negotiations which limit her design to emerge as a H-bomb power.

Free Elections Unrealistic

To stop France from proceeding as she is now, and to stop the emergence of a nuclear equipped Bundeswehr is essential for Britain. On this basis alone, Britain's authority as arbiter in European politics can be sustained, and the primacy of Britain's 'special relationship' with America re-established. The essential logic of the British initiatives appear, therefore, to be dictated by the stature of Soviet power in Europe and the increased isolation of Britain resulting from the Franco-German axis. It is this which now directs Mr. Macmillan to claim that negotiations must be based on an acceptance of the Soviet presence in East Germany and directed towards such change in the status of Berlin as is likely to improve the European atmosphere for some measure of disarmament. In the British view then, German unification on the basis of free elections is as unrealistic as the continued demand for it is dangerous.

The American approach stands in some contrast to the flexibility of Britain and the rigidities of the Franco-German position. The reported U.S. 'package' proposal involving a phased reunification of West and East Germany, an improvement of Western rights in Berlin, and the establishment of what is called a "military equilibrium" between the Communist and the Western countries in Europe, may at first sight appear to be a compromise between the British and the Franco-German positions. In content, however, it establishes an approach that is hardly negotiable in a number of crucial respects. True, there is talk of a phased unification of Germany with free elections being the last of the phases. But there is nothing in the package proposals which accepts or gives consideration to the Soviet proposals for recognition of East Germany, the signing of a peace treaty with Germany and so allowing East and West Germany to solve or sort out the direction of unification among themselves. The Conference of the Warsaw Pact countries has already declared that the 'package' proposals are unacceptable. Reports from Paris further show that the Americans have accepted the West German opposition to proposals for any zone of control and arms limitation on the understanding that the Bonn Government would agree to proposals for East-West German contact in the plan for a phased unification of Germany.

On this basis, then, the opening moves at Geneva on May 11th may very well be the presentation of a series of proposals which as a group are patently unnegotiable. The British Government's apparent acceptance of this approach is matched by the belief that after the opening moves, will come the "middle moves" when knowledge of Soviet views may help to disentangle the package and negotiate separately on each issue. President Eisenhower allowed that much cushion to the pressure from U.K. when he intimated at his press conference recently that each of the Western delegations will be free to initiate their own proposals at the Geneva meeting with the Soviet Union.

The Ideal Rate of Growth

Dhires Bhattacharyya

IN a country like India where the population has been growing and is likely to grow in the immediate future even faster than in the past, it is absolutely imperative that the national income also grows at a corresponding rate merely to keep average income constant over time. But the end of our economic plans should not naturally be the mere perpetuation of the status quo ante. If they are to result in a higher level of living for the common man, they must certainly aim at a rate of growth which is higher than the rate of growth of population. In recent weeks it has been suggested several times from the highest quarters that the rate of growth to be aimed at during the Third Five Year Plan should be at least 6% per annum. As the population is expected to grow at a rate not exceeding 2% in a year, the average income should thus increase by nearly 4% annually, so that it should not take more than a quarter of a century to realise an average income which is double its present size.

Most probably it is this goal of doubling the average income in 25 years or so which has influenced the choice of a 6% annual rate of growth for the national income as a target for the Third Five Year Plan. Since no other explanation has been forthcoming as to why this particular figure was chosen for wide publicity and since these two ways of describing the target are exactly equivalent, one can be permitted to wonder why the former description, which is considerably easier for the public mind to grasp, was not adopted for the purpose of publicity.

Real Tests of Achievement

But verbal bickerings apart, is there any reason why 6% rate of growth of the national income (or its equivalent in terms of the average income) should come to be regarded as the ideal or even the minimum necessary rate of growth? Should such broad and ill-defined categories as the national income and its rate of growth be chosen to a place of central importance in defining the targets of planning? It is true that centrally planned countries have hitherto generally found it prudent to publicise

their achievements in terms of specially constructed indices which have not faithfully portrayed the gains realised through planning. But Indian planning is supposed to be in a class by itself. Is it necessary for a 'democratic' plan to imitate so faithfully the exact lay-out of the progress reports which other centrally planned countries have been issuing in abundance since the beginning of the 'planning era'? Should not Indian planners begin to make an attempt for developing other tests which really bring out what the planning effort has achieved in terms of human progress and individual happiness?

Averages Mislead

The growth of the national income, and also the average income, may mean nothing to large groups of individuals whose happiness should not count as less important than that of other, better-placed groups in the community. This is, of course, well known but easily forgotten when it comes to translating some of our ideals into practice. It is curious how at those times we tend to seize upon some simple indices and utilise them to prove to a bewildered public that their fortunes must improve if these indices register a rise.

A rise in the average income can come about by increasing the concentration of incomes among the upper income brackets and is quite compatible with an actual deterioration in the economic conditions of the poorer classes. In the early stages of economic development, whether under public or private auspices, inequalities are as likely as not to be aggravated. But as the average income progressively rises, better levels of living generally spread up to the very lowest categories of earners. It would be interesting to find out how this process of 'seepage' works itself out in any given social environment. Suppose, a 5% increase in the average income is accompanied by a 1% increase in the income of the lowest group of earners, suitably defined. We can express this as a 'seepage ratio' (in this case 1:5). It should enable us to see at a glance what a certain target expressed in terms of the average income implies in respect of the minimum income

observed at any point of time.

'Seepage Ratio'

A zero (or extremely low) 'seepage ratio' most probably indicates that the community is being lured into following a wrong path by an unwisely chosen index of economic development. As Professor Viner observes, an increase in per capita wealth, income, production etc does not suffice to show that there has been an increase in economic welfare. He suggests, in fact, that the reduction of mass poverty should be made a crucial test of the realisation of economic development. The condition of people who are living 'at the margin of subsistence or below' should be a significant pointer to the success or failure of the plan. (See Viner—'International Trade and Economic Development', Ch. VI)

To assess the impact of an economic plan upon the community's levels of living, it is necessary, therefore, to supplement our knowledge regarding the average income by some knowledge regarding minimum income and its rate of growth. The collection of information on this point will not only be significant by itself. It is likely also to reduce considerably the ambiguities attaching to the average concept, since the minimum has a more or less definite content while the average has not. The constituents of income are less fickle for the minimum than they are for the average.

Minimum Income

Since the composition of the minimum real income has a stability of its own, it will be significant to observe from the production statistics how each of its constituent items is behaving over a planning period. Some people have even urged for the acceptance of an average of these items as the correct index of economic development and proposed to ignore altogether the production of those items which do not figure in the budget of the poorest group. This seems to us to be a rather extreme proposal. The system of production of a country can expand in so many different ways that to consider any particular collection of goods as more significant than the rest is not very

reasonable. But for policy purposes such a limited index can be compiled and used as a check on what the more general index of production might indicate.

In any case, the ideal rate of growth can hardly be specified in terms of the growth of the average income alone. Considerations relating to what we have described above as the 'seepage ratio' have to be brought in and the rate of growth of the minimum income over a number of years has to be taken into account. The more nearly the 'seepage ratio' approximates unity, the better perhaps it is for the community as a whole. And this should hold irrespective of whether the rate of growth of the national income is 6%, 2% or even lower than the rate of growth of the population. If we always assume a positive value for the 'seepage ratio', we should all be able to share in some measure at least in any improvement that occurs on a national scale. But there is hardly any reason to assume that the 'seepage ratio' is always positive. Besides, this ratio should be amenable to change through policies specifically adopted for the purpose.

Record Rice Output

WORLD production of rice—outside China—for the current year is now estimated at a record 130 million tons (paddy), as against 121 million tons for 1957-58, according to the Commonwealth Economic Committee, London. The bulk of the increase is accounted for by India.

The final official estimate of rice production in India for 1958-59 is of a record 43.7 million tons of paddy, as compared with 36.5 million tons for 1957-58 and a previous record total of 41.6 million tons for 1956-57. The area harvested in 1958-59 is estimated at 81.6 million acres, compared with 79 million acres in the previous season.

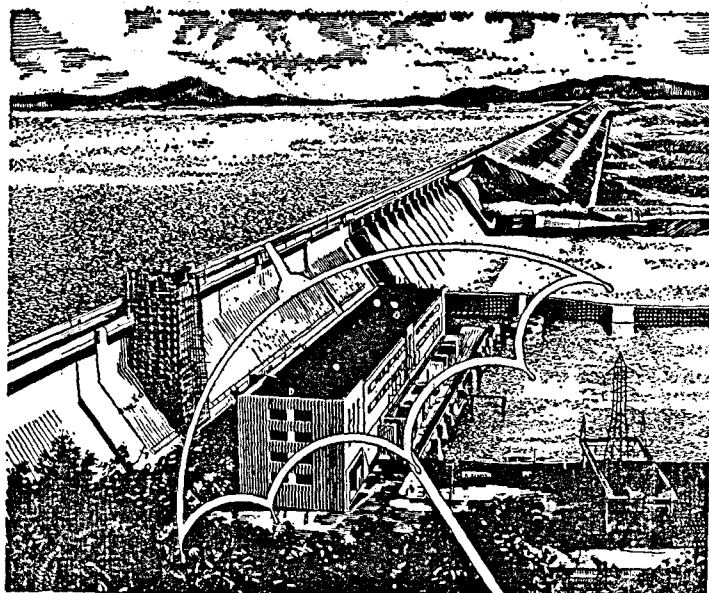
The crop in Pakistan, on the other hand, is reported substantially below that of 1957-58. The third official estimate being of 11 million tons of paddy from 21.6 million acres.

The output in Burma is now unofficially estimated at 6.5 million tons of paddy, as compared with 5.1 million tons in 1957-58. The planted area increased from 10.2 million acres to 10.9 million acres,

and favourable climatic conditions resulted in a high yield per acre.

In Malaya, unofficial reports indicate that 915,000 acres had been

planted with rice by the end of 1958, total planted acreage being estimated for 1958-59 at 936,000 compared with the previous year's 901,000 acres.



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STP 26

France under de Gaulle

(ii) De Gaulle's Successes

(From Our ex-Paris-Correspondent)

AS the leader of the Americanist camp, de Gaulle had on coming to power three political tasks: firstly, to neutralise opposition from the Left, which included, besides the Communists, some Socialists and some Centrist Democrats (e.g., Mendes-France, Mitterrand etc); secondly, to eliminate his Petty Bourgeois supporters of mainland France; and thirdly, to disband the Fascist junta of Alger and find a solution to the Algerian problem. He has succeeded exceedingly well in the first two; the third is proving very much more difficult, though he is gaining ground.

Reform of the Constitution

The Constitution of the Fourth Republic, prepared mainly by the Communists and Socialists during their brief coalition after the War, was one of the most democratic of republican constitutions. It provided for very reduced powers for the executive as compared with the legislature; long durations of parliamentary sessions; proportional representation, etc. But its very democratic character provided numerous loopholes through which the functioning of the Government could be obstructed by any determined minority either in the legislature or in the executive. These shortcomings were fully utilised by the enemies of the Constitution to discredit its working in the eyes of the Government.

A Constitution that permitted a quarter of the Assembly seats to be occupied by Communists and another tenth or so by Poujadists and such other extreme elements was highly inconvenient for the Big Bourgeoisie. The Assembly, instead of being its instrument, was substantially outside its control. Thanks to the negative block votes of the Communists and the Poujadists, any and every body could have a bargaining position. The tactics followed by the enemies of the regime were to systematically obstruct the working of the Assembly, engineer systematic disobedience by the executive (principally that of Alger) of the legislature, and simultaneously carry on powerful propaganda denouncing the inefficiency of the regime.

The alternative Constitution that de Gaulle proposed and which he got accepted by the nation through his highly successful 'Operation Referendum' is exactly what suits the needs of the Big Bourgeoisie. It retains an Assembly, so that the illusion of a republic is maintained. The Assembly has practically no power. Both executive and legislative powers are concentrated in a President who nominates the Ministers—and the Ministers are obliged to be 'non-members' of the Assembly! The Government thus is almost entirely free of the controlling influence of the Assembly: it is a Government of technocrats and bureaucrats at the service of their employer. This technocratic and bureaucratic character of the de Gaulle and Debre Governments is no less conspicuous in the composition of their cabinets than is their domination by representatives of high finance. In both the Governments, a significant number of portfolios is held by men whose previous fields of experience are administration, diplomacy, banking and finance, etc.

Mendes-France's Criticism

Here is what Mendes-France has got to say about the Gaullist Constitution:

"The President of the Republic is a virtual monarch, though (the office is) non hereditary. What is his origin? The electoral college, which is going to elect him, is composed of between 75,000 and 80,000 electors from mainland France, Algeria, and the overseas territories of France. Now in this college the delegations of the small communes of less than 2,000 inhabitants from the French mainland alone, representing 16 million inhabitants, dispose of the majority. The remaining part of the French population, that is 60 per cent of it, plus the inhabitants of Algeria and the overseas French territories are put in a minority. Is this democracy? ...this President has almost sovereign powers! He can go—as has largely been discussed—up to the legal proclamation of dictatorship in terms of Article 16 of the proposal."

Referring to the assumption of even legislative powers over the most important sectors of the nation's life by the President, he adds:

"Finally, even in the domains left to the Assembly's competence, the President can violate the Assembly Suppose that he proposes an electoral law which the Assembly does not adopt. Government can declare that 'it acts on its responsibility'—funny way of speaking—for all that results from it is that the bill is adopted without even a vote if within three days the Assembly does not pass a no confidence motion with the absolute majority of all its members, which act naturally risks the House to being immediately dissolved."

Operation Referendum

As to the atmosphere in which the Operation Referendum was carried out Mendes-France has this to say:

"Never perhaps since the Second Empire has official pressure been developed to such a point. Never has a Government so ostensibly mobilised the district administrators to make them put pressure on electors. Never did the action of military chiefs influence thus their troops."

Soustelle had taken charge of radio and television, and they were used to full capacity in favour of de Gaulle. The entire Bourgeois press and the advertisers in cinemas, newspapers, etc, joined the campaign for 'yes'.

De Gaulle's genius consists chiefly in his capacity for ambiguity (thanks to which both Mauriac and Massu can consider themselves Gaullists); he made use of his gift to the full extent in winning his Operation Referendum. Of all the contradictory things which were bunched together in the same packet on which one had to pronounce Yes or No the most cynical combination was the dual interpretations of Yes and No for the people of the colonies: for them to say Yes meant not only that they approved of the Constitution but also that they wanted to stay in the French Union. To say No not only meant their rejection of the Consti-

Men and Oil . . . 7

The Welfare Officer

Most of the world's great oilfields lie under deserts, swamps and jungles, far away from established centres of civilisation. Near the wells and refineries live the geologists, drillers and technicians, and as operations expand so the oil camps grow into permanent settlements. In time, new towns are established, whose citizens are the thousands of people employed in the industry.

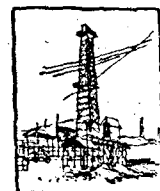
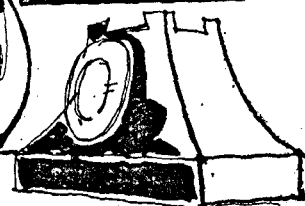
Oil companies are very much aware of their responsibility for the welfare of these new communities, and most oil towns are, for that reason, models of thoughtful planning and administration.

So it is in Digboi. Once just a clearing in the dense jungle, Digboi is now one of India's most modern industrial towns. The Assam Oil Company devotes great attention to the provision of health services, good housing and sanitation, schools and other amenities for its employees.

And this is where the Welfare Officer comes in.

He is the link between the company and the community; the man who administers projects that make a fuller, happier life for everybody.

Just as the Assam Oil company recognises that it has a duty to serve the people of India, so, through its Welfare Officers, does it promote the happiness and benefit the lives of the men who make their living by oil.



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tution, but was also to signify their desire to be independent.

Operation Elections

The spectacular victory of de Gaulle, and the heavy loss of the Communists as well as of all democratic opponents of de Gaulle cannot of course be explained only by tricks and unfair means: they are expressions of deeper social malaise. Nevertheless, it should not be forgotten that the loss of Communist support, however important it was, was after all to the extent of about 20 per cent. The fact that Communist representation in the Assembly has fallen to 10 in a house of 465 from 150 in a house of 544 has tended to create the impression that de Gaulle has managed to win away from the Communists all their supporters. But even today the Communists have greater electoral support than any other single party. If the rules of democracy were to be observed, it is the Communists and not the U N R who would have been called upon to form the Government. The accompanying table gives the voting figures and the composition of the Assembly between the elections of January 1956 and 1958. These are the true indices of the political success of de Gaulle.

Communists with 19 per cent of the votes have only 10 seats; the U N R with 17.6 per cent votes nineteen times as much. How did de Gaulle achieve this results? First by changing the electoral laws and secondly by changing the electoral map. If there were two contiguous districts in one of which Communists were strong and in the other weak, a suitable rearrangement of the boundaries was effected so as to reduce the Communist vote to a minority in each of them. Then the new system not only abolished the proportionality principle, it provided for a second round. Parties could prepare alliances in the light of the figures of the first round. Wherever there was a Communist candidate with the largest amount of electoral support, the other parties (Socialists included!) irrespective of their ideologies, combined to put up a common candidate against him.

Economic Policy

Having assured its supremacy on the political plane, the new 'system' did not wait long to reveal its economic intentions. More than anything else, the series of steps taken

by de Gaulle's Government for the modernisation and rationalisation of the French economy reveal clearly the class character of the forces behind him. There has been first of all the budget for the year 1959; then there has been a devaluation of the franc, removal to a very large extent of restrictions on the convertibility of the franc, removal of part of the restrictions on imports; and finally, the entry into the first stage of the Common Market. There has been no attempt in France, either in official quarters or in the Press, to explain or examine what these measures mean for the common man. The French have been living beyond their means, the Press is saying; from now on they would have to live within their means. That means of course less of import, less of production (as French industries depend largely on imported raw materials), less of consumption and more unemployment. Devaluation raises the prices of imported raw materials and this alone is sufficient to shut down many a factory. Removal of tariff barriers is starting to flood the French market with German goods and that is a second blow to the relatively backward French industries.

But these two steps are not considered sufficient. Consumption has to be further curtailed by raising the indirect taxes and withdrawing subsidies. Commodities for which indirect taxes have been increased or from which subsidies have withdrawn include bread, milk, coal, gas, electricity, railway fares, stamps, telephones, cigarettes and wine. Also reduced are the allocations to the health services and other social security schemes. Investment in the public sector is increased, but so also is military expenditure. Education, the most scandalously neglected

head in the budgets of the Fourth Republic, the root cause of the decadence of scientific research in France, receives a worse treatment than ever.

Operation Rueff

Economic observers in France are straining their eyes to see how well the Operation Rueff is finally conquering the inflationary tendencies long persistent in the French economy. (Rueff is the economic expert behind Pinay's NEP—new economic policy; he has served many a master before; he advised Laval in 1935 in operating his deflationary policy and was a protégé of Petain during the War.) In the mean time unemployment is spreading. Production has started to fall in certain sectors. The recession that is now slowly but surely spreading from one industry to the other is of course primarily a consequence of the American recession, but Pinay's policy has been not only not to take any anti-recession measures but to take anti-inflationary measures (the French recession being accompanied by an inflationary pressure). A moderate dose of unemployment, a clearing away of the undergrowth of uneconomic enterprises, are medicines the French Big Bourgeoisie has long been waiting to administer to the ailing French economy. Whatever doubts one may have about de Gaulle's class character from his policies in the field of politics proper, there cannot be any two interpretations of his role when an analysis is made of the economic policies announced and implemented immediately after his confirmation to power.

It is indeed true that from the point of view of the French economy as a whole, the results of the measures taken are going to be good.

	1956		1958	
	Votes (%)	Assembly seats (nos)	Votes (%)	Assembly seats (nos)
Communists	25.7	145	18.9	10
Socialists	14.8	88	15.5	40
Radicals and other Centrists	13.3	74	11.5	25
Gaullists				
(U N R in 1958, Social				
Republicans in 1956)	4.4	16	17.6	189
Catholics (M R P)	11.0	71	11.6	57
Independents	14.3	95	13.7	120
Extreme Right (including				
Poujadists)	13.1	52	3.3	1
Total		544		465

But what is good for the whole economy may not be good for all sections of the population—and there may be different ways of arriving at the same results. It is quite clear that the new economic policies are designed to modernize the economy, but exclusively for the benefit not even of the entire Big Bourgeoisie, but only that section of the Big Bourgeoisie which we have described before as the internationally competitive one.

Adenauer-de Gaulle Axis

There are two further evidences lending support to this interpretation. First the ominous sight of a developing axis between Adenauer and de Gaulle. While there are purely political factors behind this sinister alliance, there can be no doubt that there are also economic ones, and these are obviously the same as those that lie at the origin of the European Common Market. While the growing understanding between Germany and France indicates a developing interdependence between German capitalists and that sector of the French Big Bourgeoisie that is internationally competitive, it is not clear to what extent this is also a symptom of a European movement directed against Anglo-Saxon world domination.

There is of course no mystery about the intentions of the Common Market and the Franco-German axis with regard to the Sterling area. But in so far as the relations between the Continental Big Bourgeoisie and America are concerned, the picture is more complicated. If there is any economic domination in Europe, that is one of Dollar and not of Sterling; hence one would expect to see signs of anti-Americanism in the European movement. In fact however there are very few visible signs of it.

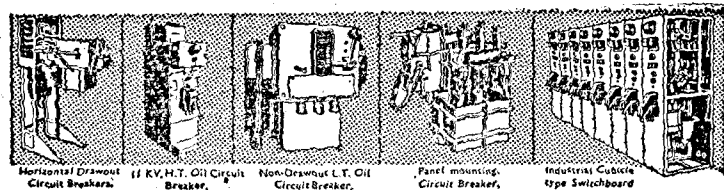
Sahara Oil Agreement

In this connection the agreement signed last January between Standard Oil and two French oil companies for the joint exploitation of the oil wealth of the Sahara is significant. As an analysis of the 'Express' shows, the French Government, in order to attract American capital, has offered terms which are more liberal than those offered by any Government anywhere else. The 'Code of Sahara Oil' lays down that only 36 per cent of the total net profit is to be paid to the Government as royalty, whereas everywhere else the royalty comes to

more than 50 per cent of net profit and is soon going to reach 60 per cent. As the 'Express' observes "only the Arabs of the Persian Gulf, twenty years back, at a time when they were still ignorant of accounting principles, consented to such advantageous conditions." The Standard Oil is the most powerful petroleum concern in the world. There is very little doubt that American attitude towards the problem of Algeria and French colonial policy in general is going to undergo a change. Whether apart from this obvious political motive, there is not also the factor of a certain fusion of interest of French and American Big Capital is a matter to be examined.

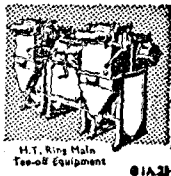
One cannot but be struck by the fact that the Government to make such drastic concessions to America as well as to implement the Common Market should be one with

Debre as Prime Minister and Soustelle as Deputy Prime Minister, two men who have been marked during the last few years for their venomous hatred of America and determined opposition to the Common Market. But is there not also the example of Pinay presiding over the contractionist economic policy of de Gaulle, the same good old Pinay who has always been known as the defender of the interests of the Petty Bourgeoisie? Soustelle, Debre and Pinay, it would seem are acting contrary to the standpoints long associated with them. We shall resist the temptation of drawing from this any moral about the Role of the Individual in History; but as will be shown in the concluding part of this article, even de Gaulle is not having his way everywhere. His role is also being determined by the balance of certain forces much beyond his control.



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From the Chair

United Bank of India Limited

Speech of the Chairman, Dr N N Law

THE following are excerpts from the speech delivered by Dr N N Law, Chairman of the United Bank of India Ltd at the Annual General Meeting held on 4th May 1959 at the Bank's Head Office in Calcutta:-

Bank's Progress

The working results during 1958 depict another year of progress. The Deposits of the Bank at Rs. 43.54 crores were higher by Rs. 5.18 crores, i.e., roughly 13.50 per cent over the previous year's figure. Advances at Rs. 27.64 crores were higher by Rs. 4.09 crores, being about 17.3 per cent over the previous year. The gross earnings of the Bank at Rs. 2.19 crores show a rise of about Rs. 29.00 lakhs or 15.2 per cent over the previous year.

The progress achieved in these directions may be deemed to be satisfactory, in comparison with the performance of other major banks in 1958. Despite this increase in the volume of business and gross earnings, however, the profit of the Bank continues to be low. Progressive rise in operating costs, which has been the common experience of all the major banks in the country, materially contributed to this result.

Establishment Cost

The two major items of expenses, viz., Establishment expenses and Interest on Deposits still continue to mount in such a manner that they remain a matter of serious concern for the banking system. During the period 1950-57 the Establishment expenses of Indian Scheduled Banks rose by about 74 per cent. Figures for 1958 are not yet available, but the rate of increase during the year cannot be expected to be any lower. In your Bank, the rise in Establishment costs during 1958 was over Rs. 21 lakhs. It is no exaggeration to suggest that the rise in Establishment expenses has been abnormal. The banks are trying their best to step up the quantum of earnings, but in view of the faster growth of the operating expenses such efforts cannot be expected to neutralise the imbalance.

I, therefore, submit for consideration of the bank workers that

there should be a realisation of the fact that it is as much in their own interest as in the interest of the national economy that there should be an equitable correlation between the increase in cost, and improvement in productivity or enhancement of earning potential. After all, banking is basic to development and it is also the linchpin of the monetary system which finances economic activities and promotes a higher standard of living. We, therefore, feel that in the larger interest of the country, a change in outlook is called for, and there should be common appreciation of the fact that the various branches of economic activity are inter-linked and inter-dependent.

Interest on Deposits

I am glad to mention that, during the latter part of the last year, the Indian Banks Association succeeded in their efforts to bring about an inter-bank agreement on rates of interest to be allowed on various types of Deposits. This is a good augury, and it is hoped that, it will prove to be a beginning of more and more co-operation and co-ordination as between different banks. I would, however, point out here that the maximum rate of interest on Deposits, as postulated in the inter-bank agreement, is still rather high and eats into the level of profit. In the ultimate analysis, the rate of interest on Deposits, as we have on many occasions pointed out, should be adjusted to what is in the interest of the community.

Unfortunately, if the rates payable on Deposits are themselves high, and, if, at the same time, a higher rate of charges for Advances is either impracticable or undesirable, banks have inevitably to lend more, and the consequence is that the ratio of their Advances to Deposits rises. This, in turn, compels banks further to seek new deposits at higher rates. This vicious circle can be broken if, instead, efforts are made to control the interest rates on Deposits. Also, if the banking industry is to function properly and adapt itself to India's progressive economy, the margin between the rate of interest

on Deposits and the rate of interest on Advances should be wider than what it is today. Last year, we had suggested that the maximum rate of interest allowed on Time Deposits should not exceed two-thirds of the Bank Rate in force for the time being. I think this point deserves immediate consideration by all concerned.

Competition from Public Sector

While on this subject, I would like to refer to another matter having a direct bearing on interest on bank deposits. I refer here to the rate of interest on Deposits allowed by the public sector in the small savings schemes. The public sector has to, and needs to collect resources through mobilisation of small savings. But their efforts towards diverting bank deposits to small savings schemes of the public sector have been very much marked. It is our view that, if efforts were made towards collecting such resources from non-banked areas (high cost notwithstanding), it would have been an invaluable service to the country's economy.

The commercial banks thus have to face not only competition amongst themselves but also the competition from the public sector. This has resulted in a scramble for Deposits on all sides. The commercial banks have now demonstrated, by entering into an agreement amongst themselves, that they are alive to the fact that such blind competition is not only unhealthy but also harmful to the country's economy. It is to be hoped that the public sector will also co-operate in this effort to put a stop to the wasting race for pushing up the rate of interest on Deposits.

Unutilised Credit Limits

Statistics are not available about the quantum of the unutilised portion of credit limits granted by banks. While it is true that different banks try to keep a control in this regard, if a proper survey is made, it may be found that the aggregate of such unutilised credit limits is proportionately higher in relation to bank Deposits.

In some countries in Europe as well as in the USA, there is a sys-

tem of levying a charge on the unutilised portion of the sanctioned limits. I think some system of commitment charges may also be adopted in this country. It may then encourage making correct estimation of requirements, and effectively control the tendency to arrange for limits much higher than what can be utilised. Such an imposition is suggested more as a deterrent than as a source of revenue for banks.

Banking and National Plans

Available information indicates that the Third Plan is going to be much larger than the Second Plan. Since results of the projects undertaken in the First and the Second Plans are expected to be utilised in a larger measure during the Third Plan period, it can be visualised that the tempo of economic activity will be very much higher than heretofore. This again highlights the necessity for planned efforts for development and spread of the banking services in the country, if only, at least to maintain the value of the Rupee.

In a fast changing economy, the banking system must reorganise and equip itself in such a manner that it may cater to the new requirements and conform to the changed pattern of the economy. But efforts in this direction have been inadequate. I repeat the suggestion made by me in my speech in 1957 that a Convention of all the banks should be organised under the auspices of the Indian Banks Association with a view to sponsoring the idea of forming a "Banking Expansion Commission" and to appointing a "Standing Plan Committee of the Convention" to maintain liaison with the proposed "Banking Expansion Commission".

Credit Investigation

Banks in this country suffer from the disadvantage in not having any organised credit investigation agency through which they can obtain adequate information about the prospective borrowers and other customers. Of course, banks have their own credit investigation departments, but that by itself cannot bring out all the relevant information which would be more helpful in consideration of extension of bank credit. It is, therefore, necessary that credit investigation agencies should be organised in this country on the lines of such

institutions in other advanced countries of the world.

Furthermore, there should be more free and frank exchange of information amongst the banks. This will, apart from encouraging the growth of a healthy credit investigation system, also act as an effective check on excessive or undesirable utilisation of bank credit. In this regard, I feel that the Indian Banks Association may make useful contribution towards organising such an agency and establishing the practice of free and frank exchange of information as amongst banks, and I have no doubt that if such a lead be given by the said Association, it will receive the wholehearted support from the commercial banks.

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

POLYTHENE

WHEN planning industrial expansion, adequate attention has to be paid to industries manufacturing raw materials and intermediate goods of all kinds, preferably using locally available raw materials for the purpose. Otherwise, the full utilisation of the capacity of various industries established in the country may make inflexible demands on limited foreign exchange resources and thus create difficulties in the process of development. From this point of view, the establishment at Rishra in West Bengal of a plant for the manufacture of the versatile plastic, polythene, is to be welcomed. The plastics industry in India used over two thousand tons of polythene in 1958, the whole of this quantity being imported. The new plant, which has an annual capacity of 3,500 tons, is thus expected to save the country about Rs 1.5 crores in foreign exchange every year.

The polythene plant has been set up by the Alkali & Chemical Corporation of India Ltd (a subsidiary of I C I) at a cost of Rs 4 crores and will use ethyl alcohol produced from molasses in the sugar factories of Bihar and Uttar Pradesh as its basic raw material. The establishment of this plant will thus create a demand for a commodity which is produced in large quantities as a by-product in the manufacture of sugar and convert

this commodity into a valuable plastic industry in the country to produce various types of industrial and consumer goods. While the manufacture of polythene granules is a large-scale process, the conversion of the granules into industrial and commercial goods is a small scale industry spread throughout the country. This industry will be stimulated by the free availability of polythene as a result of its manufacture inside the country.

SHIVRAJPUR SYNDICATE

THE slump in the manganese market has affected the Shivrampur Syndicate of the Killick group adversely. During the year ended November 30, 1958, its sales declined from Rs 1.53 crores to Rs 1.34 crores, and the gross profit margin on them went down from 17.7 per cent to 15.2 per cent. Profits would have declined even more but for the fulfilment of forward contracts entered into in previous years (perhaps with the State Trading Corporation?). Shipments and sales during the year totalled 91,000 tons against 114,000 in the previous year. Against the export quota of 59,000 tons allowed for the period, July 1958 to June 1959, barely 9,000 tons had been shipped by the end of the accounting year; but contracts for a further 43,000 tons have since been concluded with foreign buyers.

Higher tax liability and writing off of development expenses have reduced the net earning per ordinary share of Rs 10 from Rs 16.19 to Rs 8.46. Distribution has been maintained at Rs 8. Dividend equalisation reserve has received Rs 3 lakhs against Rs 2 lakhs, while the mine development reserve has been drained of Rs 2.73 lakhs against the transfer of Rs 3.30 lakhs into that account last year. The setting aside of development rebate has, nevertheless, raised shareholders' reserves from Rs 62 lakhs to Rs 65 lakhs against the share capital of Rs 7 lakhs.

Net block has expanded from Rs 50 lakhs to Rs 59 lakhs. Considerable expansion of the mines is being undertaken. For this purpose, the share capital has been enlarged half, and a credit limit of Rs 15 lakhs has been secured from bankers.

At the current price of Rs 98, Shivrampur yields a little less than 8 per cent free of income tax.

Engineering Industries in India Their Capacity Utilisation

Kuldip S Gulati

THE statistics of capacity and output of various industries recently published by the Ministry of Commerce and Industry in its annual report for 1958-59 throw light on the extent to which productive capacity is being utilised in Indian industry and also on the allocation of scarce capital resources of the country. In the following paragraphs it is intended to take up the statistics relating to Engineering industries and examine them in terms of under-utilisation or over-utilisation of capacity.* Such utilisation has been measured by calculating the ratio between the output and the capacity of an industry in a particular year. The period under investigation is from 1956 to 1958 (i.e., the first three years of the Second Plan), with 1955 as the base year. Industries for which the 1955 data are not available have not been considered here. This has meant exclusion from our purview of about 41 per cent of the industries for which the statistics have recently been published. After measuring the extent of capital-utilisation in the base year, the changes that have taken place in capacity and output between 1955 and 1958 have been calculated. This enables us to say whether the policy regarding the raising or the lowering of the capacity of an industry has been in the right direction. Such an analysis is best conducted by classifying industries into types of under- or over-utilisation of capacity.

I

Under-utilisation

It will be seen that changes in capacity have often taken place without reference to corresponding changes in output. There is, in other words, a noticeable tendency to take decisions regarding changes in capacity independently of estimates regarding demand and out-

* I have to thank my colleagues in the University of Baroda, Shri I S Gulati and Shri R F Kothari of the Economics Department, for useful suggestions. The responsibility for the views expressed is, however, my own.

put. The majority of the industries being cases of under-utilisation, it would seem that demand for capital in established industries has had a momentum of its own, and is not necessarily a derived demand. This is best illustrated by industries in which output has actually fallen but capacity has nevertheless gone up continuously.

Beginning with the position in 1955, the Engineering industries in which capacity was under-utilised can be classified conveniently into:

Industries in which the 1955 position has been accentuated;

Industries in which the 1955 position has been modified; and

Industries in which the 1955 position has been reversed.

1955 POSITION ACCENTUATED

In this group of industries under-utilisation was further accentuated as the ratio between capacity and output declined between 1955 and 1958. This decline was a result of either of the following causes.

Increase without Justification

The industries grouped in Table 1 show that there was no need to raise their capacity, which was under-utilised in 1955. In some of these industries, in fact, output fell between 1955 and 1958. For example, in the case of Expanded Metals production fell by 26 per cent—clearly a case where capacity should, if anything, have been lowered. Instead, it was increased by 147 per cent, and the utilisation ratio of the industry which was already working below capacity, i.e., at 79 per cent, fell to 24 per cent, leaving three-fourths of the industry's capacity idle. A similar situation has arisen in Building and Hardware Fittings, Wire Products, Gauze and Belting—both hair and cotton—industries.

Even in industries where output has gone up between 1955 and 1958, the increase could have been attained with existing unutilised capacity. This would have raised the utilisation ratio. However, as their capacity was allowed to expand the ratio of utilisation fell. The idle capacity of the industry was further increased. Thus in Automot-

biles the utilisation ratio in 1955 was about 60 per cent. Production went up by only 12 per cent between 1955 and 1958. Indeed, it can be argued that this was a case where capacity should have been lowered if it were technically feasible. Instead, it was raised by 28 per cent and the utilisation ratio fell from 60 in 1955 to 52 per cent in 1958. Half of the industry's capacity is thus lying idle. A similar policy has led to a lowering of utilisation ratio in Grinding Wheels, Cylinder Liners, Electric Lamps and Steel Structural.

More than Proportionate Increase

In the industries grouped in Table 2 the increase in output justified raising of capacity. The magnitude of the increase in capacity, however, has been such that utilisation has not improved. Thus the Zip Fasteners industry was working at 28 per cent of its capacity in 1955. The output thereafter went up by 816 per cent. With its original capacity the industry would have been working at the utilisation ratio of 257 per cent. However, by raising the capacity by even more than the increase in output, i.e., by 867 per cent, the industry failed to improve utilisation of its capital. The utilisation ratio fell from 28 to 26 per cent. Thus, about three-fourths of the industry's capacity has remained unutilised throughout the period.

In the other three industries in this group, Rolling Stock, Piston Rings and Rubber-insulated Cables, capacity was being almost fully utilised in 1955. During the next four years, however, a more than proportionate increase in capacity led to a fall in the utilisation ratio. In the case of Rubber-insulated Cables, it fell by as much as 40 per cent. From almost full utilisation in 1955 the industry was by 1958 leaving more than a third of its capacity idle.

Capacity Constant, Output Falling

In certain industries other than Engineering, output has been actually falling but capacity has remained constant. Such instances occur in Chemical and Metallurgical industries. Their utilisation

ratio has fallen with the decline in output. There are, however, no cases under this category in the Engineering industries.

1955 POSITION MODIFIED

This group deals with industries in which capacity was under-utilised both in 1955 and in 1958 but the extent of under-utilisation was modified. This modification in utilisation ratio can be classified into four categories according to the nature of change in capacity.

Unnecessary Increase

In the industries grouped in Table 3, output has gone up during the period under consideration, but there was no need to increase the capacity as the existing capacity could not only have accommodated the rise in production but even left some margin for further rise in subsequent years. Although this increase in capacity was more than offset by the rise in production and the extent of utilisation improved, under-utilisation of capacity continued. Thus in Steel Furniture there was a small increase in production, that is, by 4.6 per cent. There was no need to raise the capacity, 65 per cent of which was already under-utilised. In fact capacity could have been cut by 47 per cent in order to utilise the productive capacity of the industry at the 1958 level of output. Instead, it was raised by 3.3 per cent—a very small rise, no doubt. The result was that utilisation improved by only 0.8 per cent.

On the other hand, there has been a substantial increase in production in the case of Duplicators but even this increase could have been accommodated by utilising only 61 per cent of the existing capacity. However, the capacity has been allowed to expand though by a comparatively small percentage of 8. Utilisation ratio improved from 33.4 to 56.3 per cent and the capacity left idle fell from two-thirds to less than half. In the case of Incandescent Lamps again, there was a substantial increase in output but this time there was also a substantial rise in capacity. This industry which was working at 63 per cent of its capacity in 1955 could improve its position by only 2 per cent. If the capacity was not raised, all but 6 per cent of the original capacity could have been utilised. Of equal interest is the case of Domestic Refrigerators. The industry was working at 14 per cent

of its capacity in 1955. In spite of phenomenal increase in output of about 300 per cent, the utilisation ratio would have reached 56 per cent. But as the capacity was more than doubled utilisation improved by only 12 per cent. The

case of Stoves is very similar to that of Refrigerators.

More than Necessary Increase

In the industries given in Table 4, like those given in Table 2, some increase in capacity was justified

Table 1

Industry	% change in		% Output-Capacity	
	% increase in Capacity	Output	ratio	
	(Base 1955)	(Base 1955)	1955	1958
Expanded Metals	146.9	— 25.8	79.3	23.9
Building and Hardware Fittings	52.4	— 8.6	83.3	50.0
Wire Products—Gauze	21.6	— 40.5	64.2	31.4
Belting—Hair and Cotton	7.6	— 9.9	31.0	57.8
Automobiles	27.7	+ 11.7	59.2	51.8
Grinding Wheels	97.6	+ 74.2	54.5	48.0
Cylinder Liners	30.0	+ 18.2	54.3	49.4
Electric Lamps	48.3	+ 13.5	81.1	68.1
Crown Cork	29.5	+ 23.4	77.9	74.2
Steel Structural	17.5	+ 11.1	71.4	67.5

Table 2

Industry	Percentage Increase in:		% Output-Capacity	
	Capacity	Output	ratio	
	(Base 1955)	(Base 1955)	1955	1958
Zip Fasteners	867.4	816.1	28.1	26.6
Piston Rings	63.7	45.6	94.0	89.8
Cables and Wires—Rubber Insulated				
Cables and Flexibles	126.3	39.3	99.2	61.1
Rolling Stock	37.7	22.2	92.5	82.1

Table 3

Industry	Percentage Increase in:		% Output-Capacity	
	Capacity	Output	ratio	
	(Base 1955)	(Base 1955)	1955	1958
Steel Furniture	3.3	4.6	65.0	65.8
Duplicators	8.0	25.3	33.4	56.3
Incandescent Lamps	44.9	49.7	62.8	64.9
Sheep Foot Rollers	100.0	444.4	7.5	20.4
Domestic Refrigerators	111.1	284.6	14.4	26.3
Coated Abrasives	26.7	31.5	52.5	54.5
Stoves	63.4	94.0	47.2	56.1
Motor Cycles	36.0	459.7	8.4	34.5
Pistons	25.6	45.6	44.0	51.0

Table 4

Industry	Percentage Increase in:		% Output-Capacity	
	Capacity	Output	ratio	
	(Base 1955)	(Base 1955)	1955	1958
Shaftings	144.2	422.0	26.6	56.3
Umbrella Ribs	39.8	157.8	40.9	75.5
Clocks	106.5	124.1	51.1	55.4
Milling Cutters	106.9	365.5	42.0	94.5
Machine Tools	183.1	402.7	52.4	93.1
Wire Products—Netting	61.4	106.0	60.5	77.3
Radio Receivers	74.2	140.3	58.8	81.1
Water Meters	250	166.7	100.0	76.2
Air Conditioners	230	509.4	32.8	60.6
Bolts, Nuts, Rivets & Dog Spikes	13.5	53.8	66.2	89.7

by the increase in output. However, the actual rise in capacity has been such that the rate of utilisation, though it increased, remains less than full. The reason is a more than necessary rise in capacity. Thus in case of Shaftings although the capacity utilised in 1955 was 27 per cent, the large increase in output by 422 per cent necessitated expansion of capacity. The increase in capacity that actually took place, however, was more than necessary. As a result the industry has not been able to utilise its capacity to the full. The utilisation ratio rose to 56.9 per cent as the percentage increase in output was about three times the percentage increase in capacity. A very similar, though slightly better case is that of Umbrella Ribs. The percentage increase in output was about four times that of capacity and utilisation ratio improved from nearly 41 to 75.5 per cent. In the case of Clocks utilisation ratio improved only slightly from 51 to 55.4 per cent in spite of a 124 per cent increase in output which was nearly offset by capacity expansion of 107 per cent.

A welcome trend in utilisation ratio is noticeable in Milling Cutters and Machine Tools where it has been brought to very near 100 per cent. This has been made possible by a much larger percentage increase in output (365 and 402) as compared to the percentage rise in capacity (107 and 183 respectively). The utilisation ratios of the two industries have been brought up from 42 and 52 per cent respectively to very near 100 per cent. If the present rate of expansion in output and capacity continues these industries would soon be overburdened in respect of utilisation of their capacities.

Capacity Constant, Output Rising

In yet another set of industries, shown in Table 5, the utilisation ratio has improved, though not to the full extent. In this group while output rose capacity remained constant. Thus in the case of Typewriters in spite of increase in output by 261 per cent the industry could bring up the utilisation ratio to only 50 per cent. However, unutilised capacity at the beginning of the period was as high as 86 per cent. Even now one can say that the existing capacity is under-utilised and additional capacity should not be put up to meet

Table 5

Industry	Percentage Change in:		% Output-Capacity	
	Capacity	Output	ratio	
	(Base 1955)	(Base 1955)	1955	1958
Typewriters	0	+260.8	13.9	50.3
Wire Products—Chain Link Fencing	0	+ 53.9	17.0	26.2
Gramophones	0	+126.4	25.2	57.5
Geometry Boxes	0	+ 41.5	43.1	61.0
Gudgeon Pins	0	+ 22.1	44.4	54.3
Dry Cells	0	+ 3.1	71.7	73.9
Threading (Taps, Dies, etc)	0	+ 66.0	17.9	29.7

Table 6

Industry	Percentage Change in:		% Output-Capacity	
	Capacity	Output	ratio	
	(Base 1955)	(Base 1955)	1955	1958
Steel Files	—25.6	+43.1	9.7	69.1
Agricultural Implements	—26.5	— 6.5	51.9	66.0
Cables and Wires—				
Bare Copper Conductors	—36.0	— 2.4	30.2	46.1

Table 7

Industry	Percentage Increase in:		% Output-Capacity	
	Capacity	Output	ratio	
	(Base 1955)	(Base 1955)	1955	1958
Power Driven Pumps	5.0	120.6	52.5	110.3
Diesel Engines	12.7	127.5	51.8	104.5
Cables and Wires—				
Aluminium Conductors	28.8	75.0	76.9	104.5
Storage Batteries	9.1	46.0	81.1	108.5
Conduit Pipes	44.2	55.8	76.9	114.7
Fluorescent Lamps	25.0	40.1	90.1	101.0

Table 8

Industry	Percentage Change in:		% Output-Capacity	
	Capacity	Output	ratio	
	(Base 1955)	(Base 1955)	1955	1958
Sparking Plugs	0	+26.9	88.7	112.5

Table 9

Industry	Percentage increase in:		% Output-Capacity	
	Capacity	Output	ratio	
	(Base 1955)	(Base 1955)	1955	1958
Sewing Machines	95.6	108.0	244.3	259.7
Machine Screws	179.5	196.2	144.2	152.8
Belting—Rubber Ply				
Transmissions & Conveyors	26.0	81.8	150.4	217.1
Electric Motors	69.6	150.1	126.0	185.8
Bicycles	92.0	103.6	101.9	108.1

Table 10

Industry	Percentage Change in:		% Output-Capacity	
	Capacity	Output	ratio	
	(Base 1955)	(Base 1955)	1955	1958
Ball Bearings	0	+197.7	143.3	400.0
Electric Steel Sheets	0	+ 86.4	131.4	244.4
Fuel Injections equipment-pumps	0	+198.3	118.0	352.0
*F I E Nozzle Holders	0	+324.1	145.0	615.0
*Fuel injection equipment				

some further increase in demand. Almost similar cases are those of Chain Link Fencing and Geometry Boxes. In contrast with these, the increase in output of Dry Cells is only 3 per cent and consequently the utilisation has improved by merely 2 per cent (from 72 to 74 per cent). With the existence of so much unutilised capacity, at the present rate of progress full utilisation could be reached only after more than fifty years!

Fall in Capacity

A fourth set of industries is shown in Table 6. In these industries capacity has actually declined. This has also meant a decline in under-utilised capacity. However, the fall in capacity did not bring the utilisation ratio to 100 per cent. In the case of Steel Files, two different forces helped to raise utilisation—rise in production and fall in capacity. In 1955 hardly 10 per cent of the capacity was utilised. In the three subsequent years output rose by 43 per cent. This alone would have raised utilisation to 51 per cent. But simultaneously capacity fell by 25.6 per cent. This raised capacity utilised to as much as 69 per cent. It can be argued in this case that the cut in capacity should have been still more. In case of Agricultural Implements, however, these two forces of output and capacity acted in opposite directions. Capacity fell by 26.5 per cent and production by 6.5 per cent. Utilisation could of course have been improved much more by a larger cut in capacity. The case of Bare Copper Conductors is very similar to that of Agricultural Implements.

1955 POSITION REVERSED

The third broad group deals with industries whose capacity was under-utilised in 1955 but in the course of the next three years the position changed so much that capacity is somewhat strained and is in need of expansion. More than one reason has contributed to this development.

Insufficient Increase

In the case of industries shown in Table 7, output rose so much that capacity, though under-utilised in 1955, had to be increased to accommodate the rise in production. In fact the rise in capacity did not keep pace with the rise in output, with the result that from being under-utilised in 1955, these industries are now over-utilised. In the

case of Power Driven Pumps, the industry raised its utilisation ratio from 52 in 1955 to 110 per cent in 1958. This was because whereas output increased by as much as 120 per cent capacity expanded by only 5 per cent. A similar situation is to be found in Diesel Engines (stationary), Aluminium Conductors and Storage Batteries.

In the case of Conduit Pipes and Fluorescent Lamps there was a substantial rise not only in production but also in capacity and yet the capacity was overburdened at the end of 1958. This is simply because although both capacity and output rose substantially the rate of increase was greater in the latter: 56 per cent rise in output against 44 per cent rise in capacity of Conduit Pipes; 40 per cent rise in output against 25 per cent rise in capacity of Fluorescent Lamps. In all cases where the increase in capacity does not keep pace with the increase in output, at some stage such industries are likely to be over-burdened. All such industries therefore call for an increase in capacity.

More than Necessary Decrease

A similar result is seen in case of industries where capacity was lowered. To some extent this was justified as their capacity was under-utilised at first. But here the lowering of capacity went farther, with the result that from being under-utilised the industry has come to over-burden its productive potential. These cases are found in Chemical and Metallurgical industries and not in Engineering industries.

Under to Over-utilisation

In Table 8 is shown the Sparking Plugs industry in which while output was rising, there was no change in capacity. Consequently, there

was the same shift from under-utilisation of capacity to over-utilisation. This case must be distinguished from that of industries shown in Table 5. In both capacity remained constant, in both output has gone up but whereas in the latter it was merely an improvement in the position of under-utilisation of capacity, in sparking plugs it is a movement from under-utilisation to over-utilisation. Another peculiarity is that although the capacity is overburdened at present, it is difficult to suggest that it should be increased. A closer look at the performance of this industry in the last four years shows that although output has increased substantially in 1958, the rise was preceded by a considerable fall in 1956 and 1957.

II

Over-utilisation

There are only a few industries in which capacity was over-utilised in 1955. Taking that year as the starting point, these industries can be classified in three main categories, almost parallel to the classification employed for 'under-utilisation'.

1955 POSITION ACCENTUATED

In this group over-utilisation of capacity kept on increasing even after 1955. In the main, this was a consequence of either of the following causes.

Less than Necessary Increase

In these industries (Table 9) both output and capacity rose but the rise in capacity fell short of requirement. Once again there are two forces working in opposite directions. In the case of Sewing Machines, the capacity was utilised to the extent of 244 per cent in 1955. During the next four years capacity expanded by 96 per cent. By itself, this would not have pushed the utilisation ratio to below 100 per cent; at best it

would have brought it down to 125 per cent. When a 108 per cent increase in output was added to this, the result was that utilisation was carried further to 260 per cent. A similar situation is found to exist in Machine Screws, Rubber Ply Transmission and Electric Motors.

In Bicycle Industry, however, the change in capacity itself would have enabled the industry to bring down the utilisation ratio below 100 per cent. But the opposite force in the shape of increase in output was so strong that it not only counteracted this trend but in fact carried the over-utilisation position still further (from 102 to 108 per cent). In all industries in Table 9, therefore, although there was need for capacity expansion all these years, the addition can be said to have fallen short of need.

Capacity Constant, Output Rising

In these industries there was a rise in output without any accompanying rise in capacity. In spite of the fact that capacity was over-burdened in 1955, it remained constant at that level. Consequently, over-utilisation was further accentuated.

These industries which are given in Table 10 call for an immediate increase in capacity.

1955 POSITION MODIFIED

In these industries, given in Table 11, during the three years 1956-58 both output and capacity have gone up. But though the percentage increase in capacity has been more than in output, over-utilisation of capacity continued. For the capacity did not increase substantially enough to do away with over-utilisation, though it was certainly less than in 1955.

1955 POSITION REVERSED

There was expansion of both output and capacity, the latter much more than the former, of diesel Engines (vehicular). The capacity of the industry from being over-utilised in 1955 was under-utilised in 1958. (Table 12). There was of course need to raise capacity as the industry was over-burdened in 1955.

The rise in capacity, however, has been as much as 100 per cent whereas the rise in production during this period was only 7.7 per cent, with the result that from over-utilisation of capacity by as much as 30 per cent in 1955, in 1958 30 per cent of its capacity remained unutilised.

III

Conclusion

Only in 13 out of the 63 industries reviewed, there was over-utilisation of capacity in 1955 as well as in 1958. In another 7 industries, although capacity was under-utilised in 1955 the position was reversed in 1958 and capacity was being over-utilised. In the remaining 43 industries there was under-utilisation of capacity.

Now, the words 'under-utilisation' and 'over-utilisation' are used by us in an amoral context. We do not say that over-utilisation of capacity is good, or that it is bad. Nor do we mean any such thing when referring to under-utilisation. Under-utilisation in some cases may be necessary and even good. Over-utilisation of capacity may have nothing bad about it. The fact remains however that where an industry is unable to utilise its capacity, and output does not increase sufficiently (either for want of demand or for want of the essential inputs), it is somewhat inexplicable that capacity should have been allowed to expand in these times of shortage of capital. And such industries number 35, i.e., 56 per cent of the industries reviewed here.

NATIONAL PIPES AND TUBES

ONE of the few companies engaged in the manufacture of non-ferrous products, National Pipes & Tubes, has recorded another satisfactory year of operations, though these are not reflected either in the net block or the sales turnover. Owing to difficulties in securing raw material and a strike of over two months in the works, sales declined to Rs 82.40 lakhs during the year ended September 30, 1958, from Rs 90.93 lakhs in the previous year. Profit before tax as a percentage of sales, however, rose from 14.6 to 18.1. Net earning per ordinary share of Rs 10 declined from Rs 3.18 to Rs 1.92, partly owing to higher tax liability but largely because of the doubling of the equity capital since the closing of last year's accounts. Distribution has been cut down from Rs 2 to Rs 1.25, which yields 7 per cent free of income tax at the current market price of Rs 17.50. The company's shares were only recently listed at the Calcutta Stock Exchange.

Net block has declined slightly from Rs 24.20 lakhs to Rs 23.63

lakhs, though gross block expanded by Rs 1 lakh. As against this stagnation, a notable improvement has occurred in the financial position through extinction of the debenture and bank loan liabilities of Rs 10 lakhs. The proceeds of the new equity issue have obviously been utilised for this purpose.

The company has been able to secure import licences for processing plants, one of which has already arrived and is under installation, while the other is expected to arrive by July next.

KOTHARI MILLS

THE two Kothari cotton mills, Kothari Textiles and Adoni Spinning & Weaving, have both expanded their fixed assets at an impressive pace, but their profits have been disappointing during 1958, in common with the rest of the industry. Kothari Textiles, the latest report of which relates to the eighteen months ended December 31, 1958 (though its trading account insists on referring to the period as a year), enlarged its net block from Rs 68 lakhs to Rs 100 lakhs, while Adoni's went up from Rs 36 lakhs to Rs 65 lakhs. The former sold yarn, cloth, and waste worth Rs 159 lakhs during the period against Rs 81 lakhs in the previous 12 months; the latter's turnover was Rs 44 lakhs against Rs 35 lakhs in the previous year.

Though neither company has been able to pay a dividend on its ordinary shares, and the preference dividends of both are in arrears, they have together taken up 5,000 shares of Rs 100 each in the recently floated South India Viscose.

Materials Substitution Project

AT the request of the Government of India, the United Nations Technical Assistance Administration has assigned Dr Albert Greville White as Team Leader for the Government's Materials Substitution Project. Dr White will make a preliminary review and advise the Ministry of Commerce and Industry on plans for:

(a) the development of indigenous substitutes for imported industrial raw materials in selected manufacturing industries; and

(b) optimum utilisation of existing production facilities in selected manufacturing fields with a view to achieving savings in material consumption.

Table 11
Percentage Increase in : % Output-Capacity ratio

Industry	Capacity (Base 1955)	Output (Base 1955)	1955	1958
Wood Screws	28.3	20.1	146.8	137.4
Power Transformers	125.6	103.6	136.4	123.1
House Service Meters	67.8	35.7	128.3	103.7

Table 12
Percentage Increase in : % Output-Capacity ratio

Industry	Capacity (Base 1955)	Output (Base 1955)	1955	1958
Diesel Engines (Road)	100.0	7.7	130.0	70.0

Around Bombay Markets

Dalal Street Forges Ahead

Thursday, Morning

DALAL STREET last week took a big leap forward, striking a new peak in the current bull phase which represents a substantial improvement over the 1958 high. Gains were widespread and large and in some cases they were really spectacular. It was certainly not a case of nervous short covering because there was nothing much in the news to upset the bears. Bulls were in the field again. The volume of business was heavy, and it looked as if the heavy margins in commodity futures had turned the attention of the speculators there to the stock exchange. Apparently the market had resumed its uptrend after small minor technical adjustments.

Tata Steel, which had long been out of favour due to all sorts of misgivings based on the prospective capital issue, shot into the limelight and appeared to have recaptured their pride of place. April output at 93,300 tons of saleable steel was 7,400 tons less than in March, but the market seemed happy because reports about the prospective capital issue were deemed favourable. Shareholders' representatives will informally discuss the issue with the management on May 7. Their discussions should help clear the air of uncertainty.

But informed sources say that the company proposes to raise about Rs 8 crores, divided almost equally between Ordinary and $7\frac{1}{2}$ per cent Second Preference shares. The issue will be at par in the ratio of one Ordinary share for every five Ordinary shares held, one Second Preference share for every two Second Preference shares already held. The new shares will be issued at par, and to facilitate payment, the new issue will be so timed as to enable shareholders to avail themselves of the dividend for the year to March 1959. Market reports are that the Industrial Credit and Investment Corporation has expressed its willingness to take up about half the Preference issue should the company so desire.

All this is good news, and the new issue made on these terms is unlikely to cause any strain on the market. Little wonder therefore that Tata Steel should have risen

to Rs 190.75 in kerb dealing on May 8. If allowance is made for the Right and bonus issues made in recent years, the current rate is higher than the August 1956 high which is not very much lower than the all-time high touched in the famous 1946 boom when Tata Steel Deferred rose to Rs 3,640.

With the entire market surging forward to a new high last week, it is scarcely necessary to make any special comment on the performance of individual issues in different sections. A word about the response to the Colour-Chem issue, however, would not be out of place. Applications are said to have totalled 75,000 for about Rs 5.9 crores which is nearly 17 times the capital offered and a record in the history of applications for share issue. This fantastic subscription to a Rs 35 lakh issue is in no small measure due to the assurance from the company that the cheques would be cashed only in the event of an allotment. People simply applied. It cost them nothing.

World Boom

The stock market is in really good temper, and the upward trend is so firmly established that it can be expected to continue for quite a long while. This is not to preclude occasional technical reactions which are essential to sustain the vitality of the market. The Reserve Bank's All-India index for variable dividend industrial securities, which saw a low of 120.3 in 1958 and rose to 144.7 by September, reached to 136.1 in January and is now placed around 150. The corresponding figures for the Bombay, Calcutta and Madras indexes are: Bombay: 120.8, 149.5, 137.8, 151.5; Calcutta: 115.9, 140.6, 134, 147; Madras: 140.3, 156.3, 149.5, 163.1.

Several influences are at work on the stock market. Industrial activity is picking up. The index of industrial production had been seriously deflated in 1958 by the misfortunes of the textile industry which is now getting into shape. Stocks of cloth with mills have declined fast and cement is said to have become a little difficult to obtain. Money incomes are rising, and so is the volume of investible

funds. Floating stocks of shares of several companies have been getting scarcer on account of the steady growth in the investment portfolio of the Life Insurance Corporation. Besides, the overall market psychology is an inflationary one.

The performance of the Indian stock market, although promising, makes a poor show, when compared with the achievements of Wall Street and the London Stock Exchange. The Dow Jones Industrial average, which made a low of 436.89 in April 1958 and rose to 583.65 by the year-end, has pushed its way further up to 629.87. In London the Financial Times Index for Ordinary shares has advanced from the 1958 low of 154.4 (February) to 228.8. Both Wall Street and London Stock Exchange are travelling in space.

Oilseeds

U S Buys Castor Oil

LAST week castor futures stole the lead from groundnuts and shot into the limelight. Not because they rose above the margin line of Rs 165 per candy but that they crossed the 1958 high of Rs 170.50. And not without cause. The market's optimism about the revival of U S demand for castor oil had at long last been realised. Business for 5,000 to 6,000 tons was reported to have been put through over the week, and prospects for further business were rated high.

These sales were said to have been effected at progressively rising prices, varying between 13.125 and 14 cents a pound, Commercial. Great significance was attached to reports of keen buying, both in oil and futures, by a prominent firm which is one of the biggest export houses in Brazil, the world's largest producer of castor seeds. This naturally led market men to think that Brazil's April-May castor crop (normally about 30,000 to 40,000 tons of seed) had perhaps been a failure.

The fact is that Brazil has hardly any castor oil left for sale from the previous crop, and its new major crop will move into market only in August-September. Till then India remains the only important source

of supply in the world. American consumption is running at a record high level and stocks in U S have fallen to a rather low level. This explains the revival of American demand after a long time. It is interesting to note that while the U S took hardly any oil last year, it took about 22,000 tons in 1957 and paid up to 22 cents per pound for Commercial. Castor futures then were bidden up to Rs 200.25 per candy.

Last week's improvement was not confined to futures alone. Castor and castor oil prices in the spot section also recorded impressive gains, and with seeds in keen demand, tenders for only 100 candies have been issued against the May contract so far. Unlike groundnuts, the rise in castor should cause little anxiety. Not that it is standing much below groundnuts but that it is essentially an exportable item. Higher prices realised from abroad mean foreign exchange earnings.

Groundnuts, which had always been firm because of the poor marketable supplies, scaled a new peak last week which is higher than the 1958 best of Rs 204. The August contract was bidden up to Rs 206 on May 6. Tenders issued against the May contract totalled 1,000 candies. Sentiment in groundnuts was sustained merely by local influences. Overseas advices were generally subdued. Export houses did not report any fresh business in groundnut oil, and U K quotation was mentioned at around £119 per ton. Oilcakes too were out of favour. Against the previous week's quotation of £30-5 per ton for extractions 50 per cent O and A the U K was said to have reduced the rate to around £29-10, May position. Even distant deliveries did not attract much inquiry.

Linseeds held firm mainly in sympathy with ground nuts and castor. Business was limited. Australia was said to have taken about 460 tons of linseed oil at around £111 per ton. Business with U K and the Continent continues to be out of parity despite the recent firmness in prices there. Linseed cake continued to attract attention but export business was not large and the price realised was reported around £33-5. Cottonseeds continued firm, reflecting the tight supply position and the firm bull grip in upcountry markets. Business was

limited owing to the margin. No tender has been issued against cottonseeds May while 150 tons have been tendered in linseeds.

Following figures show the opening, lowest, highest and closing rates for the week to May 6: castor September (per candy) Rs 163.87, 163.12, 171.25; groundnut Aug. (per candy) Rs 199, 198.50, 206, 204.50; cottonseed September (per candy) Rs 136, 134, 138.25, 137.75; linseed September (per cwt.) Rs 33.44, 33.37, 34.56, 34.37.

Shipments from Bombay for the first four months of the year, with the previous year's corresponding figures in brackets, are:

Groundnut expellers 20,816 tons (8,479), extractions 44,044 (15,155), H P S 5,087 (nil), groundnut oil 1,096 (125), castor oil 2,758 (4,797), linseed oil 1,090 (4,790), linseed cake 3,928 (1,778), cottonseed cake 9,478 (1,605), cottonseed oil nil (1,571), niger cake 397 (206), kardi cake 100 (nil), sesame oil 134 (nil), kardi oil nil (452), niger oil nil (47), rape and mustard oil 111 (11 tons).

Cotton

Firm But Irregular

COTTON futures last week made further headway but only to attract heavy profit-realising. Not that bulls had any doubts about the tight supply position but they preferred to go slow. A quick jump might have attracted the attention of the Forward Markets Commission, and who can afford to displease this all-powerful body? But the Commerce and Industry Minister too had advised caution to speculators. True, oilseeds flared up. But consumers of raw cotton are more vocal than those of oilseeds. That explains the not-infrequent intervention by the Commission in the cotton futures market even when prices have been very much below the ceiling.

After moving irregularly up from Rs 700.75 to Rs 706 Jarilla August drifted lower to Rs 700.50, and after rallying to Rs 705.25 the same day, it eased again to around Rs 701.50. The maturing May contract was done up to Rs 698, reacted to Rs 690, rallied to 696 but declined again to Rs 690, and Wednesday's closing rate of Rs 690.75 showed a loss of Rs 5 per candy over the week. Tenders issued against May totalled 950 bales comprising 750 bales of Laxmi A and 200 bales of Cambo-

dia. In survey some of the Cambo-dias were rejected and Laxmi did not realise a very good price.

With the textile news continuing to be good and cotton consumption encouraging, there is little scope for any material decline in cotton futures. The only question is how the uptrend will progress. That is always difficult to predict. Since most varieties are now available only above the ceiling, mills have ceased to be very keen buyers in the spot market. They are now buying only on a hand-to-mouth basis.

Mill consumption of Indian cotton in March at 3,80,569 bales is 4,464 bales more than in February and 26,281 bales more than in March 1958. This raises the total for the seven months of the season to 27,30,376 bales against the previous season's corresponding figure of 26,50,949 bales. With the crop down and consumption better, the carry-over at the end of the season should show a considerable decline. The March figure for foreign cotton is 33,867 bales compared with 31,580 bales in the preceding month and 47,643 bales in March last year. This takes the total for seven months to 2,58,619 bales against 3,40,929 bales in the corresponding period last season. The fall in consumption of foreign cottons is due merely to reduced supplies because of the import cut necessitated by foreign exchange considerations.

Export business continues to be disappointing. Sales registered against the $2\frac{1}{2}$ lakh bale quota up to April 29 are placed at 54,136 bales, and the quantity passed for shipment is only 13,332 bales. High domestic prices have made exports difficult, and the present demand and supply position does not hold out much chance of a setback in internal prices.

Several complaints have been heard recently against the Customs authorities for detaining shipments of cotton on the slightest pretext. It is said that cargo loaded from an upcountry port was made to be unloaded in Bombay merely because of an anonymous complaint made perhaps by a competitor. By far the most serious charge against the Customs authorities is their detention of goods on the ground that they did not approve of the quality as certified by the Textile Commissioner's Ad Hoc Committee! This is indeed serious. The matter is well worth investigating.

CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores	Latest Week†	Month Ago	Year Ago
1. Note circulation	1751.11	1751.46	1744.31	1619.69
2. Rupee Coin	132.06	132.80	132.71	127.57
3. Deposits				
Central				
Government's	53.28	53.63	60.61	55.27
Other				
Governments'	22.44	32.97	11.34	7.24
Banks'	83.70	91.60	73.08	81.06
Others'	118.06	117.94	118.93	116.32
4. Foreign Securities	178.01	178.01	178.01	218.07
5. Balances held abroad	25.21	30.63	36.32	68.84
6. Rupee Securities	1350.81	1351.04	1331.25	1166.23
7. Investments	264.98	275.51	231.46	218.11
8. Loans and advances to Governments	39.39	43.94	31.26	37.63
9. Other loans and advances	75.97	73.44	97.86	73.92
Scheduled Banks				
1. Demand liabilities (net)	754.57	753.63	723.26	757.31
2. Time Liabilities (net)	938.23	929.86	913.32	754.30
3. Cash	132.90	117.92	107.20	132.78
4. Borrowings from Reserve Bank of which against Usance Bills	27.20	33.09	61.86	19.35
	9.57	9.64	13.48	17.72
5. Advances & Bills (Inland & foreign) discounted of which State Bank's	1030.53	1023.44	1012.96	956.61
	233.22	208.01	208.09	206.40
6. Invst. in Govt. Sec. of which State Bank's	615.62	614.12	613.45	444.55
	293.37	291.89	285.44	190.79
Cheque Clearance	131.39	173.46	133.32	125.40

For Reserve Bank week ended 1-5-59. Scheduled Banks and Cheque Clearance week ended 24-4-59.

Bombay Money Rates				
	24-4-59	17-4-59	27-3-59	25-4-59
Call Money				
From banks	3½-3¾	3½-3¾	3½	3-4¼
From public	2½-3½	2½-3½	3-3¾	—
Three Months	3-4	3-4	3-4	3-4½
Six Months	2-4	2-4	2-4	2-4½
Bombay Bullion				
	6-5-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	121.44	123.90	121.12	113.25
Forward	123.50	122.53	120.23	110.37
Silver (per 100 tolas)				
Spot	201.19	201.56	200.12	196.06
Forward	198.44	199.31	200.12	193.31

COTTON STATISTICS

(1958-59)

MILL CONSUMPTION

(in '000 bales of 392 lbs each)

Description:	Feb	Jan	Dec	Sept to Fe
Indian	376.1	413.2	419.8	2349.8
Foreign	31.6	34.4	39.3	224.8
of which American*	4.0	4.9	5.4	46.4
Egyptian	7.1	7.6	8.7	44.5
E. African	14.6	15.0	17.0	88.2
Sudan†	5.8	6.8	7.9	44.4
Total	31.5	34.3	39.0	223.5
Consumption in corresponding periods a year ago:				
Indian	350.5	392.0	391.5	2296.7
Foreign	43.9	48.8	57.6	293.3
Total	394.4	440.8	443.1	2590.0

* Includes United States and Mexican Cotton.
† Includes both Sudan Egyptian and Sudan American.

MILL STOCKS

(in '000 bales of 400 lbs each)

	Feb	Jan	Dec	Nov	Oct
Indian:					
1958-59	1005.6	850.2	772.1	752.8	861.3
1957-58	1195.3	1020.0	825.4	750.7	779.0
Foreign:					
1958-59	67.6	69.4	87.8	93.0	101.5
1957-58	162.0	169.2	171.7	190.1	205.0

IMPORTS

(in bales of 392 lbs each)

Description	1958-59	1957-58	1956-57	1955-56
Americans	21255	32098	218555	7073
Sudans	29329	45664	31171	67568
Egyptians	25529	23557	27903	162055
East Africans	24857	45096	69054	89685
Pakistani	8	—	—	—
Other varieties	1590	—	3422	6534
Total	162366	196415	345105	332915

EXPORTS †

(in bales of 392 lbs each)

Destination	1958-59	1957-58	1956-57	1955-56
U K	6619	1935	18951	49233
Continent	16737	5305	15876	80163
Hong Kong	33391	3046	22271	38121
China	6886	—	3437	34651
Japan	131247	40714	98302	230933
U S A	1919	3308	1674	3891
Other Countries	2060	691	556	3245
Total	198859	54999	141067	435237

† Excluding Zoda and other yellow pickings.
— = nil.

Source: East India Cotton Association

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

Group and Sub-Group	WEEK		ENDED	
	18-4-59	11-4-59	21-3-59	18-4-58
Food Articles	112.8	114.0	113.9	103.9
Cereals	97.5	100.3	102.3	97.4
Pulses	92.5	99.1	113.9	88.5
Fruits & Veg.	123.7	123.3	119.8	111.9
Milk and Ghee	117.9	115.8	106.0	106.7
Edible Oils	125.0	124.4	124.2	123.5
Fish, Eggs & Meat	105.5	106.8	103.5	102.0
Sugar & Gur	128.8	128.1	128.0	112.3
Others	150.7	150.9	149.2	132.4
Liquor and Tobacco	97.3	97.3	98.9	93.4
Tobacco	95.8	95.8	97.5	91.7
Fuel, Power, Light & Lubricants	115.1	115.1	115.1	115.0
Industrial Raw Materials	116.6	115.7	117.0	115.1
Fibres	108.1	108.3	108.9	113.4
Oilseeds	128.6	126.0	128.8	119.7
Minerals	101.4	101.4	103.6	105.1
Others	111.5	111.1	111.0	110.2
Manufactures	108.2	108.1	108.4	107.8
Intermediate Products	108.6	108.5	109.1	109.1
Finished Products	108.2	108.1	108.2	107.6
Textiles	102.4	102.3	102.4	105.3
Cotton	110.9	110.9	111.0	114.1
Jute	83.7	83.4	83.9	89.5
Woollen	105.2	105.2	105.2	103.7
Silk & Rayon	95.7	95.7	95.7	92.4
Metal Products	143.3	143.3	143.3	143.0
Chemicals	110.5	110.5	110.8	99.1
Oilcakes	140.4	139.3	140.5	117.5
Machinery and Trans Equipment	106.1	106.1	106.1	102.8
Others	113.0	112.3	112.9	112.3
All Commodities	111.8	112.2	112.5	107.2

MILL STOCKS OF CLOTH AND YARN

Cloth (bales of 1,500 yds each) Yarn (bales of 400 lbs each)

End of month:	Sold	Unsold	Total	Unsold
1956: June	nil	132,460	132,460	22,959
Sept	81,822	201,431	283,253	16,282
Dec	225,996	271,098	497,996	26,861
1957: Jan	239,592	274,596	514,188	27,445
Feb	240,145	287,486	527,631	39,214
Mar	243,468	300,238	543,706	45,724
April	242,613	292,154	534,767	48,137
May	203,364	261,308	469,672	53,019
June	209,485	297,277	506,764	51,945
July	220,148	319,062	539,210	62,866
Aug	224,615	338,585	563,200	67,972
Sept	216,049	356,114	572,163	75,667
Oct	214,521	391,005	605,526	85,755
Nov	216,379	395,759	612,138	94,613
Dec	209,186	450,699	659,885	108,455
1958: Jan	210,500	372,500	583,000	89,200
Feb	195,300	362,600	557,900	94,500
Mar	198,600	344,800	543,400	111,800
Apr	181,200	324,100	505,300	109,700
May	196,800	308,000	504,800	112,200
June	223,600	341,000	565,200	105,700
July	243,800	337,100	580,900	86,800
Aug	247,200	329,000	576,200	82,600
Sept	248,300	344,500	592,800	81,900
Oct	237,600	364,200	601,800	88,200
Nov	251,500	328,300	579,800	73,700
Dec	252,800	329,600	582,400	64,100
1959: Jan	246,800	288,500	535,300	63,900
Feb	223,300	271,600	494,900	53,900

Source: Trade Estimates

CLOTH AND YARN PRODUCTION

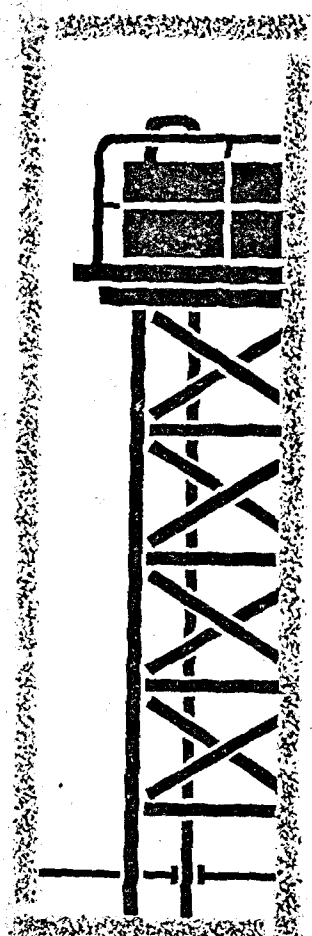
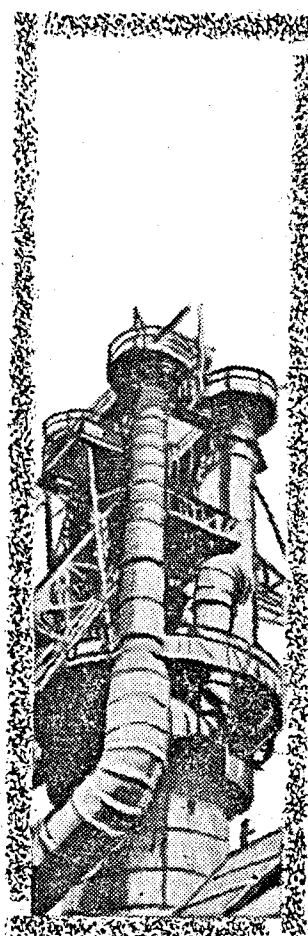
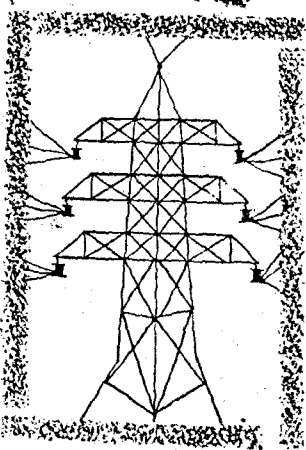
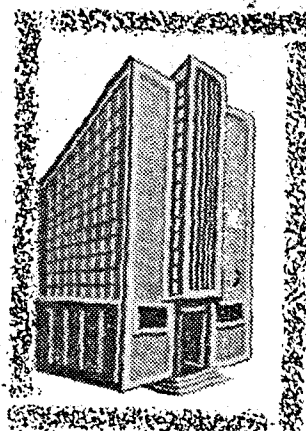
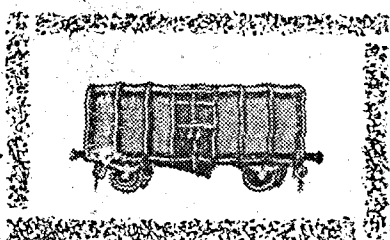
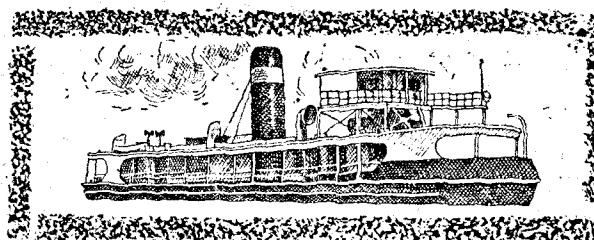
Monthly Average or Calendar Months

Cloth (000 yds)

	Yarn (000 lbs)	Coarse	Medium	Fine	Superfine	Total
1954	130,086	42,467	307,624	38,476	27,909	416,476
1955	135,867	47,706	313,219	38,525	25,090	424,540
1956	139,267	59,887	316,384	37,003	28,941	442,215
1957	148,341	96,976	291,909	31,923	22,310	443,118
1958	140,448	80,830	282,984	25,255	21,511	410,580
1957: Jan	156,416	102,296	320,170	36,009	25,227	483,702
Feb	143,246	94,530	286,012	32,049	22,490	435,081
Mar	150,431	95,132	301,720	33,027	23,444	453,323
April	153,672	96,287	311,718	32,809	23,560	464,374
May	149,983	93,116	306,778	32,188	20,992	453,074
June	136,978	88,832	281,108	30,285	19,399	419,624
July	150,171	103,575	299,800	33,090	22,417	419,624
Aug	144,056	97,918	272,521	28,829	21,271	420,539
Sept	150,884	101,438	288,634	30,864	22,785	443,721
Oct	142,416	94,074	270,286	29,674	21,319	415,353
Nov	149,125	97,582	280,280	32,031	21,655	431,548
Dec	152,698	98,933	283,879	32,218	23,168	438,198
1958: Jan	148,702	86,361	299,881	28,760	21,524	436,526
Feb	132,861	74,198	271,739	25,943	19,568	391,448
Mar	138,475	73,767	284,594	26,282	20,919	405,562
April	134,074	73,381	286,688	26,544	21,153	407,766
May	138,704	79,323	291,806	27,582	22,540	421,251
June	126,047	77,814	263,940	26,621	19,947	388,322
July	144,997	88,299	281,731	28,171	21,242	419,443
Aug	140,358	85,135	276,503	25,115	21,190	407,943
Sept	143,504	86,703	279,139	23,311	22,151	411,304
Oct	147,386	85,768	289,037	22,295	23,737	421,517
Nov	134,245	73,194	263,322	20,180	20,680	377,377
Dec	156,027	86,017	307,427	21,573	23,484	438,506
1959: Jan	150,548	83,944	302,805	20,247	3,096	430,092

Source: Textile Commissioner, Bombay.

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Salesmanship Not Everything

A POINT hardly disputable now is that India should make a deter-
mined effort to increase her exports in the coming years. It is also
obvious that much as India may desire it, she cannot hope for a specta-
cular increase immediately. Indeed, it would not be far wrong to say
that the immediate problem is one of preventing a fall in our export
earnings. In this context, the programme or strategy we adopt for export
promotion has to be in terms of certain, though slow, gains, rather than
windfalls. Not that we should refuse to avail of opportunities for
ad hoc spurts in exports that might arise; what we cannot afford to do
is to equate export promotion with such exploitation of transitory open-
ings.

This is not idle talk because a great deal of what is being done in
the name of export promotion smacks of grabbing something from this
market this year and something from another market next year. If
there is good demand for castor seed in America, we start looking
around to see if some castor seed could be exported. If the cement
output is in excess of demand, we think in terms of exporting the
excess stocks. There are talks of bulk arrangements for iron or
manganese ore; of adjusting entitlements to raw cotton imports to
stimulate cotton textile exports; of invading the markets for light
engineering goods or electrical appliances; of enlarging the world market
for Indian handicrafts and handloom cloth. If one were to gather
together a list of the commodities that have been recommended from
time to time for sale to other countries, one would be immensely impress-
ed. The amazing thing, however, is that in all this, there is little that
adds up to a carefully worked out programme.

This might appear an unkind thing to say. But the fact remains
that our activities in regard to export promotion have so far been de-
void of any clear-cut—or even broad—approach in terms of priorities.
Do we, for instance, propose to rely more on an enlargement of tradi-
tional exports or on a change in the structure of our exports? Shall we
strive to build up specific markets for specific goods or skim the surface
of all markets everywhere? Should we take special steps to adjust our
costs of production to conditions of the world market? If so, what does
that imply in terms of domestic needs and the optimum use of resources?
There are many more such questions arising when one thinks of a
sustained plan to enlarge export earnings. Undoubtedly, not all—per-
haps none—of these questions can be settled easily or for any length
of time. But the main thing is that they have to be asked at every stage.

It does not need much prescience to realise that if we hold our
ground in regard to the traditional items of tea, cotton textiles and jute
manufactures in the future, we will have achieved a great deal. The
world demand for tea grows much less fast than the world income—
since people in a large number of fast-growing countries are not tea
drinkers; on the other hand, there is every chance of new sources of
supply emerging in the case of tea. Jute and cotton manufactures have
again to face fierce competition from other producers and from a fast-
increasing number of substitutes. In consequence, India's ability to
maintain her position in these markets depends entirely on the success
she achieves in improving the quality of such goods and reducing their
costs of production. Both these are tantamount to saying that the case
for rationalization and modernization of these industries is strong—

from the angle of export promotion. But this has to be fitted into the general plan of development deliberately; if it is in conflict with objectives considered much more desirable on the domestic front, clearly there cannot be much substance in statements about exporting 1000 million yards of cloth or 10 per cent more of tea.

The internal conflicts and external difficulties that bedevil the major exports have led to increasing emphasis on the development of new exports. It is, of course, very attractive to argue that once we change the pattern of our exports we will be in a very comfortable position. This is true only because it assumes a beneficial change in the pattern of our exports. The whole question hinges on what type of change is required and what the scope for it is. Obviously, we cannot export what we do not produce better than some others; nor can we export what others do not want to buy. The pattern of our exports cannot, in other words, change unless the pattern of production in the country changes. We do not need to quarrel which comes first; suffice it to say that the two go hand in hand, each deriving strength from the other. We have, therefore, to strive consciously to relate the future shape of our exports to the future shape of our production structure as a whole. It is here that serious complications seem to arise.

If we want to export new things in increasing quantities, we have clearly to pick out such goods as have a demand rising at least in the same proportion as the world income. But in the production of most such 'dynamic' goods, the countries with a well-developed industrial structure have an advantage—if for no other reason than that they are already in the market. What is more, such countries are compelled by the very nature of their economy to seek an enlargement of the market for their goods both at home and abroad. They satisfy this urge to a considerable extent by buying more and more from one another, as also by exporting capital to countries not so well-placed. In this context, to capture sizable chunks of the market for manufactured or semi-manufactured articles with a growing world demand is not an easy task. It cannot obviously be

superimposed on a production structure that is not strong and broad-based. But the existence of such a structure implies the existence of a domestic market of impressive variety and dimensions. In other words, what we do in terms of producing more of the 'dynamic' goods for the domestic market influences our capacity to change the pattern of exports.

This, it might be argued, amounts to saying that a programme for effective import-substitution is also a plan for changing the type of goods we export. There is no paradox in this: indeed, it is a matter of common experience that neither the structure of imports nor the structure of exports changes without mutual repercussions. National monopolies apart, it is the industry which starts replacing imports in the domestic market which can produce new things to put on a country's export list. But import substitution in the domestic market has to be effective—in the sense of not being endlessly supported by pro-

Change of Slogans

THIS week was the first anniversary of the Algiers revolution of May 13. About this time, a year ago, the French 'colons' and the military colonels in the Algerian capital were wildly cheering General de Gaulle and demanding that he take over from the bungling politicians of the Fourth Republic. But their cry this week was different. The streets of Algiers echoed to the new slogans of 'De Gaulle To The Gallows!'

The colonels were not among those who shouted this slogan: it was purely a colon sentiment. And though one might not sympathise with their motives in demanding that the oracular President of France should be hanged from the nearest lamp-post, one has no difficulty in seeing why they should feel that way. A year ago, the settlers were in a strong position. If they had not actually conducted the revolution single-handed, they had provided much of the strength for its success. It is they, as much as the colonels, who helped to bring de Gaulle out of retirement and into the limelight of effective power. Doubtless, they had thought they could rule Algeria from the back-seat while the General ostensibly sat at the wheel.

tectionist measures of all sorts. That is to say, an industry which cannot compete effectively with foreign producers in its home market cannot clearly hold its own against rivals in a foreign market. Over the long pull, therefore, our capacity to export different varieties of goods depends on our ability to satisfy a growing demand for a growing variety of goods in the home market.

All this is not to say that the little things that are being done to add to our export earnings are useless or unimportant. The intention is merely to stress the point that export promotion is not just a matter of high-pressure salesmanship. That is certainly necessary. But those who are asked to sell abroad must be supplied with proper goods in adequate quantities. It is this which needs to be carefully thought out and integrated with our plans for industrialization and what not. And it adds up to much more than establishing a State Trading Corporation or appointing a Director of Export promotion.

But things have not gone according to their expectations. De Gaulle has freed himself from settler captivity, and indeed almost entirely from their active influence. No doubt the colonels of May 13, too, had thought they would have the General under their control. But it is the General that is now in full control. He has purged the army in Algiers of all unreliable elements; and welded the rest into a position of effective strength in relation to the colons. Indeed, the military chiefs in Algiers have been made, shrewdly, to feel close to the General-President of France. They have been given a direct line of access to him, while, at the same time, he has made himself almost wholly inaccessible to the settlers.

The changes at home in Paris have contributed to the strengthening of the Gaullist, and the weakening of the settler position. Parliament, under the new Constitution, has been shorn of much of its power. This has meant proportionate diminution in the power and influence of the settler lobby in Paris. Defeated on all sides, it is not surprising that the colons are now in a mood of exasperation, calling for the blood of the man they helped to put in

power.

This is also the explanation why the army stood loftily aloof as anti-de Gaulle slogans were shouted in Algiers this week. The army sees no reason to quarrel with a General who has given them a role of pre-eminence over the civil government in Algeria. Moreover, it feels that its military campaign against the Algerian nationalists is at the moment going better than it has done for a long time. It is in a confident mood—and has, no doubt, imparted some spirit of this mood to the General himself, which is why he declared a few days ago that the end of the Algerian war was now in sight.

Does it mean, then, that de Gaulle is now firmly in the saddle in Algeria and need worry no more? Of course, it does not. This is because the General seriously miscalculates the forces at work in Algeria. The settlers are not a dead force: they can still make a terrific commotion if they are provoked too far. In fact, at this very moment, they are closest to the mood of revolution since May 13 last year. It is no use saying that the army is so completely and effectively in command of the situation that any inconvenient colons, who make too much of a nuisance of themselves, can be easily put out of the way. The army's hands are already full because of the unending war with nationalists; it cannot afford to open up a second front against itself.

And, of course, the nationalist insurrection still remains as grave a problem for the French as ever. President de Gaulle gravely underestimates the strength of the nationalists when he says that his army is now in sight of victory. There is really no reason to think that the fighting ability, or will, of the nationalists is today any weaker than it was a year ago. If anything, the upsurge of nationalist feeling all over Africa has strengthened the hands of the Algerian nationalists further. There is now more moral support behind Mr Farhat Abbas than there was twelve months ago; and some of this moral support is prepared to be converted into material help. Certainly, it must be easier for the nationalists to procure arms today than before; and as more and more of Africa becomes self-governing, the nationalists will have reason to grow more and more confident;

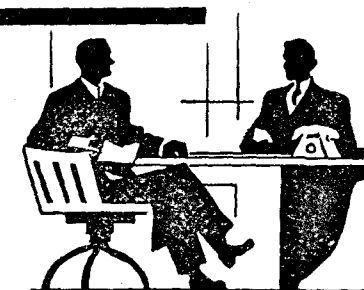
It is, therefore, rather absurd for de Gaulle to announce that victory is in sight. The plain fact is that there can be no physical victory for France (nor perhaps for the nationalists) in this long and grim war. The nationalists will not easily be able to fight off the half-million French soldiers in Algeria, equipped with every modern weapon of warfare. France, on the other hand, cannot vanquish an enemy that is elusive and invisible. Nor, indeed, can France afford to prolong the war indefinitely. It imposes an intolerable strain on the French economy, and it is in fact something of a miracle that the country has been able to stand the strain—US aid notwithstanding—so far. But how long can it do so?

The Algerian problem will not be solved until it is recognised for what it is: a political problem. It is a truism to say that ideas cannot be quelled with bayonets. Ultimately, France will have to come to terms with the nationalists. At one time General de Gaulle had shown signs of realising this: perhaps he still does—and the settler cries of

'de Gaulle to the gallows' this week were perhaps the reaction to some secret information to that effect.

Whatever may be the real reason for the change of slogans on the part of the colons, it is clear that the path to a political settlement will not be an easy one. The colons are hardly likely to acquiesce in any settlement that does not give them a dominating position in the Algerian political system. The nationalists are unlikely to accept any settlement that mortgages their autonomy to the colons. This is, therefore, an opportune moment for the intervention of friendly nations interested in a settlement of the Algerian dispute. France is notoriously sensitive about outside interference in what she considers to be her domestic affairs. In economic matters, however, she has shown some willingness to accept friendly advice from international bodies. And with the far-reaching change of slogans on the part of the colons, the General may also be in a mood to translate into political action the thought which perhaps has already crossed his mind.

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Weekly Notes

Role of Public Enterprises

PANDIT NEHRU'S forceful defence of public enterprises at the meeting of the All-India Congress Committee this week is welcome because it may help to dispel the shadow of doubt and suspicion under which they have had to function in recent years. Public enterprises have to work in the limelight of publicity and under the critical eye of various legislative and other bodies. It is not infrequent, therefore, for defects in their working to be widely publicised—and some of these defects are undoubtedly quite glaring. That there should be wide public discussion of the working of public enterprises and that criticism of such defects should be brought to the surface by careful examination is of course in the fitness of things. Public money is involved, and it is right that every attempt should be made to ensure that it is not wasted or misused. Unfortunately, public enterprises are also subjected to a considerable amount of unwarranted criticism, and in any case there is insufficient appreciation of their achievements.

The Prime Minister's forceful statements about the progress recorded by many public enterprises should help to present the problem in the right perspective. He referred to the tremendous progress made by the Sindri fertiliser factory, the Chittaranjan locomotive works, the machine tools factory and the aircraft factory at Bangalore and the penicillin factory at Pimpri, specifically excluding the steel mills from this list on the ground that these were still in the process of coming to fruition. "I do wish," he said, "to remove from the minds of the public any impression that public ventures have not succeeded. They have succeeded remarkably well".

While the success of these ventures is a tribute to those who planned them and to the managers and workers who operate them, there is in itself nothing remarkable about the fact that they should have succeeded. There is after all no inherent reason why an enterprise, which has been appropriately planned and entrusted to the management of trained and experienced personnel, should not succeed mere-

ly because it is in the public sector, while a similar enterprise should succeed merely because it is in the private sector. Occasional failures may occur in the public sector, but they do so also in the private sector.

That public enterprises, which initially posed problems in the mobilisation of resources, play ultimately an important role in mobilising resources for further investment, is an important aspect of the question to which Pandit Nehru did not refer. The importance of their role in this respect will become increasingly apparent as the years pass. The pace at which the public sector has expanded must be considered remarkable indeed. It is not surprising that in spite of its present size and rate of growth, there has not really been time to assess the results of recent experience in this sphere. In a sense, the setting up of so many public enterprises within such a short period must be considered a huge experiment. Public enterprises have consequently appeared to the public so far, more as absorbers of available resources than as mobilisers of resources for further development. Even where results in the shape of production are acknowledged, many critics may hesitate to accept their role as mobilisers of resources on any large scale.

It must be remembered, however, that such enterprises are likely to have longer gestation periods as mobilisers of resources than as mere productive enterprises. Many of them have had expansion programmes almost from the very moment of their completion so that their contributions in this respect, even when they have been able to make them, have been obscured by the calls for resources from the common pool. Though it may take more time before the role that these enterprises can play as mobilisers of resources for development becomes apparent, and though their contribution in this respect may sometimes be obscured by their own expansion programmes, yet ultimately public enterprises are undoubtedly important from this point of view also and not merely from the viewpoint of their contribution to the expansion of the productive structure of the country.

Captains of Industry

CARRIED away perhaps by his own defence of public enterprises, Pandit Nehru was rather harsh on captains of industry. It would be wrong to belittle the contribution which private enterprise has made to the industrial development of the country in the past and is even now making. Any judgment of the private sector, which is based on the industrial progress of the country prior to the achievement of Independence, would be misleading. The change in the atmosphere brought about by the achievement of Independence and also by the initiation of planning itself has created conditions in which the private sector can itself expand rapidly with greater assurance of success than in the past. There can hardly be any complaint that private enterprise has failed to play its part in the investment of resources for the industrial development of the country. If anything, in recent months, the criticism has been of excessive investment by the private sector to the detriment of plans for the public sector.

The Prime Minister was harsh when, speaking of industrialists, he said, "they get protection and come out as great captains of industry. I fear, having come across many captains of industry, I am not terribly impressed by their captaincy." Perhaps he was justified in his criticism that "they want everything from the Government. They borrow money from Government and they get it, and they become great captains of industry." Yet, many of the present industrialists had become captains of industry long before Government started providing any funds for industrial enterprise in the private sector. This is not to suggest that the private sector can be free from criticism. Probably, the Prime Minister had specific instances in his mind when he spoke so critically of industrialists in the country. Though these criticisms could have been tempered somewhat, they might nevertheless help to restore the correct perspective to the picture of industrial development in the country with special reference to the relative positions of the public and private sectors.

United Opposition

THE political situation in Kerala is likely to take a new turn with the reported decision of the Congress Parliamentary Board to allow the Kerala Congress Party to enter into an electoral alliance with the Praja Socialist Party, the Revolutionary Socialist Party and the Muslim League for the purpose of ousting the Communist Party from power. Shri R Sanker, President of the Kerala Pradesh Congress Committee, has indicated that efforts would be made to achieve a permanent agreement among all 'the democratic forces in the State' to check 'maladministration'. In the negative sphere of opposing certain policies adopted by the Communist Government of Kerala, some degree of agreement has not been lacking among the Opposition parties in the past. What positive content such agreement is to have in future is not yet clear. The political parties that are to join the alliance cannot all be said to have a common outlook or programme though they may be agreed on throwing the Communists out of power. But a policy based on striving to turn public opinion against the party in power rather than in favour of themselves or in favour of an alternative programme cannot go far as experience in the past has shown. A State-wide agitation, backed by a detailed charge-sheet against the Communist Party, is the action now foreshadowed. Campaigns have by no means been rare in Kerala; and though a campaign, jointly sponsored by the various parties in opposition, as now proposed, may have an element of novelty in it, the result of it may be to harden rather than weaken the centres of support that the Communist Government has been relying on. Already the cry has gone forth from Communist quarters that a massive onslaught is in the offing; and Party men have been asked to "go into action" against the new attack of 'communal and reactionary forces on the Kerala Government'.

Nor has the timing of the proposed agitation been happy. With the school closure campaign and the campaign of the Nair Service League under way or about to start, considerable scope has been provided for misrepresenting the motives of the alliance to be formed. The school agitation and also the agitation of the Nair Service League for

ending reservation of jobs for backward communities have been condemned by Communists as being communal; and the Party, in a resolution on the subject, has called for the mobilisation of people's strength against the 'new offensive' being launched by 'Nair and Christian communalists in the service of big landlords and other vested interests against democracy and democratic reforms in the State'. And in a report to the Party, the General Secretary, Shri M M Govindan Nair, has gone so far as to state that Opposition parties were 'unashamedly following these communal forces', which he has pointed out as being 'a dangerous portent'. This is evidently meant to counter the Congress charge that the Communist Government has been systematically exploiting communal rivalries in the State for the promotion of party ends. But the fact remains that the present atmosphere is hardly conducive to an objective assessment of the policies and programmes being pursued by various political parties and groups in the State. And it is hardly conceivable that the general desire of the Congress Party, as expressed so far, to keep away from the other campaigns will make any tangible difference to a situation that is sadly muddled.

Ceylon Crisis

DISAGREEMENT between the right and the left wings of the Ceylon Cabinet, which had given rise to conflicts in the past, has now led to quite a serious crisis. Ministers belonging to the Sri Lanka Freedom Party, the major constituent of the ruling Mahajana Eksath Peramuna, have been insisting for some time that Prime Minister Bandaranaike should choose between them and the Food Minister, Mr Philip Gunawardane, leader of the left-wing Viplavakari Sama Samaj Party. On the surface, their complaint against the Food Minister is that he has been describing them as 'reactionaries' and generally making personal attacks on them and their supporters in public. But the root of the trouble is the gulf in political thought and approach that has been existing between the two wings in the Cabinet. The right-wing Ministers want these differences to be thrashed out; and in order to force a decision, they have threatened to absent themselves from Cabinet meet-

ings. The time chosen is significant. The annual session of the Sri Lanka Freedom Party is to be held shortly; and that would certainly give an opportunity to the right-wing Ministers to raise the issue of the differences prevalent in the Cabinet and seek support for any plan of action they might have thought of.

A Cabinet meeting which was to be held meanwhile has been put off by the Prime Minister; and though the reason given is that there was no particular need for such a meeting, it is clear enough that the Prime Minister has sought time to get the differences settled. Whether discussions at the annual session of the Sri Lanka Freedom Party will improve matters is more than can be said. Maybe, the Prime Minister is not depending so much on these discussions as on his efforts to promote harmony in the Cabinet. In any case, there is no indication yet that he has abandoned hope of resolving the crisis, which, if it continues, is likely to involve Ceylon in a difficult constitutional dilemma.

Govt Borrowing Programme

WITH the busy season coming to an end, attention in the money market is being increasingly turned to Government's borrowing programme for the year. Shri Morarji Desai had provided for Rs 108 crores of net borrowing by the Central Government through issue of loans, while it is likely that the State Governments may go to the market for an aggregate amount of Rs 60 crores. During the coming months of the slack season, the money market will thus have to find a net amount of Rs 170 crores to meet Government's loan requirements. In light of the fact that net Government borrowings last year, amounted to Rs 239 crores—Rs 181 crores by the Centre and Rs 58 crores by the various States—this year's target would appear to be a modest one. There are, however, a number of considerations which justify modesty of the target.

There are indications that the banking system as a whole may not be able to play as large a part in supporting Government securities as in 1958-59. For one thing, most banks are starting the slack season with full investment portfolios whereas last year they were hardly half-full. The picture of advances is also not so reassuring as an increasing proportion of advances is now

made to industry. Though such advances are theoretically short-term in nature, they are usually renewable and are not, therefore, likely to be available through repayment at the time the new issues are floated on the market. The State Bank of India, which dominates the banking system, is itself less well-placed this year than it was in 1958-59. Deposits of the State Bank have suffered somewhat though P L 480 counterpart funds lying with it, which now amount to over Rs 200 crores, obscure the picture to some extent. Under a recent agreement, the US Government will be withdrawing about Rs 100 crores of these funds over a period of time, and the State Bank will have to keep this fact in mind.

This does not mean that the needed resources cannot be raised in the market. It only suggests that last year's experience cannot be relied upon in judging how far this year's programme is likely to succeed. There are, however, certain favourable indications too. The Life Insurance Corporation has about Rs 35 crores of investible funds per annum. Last year, it subscribed about Rs 12 crores to Central and State Government loans though reports indicate that its support to Government securities over the period was on the whole more substantial. There is nothing to suggest that the LIC will not be able to provide the same volume of funds for the purchase of Government securities in the coming year.

With regard to public subscription, the yields offered on the new issues will be naturally an important determining factor. It is true that there appear to be substantial funds available for new industrial issues and for industrial investments generally, but the differences in yield have to be kept in mind in assessing how far this is a portent for the success of new issues of Government securities. In subscribing to issues of Government securities, even banks have shown preference for State Government securities which yield somewhat higher rates of interest. In spite of this fact, Government is hardly likely to offer terms which are far different from those given last year. It is this which makes the lower target appear reasonable for the current year.

Easing Road Traffic

THE steady flow of road traffic will be considerably facilitated

by the construction of over-bridges and under-bridges at railway crossings, particularly at points at which rail traffic is heavy and the crossings remain closed to road traffic for long periods. The Railway Minister, Shri Jagjivan Ram, disclosed last week that a 10-year programme for the construction of such over- and under-bridges is being drawn by his Ministry. As a first step, to assess the dimensions of the problem, the Railway Board has requested State Governments and Railway Administrations to draw up priority lists for the construction of such bridges.

Railway plans in this connection do not suggest any organised opposition to the development of road transport as certain remarks of the Masani Committee on road transport would imply. As a matter of fact, the Masani Committee has itself failed to refer to the problem of railway crossings though its report is otherwise quite comprehensive.

It would be useful for the Railway Ministry to consider very seriously, however, one of the recommendations that the Masani Committee did make. Concerned about the absence of road bridges over rivers on many important roads, the Committee recommended that 'where railway bridges exist over the rivers and are capable of carrying motor transport, their use should be permitted after decking'. In view of the want of through communication even on many national highways and the inevitable delay and heavy cost involved in the construction of independent road bridges, the implementation of this recommendation would strengthen the overall transport system of the country considerably. The Masani Committee's alternative recommendation that 'where railway bridges are not suitable for motor traffic, the piggy-back system of putting motor vehicles in rail cars and ferrying them across the bridge should be introduced at a reasonable charge' is also worthy of serious consideration.

Workers' Education

LITTLE indication has been available about the progress made in connection with the scheme for workers' education sponsored by the Government of India some time ago. It is known that a course for teacher-administrators was organis-

ed in Bombay some time last year, and these trained teacher-administrators are now presumably out in the field carrying out their tasks. The teacher-administrators were, however, expected primarily to administer the scheme in various industrial areas and, in turn, train teachers for imparting education to the workers themselves. How far this process has gone and whether any progress has been made with the actual education of workers is not known.

In the meantime, the Bombay Government implemented a pilot project for workers' education at the Labour Welfare Institute at Naigaum in Bombay City last year. This scheme is being continued during the current year as well with two sessions, each of three months' duration. The course of instruction, it is claimed, has been devised in such a way that the subjects selected are of immediate interest to the workers and have a direct impact on their day-to-day activities. The teaching is at a very elementary level as the intention is to assist workers who have had not much benefit of previous education. Instruction is being provided in Marathi and Hindi. The scheme is open to those workers who have attained the primary certificate standard though no formal certificate is being insisted upon.

The main difficulty, it is pointed out by a correspondent who has had some acquaintance with the working of the scheme, is that there are not enough teachers who have an adequate command both over the subject and the medium of instruction. Besides, the workers find it difficult to follow the technical terms in economics and sociology used during the lectures and it is difficult to explain these to such as have a limited background of basic education. If schemes of workers' education are to succeed, much preliminary effort will have to be devoted to the preparation of adequate material on the subjects to be covered and also to the training of teachers. While implementation of the Bombay Government's scheme at Naigaum will, therefore, provide valuable experience, the approach of the Government of India to the problem—through the training of teachers—appears to be ultimately more useful where the intention is to cover the whole country.

Our Delhi Letter

FOUR months after the Nagpur session, the AICC met again at New Delhi last week. This time its aim was to examine in greater detail how the proposed measures incorporated in the Nagpur resolution on agrarian reform could be implemented.

The first day of the three-day session was devoted mainly to examination of the issue of co-operative farming. Pandit Nehru stood out as the staunchest supporter of co-operative farming. One almost sensed a Hegelian tinge when he said that co-operative farming meant a higher form of social organisation. According to his view, we must accept co-operative farming since there is no alternative.

It is now being realised that service co-operatives which are to function for three years will not automatically lead to co-operative farming. Service co-operatives are to be immediately accepted by peasants as it does not involve any change in the relationship between peasant and land. But acceptance of co-operative farming would mean a substantial change in this direction, and it would require a mental outlook among peasants which might not be fostered under service co-operatives. If the purpose of service co-operatives is only to facilitate the adoption of co-operative farming, then it seems that this step is not very necessary. In fact, Pandit Nehru did talk about the introduction of co-operative farming as soon as 'conditions are ripe'. One does not, of course, know what is meant by this blanket term 'conditions being ripe'.

The Working Paper on the future agrarian pattern, submitted to the AICC, pointed out that the target set by the NDC of 20 million members of co-operative societies to be attained by the end of the Second Plan cannot be achieved without more financial aid to co-operatives and simplification of the co-operative laws and procedure.

Pandit Nehru had no conclusive answer to the question whether after anyone had joined a joint cultivation co-operative, he would be allowed to leave it. He thought that one should not be allowed to

leave before one had been there for a minimum of three years. Why just three years—not more, not less—one does not know.

While supporting the one-village-to-one-cooperative society theme, Pandit Nehru said that the Rural Credit Survey Committee was wrong in its assumption about the character of Indian peasants that he was quarrelsome and incapable of working in a co-operative way, being thus led to recommend bigger societies. Apart from the fact that the R C S Committee did not make any assumption about the character of peasants, but based its recommendation on the experience that had been gathered over fifty years of the working of co-operatives in India, it had other reasons of economy and better management to commend bigger societies especially if the functions of co-operatives were to be multipurpose in character.

Smt Gandhi emphasised the urgency of the situation and urged that there should be no delay in implementing the Nagpur Resolution. "The more it is delayed, the more difficult it will become to implement them" was the correct assessment of the situation.

An important task that the Congress has to tackle in organising co-operatives is to raise trained cadres of workers who could guide villagers about co-operatives. The end is too great to be achieved by training a few hundred for a month and a half, as proposed by the Congress. It is disappointing to find that there was no discussion on the question of ceilings on land holdings, especially in view of the fact that according to the Nagpur Resolution, legislation on ceilings is to be completed in all the States by the end of 1959.

On the second day, Pandit Nehru criticised the private sector, run by the so-called 'captains of industry', rather scathingly. "They have no conception of planning, no conception of looking at things." (Did he go too far?) Shri Jain had nothing new to say about State trading and presented the much criticised scheme of purchasing two million tons of foodgrains, besides linking State trading with service co-operatives.

A I C C Session

Water Logging in Punjab

SOME days back Shri Chandulal Trivedi, member of the Planning Commission, had a bird's eye view of areas in the East Punjab affected by waterlogging. How unhappy he felt about it all, one does not know; but the fact that the Planning Commission though it fit to send one of its members to have a look at the waterlogged lands indicates, one hopes, some recognition of the seriousness of the problem.

It is not generally realised that because of waterlogging, large tracts of irrigated land have gone out of cultivation in the Punjab and elsewhere. In some areas, production per acre has gone down owing to a rise in the level of subsoil water and consequent development of saline and alkaline soils. Official reports estimate that there are about 10 million acres of such lands in India, of which about three million acres lie in the Punjab alone, two million acres in Uttar Pradesh, and a million acres each in Bombay and Madhya Pradesh. It is estimated that every year nearly 50,000 acres of fertile agricultural land are going out of cultivation in the Punjab alone because of the rising water level. Much of this is due to seepage in canals and water channels and the unwise use of irrigation water. The need to prevent it by better water management has, as pointed out in these columns last week, been emphasised by the Ford Foundation Team. They have quoted an official report, stating that about 50 per cent of irrigation water is lost in conveyance through seepage. What makes it worse is that most of the waterlogged lands have high soil fertility and great production potential.

This is not all. There is some evidence that as a consequence the crop pattern in some of the districts of the Punjab is undergoing a change. In certain regions of the Gurdaspur district wheat production has gone down, and people have started consuming more of rice which was previously being exported in a large measure. Some centres, which five years ago were important wheat markets, have become important paddy markets. In the whole of the Gurdaspur district

of a uniform doubling of land revenue on holdings above 5 acres, we might consider, say, a 25 or 50 per cent increase on holdings between 5 and 10 acres, a 100 per cent increase on those between 10 and 15 acres, a 200 per cent increase on still larger holdings, and so on.

That there is considerable concentration of income and property in the rural sector is obvious from even the results of the NSS Report on Land Holdings. Out of 65.66 million rural households, owning in all 309.9 million acres, 1.59 million households account for as much as 86.9 million acres (all of which, in 1954, were in the form of holding above 30 acres in size), and 15.2 million house-

holds (with holdings between 5 and 30 acres) own another 170.0 million acres, leaving less than 53 million acres for the remaining 48.9 million households.

With this kind of distribution of land (and of income derived from the ownership of it), a progressive system of land revenue should be able to yield considerable revenue, apart from reducing the inequalities in income in this sector. The only problem is in devising a scheme, which will not induce evasion of taxation through division of the large holdings among members of the same family. Already this has happened on a wide scale on account of the proposed ceilings on land hold-

ings, and so inevitably we have now to concentrate mainly on holdings in the range of 5-30 acres. It is obviously important that the degree of progression introduced in land revenue is not so great as to induce holdings of, say, 20-30 acres being broken into still smaller holdings. But, with the division which has already taken place of holdings above 30 acres, the scope for such further sub-division is perhaps not so considerable. This is a matter which needs further examination and thought.

R N Raj

Delhi School of Economics,
Delhi,
May 1.

Road vs Rail Transport Rejoinder

SHRI GEORGE ISAAC, in your April 25 issue, has attempted to use the Swedish Experience of Road vs Rail Transport to show that the transport policy of the Second Five Year Plan is based on reasoning that has not been sufficiently examined. I would like to demonstrate that a financial analysis of the same Swedish figures indicates that investment in rail transport offers substantial advantages over investment in road transport. And I would also suggest, even without having the figures available to analyse the Indian Experience, that the same relative advantage is offered by the investment being made in the Indian Railways.

The basic reason for making capital investments in manufacturing or transport facilities is to reduce the long run average total cost of the product or service being produced. It is necessary, therefore, to use a method of analysis that relates the benefits obtained by a reduction of operating costs to the amount of the capital investment required to produce these operating cost reductions. The most useful tool of the analyst in making decisions between various alternatives of capital investment is the calculation of the return on the capital employed. A similar analytical tool is the calculation of pay out time for the investment. This is a measure of the length of time required for each of several alternative investments to pay for itself out of the profits.

In the case of the Swedish Experience, the capital cost of carrying three million tons of ore a year over a distance of 100 miles by road is Rs 4,89,31,000. The alternative capital cost of doing the same job by rail is Rs 11,05,90,000. The capital requirements for road transport, as Shri Isaac points out, is in the region of half that required for rail movement.

But let us look a bit further to see what is the advantage of having a cost per ton mile of 9 nP for rail as compared with 11.6 nP for road transport. If we assume that the railways will charge the same rate for the service as would a truck trailer combination, i.e., 11.6 nP per ton mile, the profit per year for the railways would be Rs 78,00,000. The profit for the road transport would be Rs 25,69,000. These profit figures when related to the relative capital investments show an annual return on investment for the railway of 7.1 per cent, while the return for the investment in road transport is only 5.3 per cent.

Similarly, the time required for the railway to have its capital returned through its operating surplus or profit is 14.1 years, whereas for road transport it is 19.0 years.

Looking at the same figures in still another way, suppose the authorities were to decide when examining each alternative, that they would plan to receive back the investment in 30 years, and after al-

lowing for this, they would pass on the savings to the users of the transport facilities. Using the above figures, they could charge the consumer 10.23 nP per ton mile for rail transport or 11.28 nP for road transport. For moving three million tons per year over a distance of 100 miles, this would amount to a saving of Rs 31,50,000 or 9.3 per cent for the consumer using the railway.

If the difference between the operating cost of rail transport and road transport is in the area of 17 nP per ton mile in favour of rail in India, as pointed out by Shri K P Mathur of the Railway Board, then the long run advantage of investment in railways will be much greater than the Swedish Experience indicates. With a difference of 17 nP per ton mile extended out to cover three million tons per year over 100 miles, the savings would amount to Rs 5,10,00,000 per year.

Even if cost of road building in India is Rs 85,000 per mile, which would give the capital cost of road transport an advantage of 4 to 1 over railway capital cost, an operating cost difference of Rs 5,10,00,000 per year would wipe out this road transport capital cost advantage of Rs 8,22,50,000 in less than two years time.

If the comparative analysis is made by looking at the capital and operating costs separately, as Shri Isaac has done, without combining

From the London End

Anglo-Persian Relations

THE Shah of Persia has just completed a three-day state visit to Britain; this follows the jaunty tour of Hussein, King of Jordan, and the announcement that something in the nature of a goodwill mission is due to visit Portugal. (There is now talk of admitting Spain into Nato.) The British official reception to the Shahanshan—King of Kings—has been particularly lavish; the welcome to the Shah had both the hallmarks of heavy Victorian tradition and Arabian Nights splendour.

The political need for all this is far from apparent. Britain has been displaced in Iran by the United States. The British oil interest is negative, confined as it is to marketing, and this only in consort with the Americans. Moreover, the Shah represents a particularly reactionary system of rule in Persia—the feudal basis of Persian Government stands in strict contrast to the democratic outlook of the times, particularly in the Middle East, and clearly Britain's welcome to the Shah can only undo further Britain's entire position in the Near Eastern region.

Feudal Regime

From the Shah's own viewpoint there certainly exists some basis for his visit to Britain. Ever since the U S instigated the fall of Dr Mussadeq, the Shah has enjoyed full autocratic powers in his country. The constitution exists in name; the Majlis is handpicked by the Royal Court and so is the Cabinet. The only mass party, the Tudeh Party, has been suppressed since 1953. In form, the politics and economics of the country are dictated by the rich holders of landed estates, the richest of whom is the Shah himself.

Nothing of substance has taken place to change the pattern of political and economic life which the Shah's father, Riza Khan, establish-

them together into a overall picture, then a good case can be made for using bullock carts in place of either rail or roads. But this, obviously, is not the right approach.

Robert L Beckman

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Calcutta 20.
May 4.

ed after the bloody coup d'etat of 1921. While maintaining the facade of Parliament, the people were completely deprived of any political responsibility. Gradually, Riza Khan was to become owner of large areas of good land, acquired by confiscation on political charges or by methods of purchase which amounted in fact to expropriation. Dr Mussadeq's brief intervention in Persian politics contributed to certain land reforms, but these reforms are today dead.

Defence and Police

The very pattern of land ownership in Persia give rise to a particularly backward agriculture and a permanently poverty-stricken peasantry. In the towns a similar condition of poverty characterises the workers. The trade unions are controlled and to all intents and purposes are unable to negotiate on behalf of their members. The Labour Law of 1956 is a dead letter. In so far as there exists a recognizable budgetary and fiscal system, well over 25 per cent is spent on 'defence and police' items and about 60 per cent on items concerning the upkeep of the Shah and his Government. Roads, Health and Agriculture together take up no more than 4 per cent of budgetary expenditure.

It is obvious that a system of power based on this distribution of wealth and this method of government must be persistently subject to excessive internal strains and pressures from the popular trends marking the countries close to Iran. In so far as the Shah recognises these pressures, he has agreed to distribute some of his less lucrative lands to the peasants but this is certainly without any significance. What is significant is that the Shah has been more prone to policies of a negative character: to ensure his power he possesses a large and efficient secret police force and an exceptionally large army.

Relations with Russia

For a period the Shah appeared to be safe. At home, the Tudeh Party was outlawed. But for the proximity of the Soviet Union, the geographical position of Persia provided a favourable external set of circumstances for the continuance

of his power. Turkey and Iraq, controlled as they were by regimes very similar to that in Iran, were members of the Baghdad Pact. Egyptian influence was negligible and there appeared an almost natural affinity between the Persian and Pakistani outlooks. To neutralize the consequence of the Soviet Union's proximity, the only important external problem for the Shah, he initiated discussions with the Soviet Union for a new treaty of friendship.

In fact, the Shah presented the Soviet Government with a draft treaty for obtaining Soviet recognition of Persia's membership of the Baghdad Pact. Such recognition would ensure that the 1921 Soviet-Persian Treaty would not be invoked by the Soviet Union on the ground that the Baghdad Pact impinged upon Soviet security. When the Soviet delegation arrived in Teheran in January this year, they found the Shah no longer interested; it was a remarkable volte face; he asked the Russians to leave Persia. It was clear that the Shah, rather unwisely, was more impressed by the new situation created by the Iraqi revolution in July 1958. For, one result of this was the Iraq became ineffective as a member of the Baghdad Pact, thus exposing Persia's western flank. Indeed, the logic of the situation would rather have dictated a policy of securing Soviet guarantees more rapidly. Instead, the Shah entered into further military guarantees with the U S, thus bringing the cold war into the heart of the Caspian littoral.

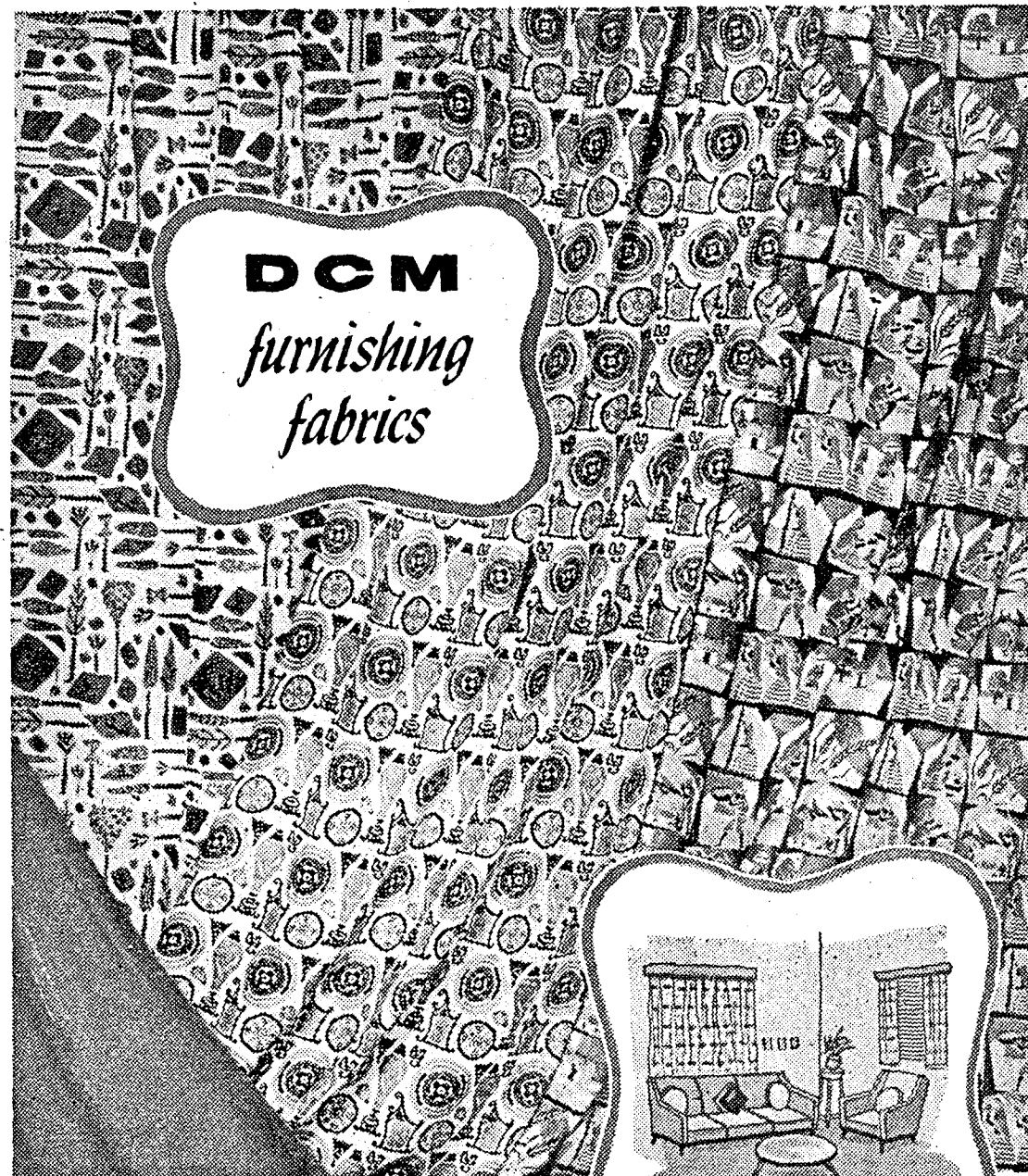
Kept State of United States

Persia today is very much a kept state of the U S. For two years after the fall of Mussadeq in 1953, a monthly grant of \$5.25 million was made by the U S to cover the government's budget deficit. In April 1956, the combined military and economic aid from the U S reached \$400 million. During 1957 U S aid to Persia amounted to \$52.5 million, excluding military aid. Now under the U S Military guarantees, the size of the U S dollar flows will be enlarged so as to bolster a regime which is more concerned with maintaining its own security than that of the people.

The Shah's visit to Britain has the purpose of providing opportunities to the British Government to participate more effectively in the system of military guarantees so necessary to support a regime as

that of Mohamed Riza, Shah of Persia. But the Government of Mr Macmillan will necessarily have certain doubts about this. The uncertainties facing British oil interests in Iraq will dictate a British policy

of caution. In any event anybody with any knowledge of Persian history and geography cannot regard the Shah's rebuff to the Soviet Union as a triumph either for Persia or the West.



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Budget Session of Parliament

(From a Parliamentary Correspondent)

THE outstanding impression that the present writer carries of the Parliament's budget session, just concluded, is the growing supremacy of Parliament. As a law-making body, Parliament's pre-eminence is taken for granted; so also its competence to control the Executive through the processes of debate on the annual Budget and the subsequent sanction of 'supplies' and grants to various Ministries. Apart from these constitutional functions and powers, Parliament has been demonstrating its increasing effectiveness in intervening on matters of Executive policy and administration.

This intervention is exercised basically through the instrumentality of its two strong arms—the Estimates Committee and the Public Accounts Committee—besides, of course, through the performance of constitutional functions as detailed above. Voting on demands for grants, however, becomes understandably a formal procedure because of the serried ranks of party men that sit behind the Treasury Benches. So long as the majority is reasonably vigilant and the whips are active, Parliament's endorsement of these demands is assured.

Parliament's Strong Arms

But with the Public Accounts Committee and the Estimates Committee, it is different. Their members, drawn from different sections of Parliament, and functioning with freedom from the rigidity of procedures and rules, except of those formulated by themselves, and with freedom also from the control of party whips, conduct independent probes into the activities of Ministries. Though essentially post-mortem, they have the salutary effect of keeping the latter on guard. There are those who do not like the meticulousness with which the committees conduct their post-mortem scrutinies. There are those who consider that these probes also interfere with efficient and independent administration. But there is no gainsaying that the diligence of the committees and the mass of valuable reports which they produce during sessions of Parliament and later are invaluable from the public point of view and the angle of parliamentary con-

trol over finance and administration.

Of special significance this time were the reports of the Estimates Committee on the working of the steel plants, the D V C and other public undertakings, and the reports of the Public Accounts Committee on the working of some of the schemes of the Health Ministry and others. By virtue of the fact that they share the authority of Parliament, the reports of these bodies have to be accorded the utmost consideration by the Ministries, which have to explain why in certain cases the recommendations of the committees could not be accepted or implemented by them. By convention, the reports are not discussed in Parliament, though they can be quoted—as they indeed are, widely.

'Leakage' of 'Secret' Documents

That Parliament's authority in calling Ministers to account can cover a wider range than probes into administration, is exemplified by the directions that they are given by the Speaker from time to time. During the budget session, the Speaker had more than once to call attention, for example, to the need of Ministers and members of the ruling party conforming to important parliamentary traditions. It may be recalled that the Speaker reminded Ministers of their obligation to be present in the House when issues relating to their Ministries are under discussion. It was also their obligation to ensure that the rules regarding quorum were properly observed by seeing to it that their partymen remained in sufficient numbers in the House throughout. Besides, the Speaker—as also the Chairman of the Rajya Sabha—came down with a heavy hand on Ministers disinclined to take Parliament into confidence in the first place, in respect of policy announcements.

In consequence, the Press came in for some castigation at the hands of the Prime Minister in connection with the 'leakage' of 'secret' documents like the recommendations of the Law Commission and the alleged findings of the Vivian Bose Commission on L I C investments. The Prime Minister also declared, while rejecting the responsibility of

Government departments for the leakage of the latter, that if more instances of this nature occurred, Government would have to contemplate preventive legislation.

Opposition Adjournments

The Budget session was notable for the continued disallowance of adjournment motions brought forward by Opposition groups. A number of these were sponsored but none admitted—except one which, however, was talked out. Most adjournment motions are notified by members with the full knowledge that they may have no chance of being admitted, but at least some of them have the desirable effect of calling attention to matters over which public opinion in some part of the country or other is for the moment exercised. There are others, like the one on sugar scarcity in U P, which was the best during the session, which have the effect of inducing Government to make statements on questions raised in the motions.

Parliament was seized of some vital issues which rocked public feelings in the last three months. Pakistan's undisguised hostility to India, marked by a series of pin-pricking border incidents, culminating in the shooting down of an Indian Air Force Canberra, has underlined the inexorable need to strengthen border defences and permit no relaxation of effort in maintaining our fighting forces in trim. Pakistani attacks on our borders and Chinese action in Tibet demonstrate, in the opinion of some observers, the imperative need of having a second and very close look at our foreign policy, and especially at its aspect of uncommitted and dynamic neutrality and absorption in the mantra of Panchshila. But it has also been perfectly clear that there is nothing basically deficient in the Panchshila sutras and that they cannot be said to lose their validity or efficacy merely because some countries, which had solemnly subscribed to them, may not be so devoted to them now.

Official Language

Of the many issues that came up before Parliament during the session, one which is likely to continue to be a subject of controver-

the official language. Even as it is, Parliament's opinion is sharply divided on the question of the pace at which the transition from English to Hindi in the country's administration should take place. A further complication is the petition presented by a group of eminent Indians, led by Shri C Rajagopalachari, to Parliament, warning against the consequences of a switchover from English to Hindi. Then there is also Shri Frank Anthony's move to add English to the list of languages recognised under the Constitution.

The reverberations of the language controversy will be heard for a long time to come; and that compromise on the issue is difficult to achieve has been highlighted by the debate on the University Grants Commission's Report in Lok Sabha. There are many in Parliament,

Book Review

A Succinct Exposition

Industrial Organisation by Bimal C Ghose. Oxford University Press, Calcutta, 1959. Pp 306. Price Rs 8.

ECONOMIC developments in India have been rapid since Shri Bimal Ghose published the first edition of his book four years ago, and a revision of it has, therefore, to cover considerable ground. Shri Ghose had planned his book well, dividing it into two neat parts. The first of these dealt with the general principles and problems of industrial organisation and so did not have to be rewritten extensively. Shri Ghose's exposition of these problems is among the most succinct and easy to read. Few readers realise that easy reading is very hard writing.

The problem of the firm, which has been at the centre of the classical approach to the economics of the industrial system, is discussed by the author under size, location, concentration, monopolistic competition and finance. Generally, and rightly, his approach is that of dynamic economics. This is evident, for example, in what he says of concentration: "Industrial concentration is the logical outcome of conditions wherever concentration of markets and supplies has developed out of revolutionised means of transport leading to integrated mass supply of some kind or other."

In respect of location, again, he points out that it is not a static

phenomenon. Few can disagree with his excellent plea for industrial dispersal, but he might have also warned that the idea readily lends itself to misuse. Here is a lesson for the industrial planning of underdeveloped countries like India that dispersal of industrial units for its own sake, or because of its employment potential, or to meet demands made on extra-economic grounds, may, in the long run, prove uneconomic.

In the past few years the not-very-economic idea of 'matching industrialisation' among the States has been growing. Each State seems to feel that it is entitled to a certain quota of industries irrespective of economic considerations. An extreme example was the recent request of one of the southern States that the optical glass plant should be located in its territory. It was told by the Union Ministry concerned that one ton of optical glass takes nine tons of coking coal to make and it was hardly reasonable to expect the latter to be transported from the Jharia coalfields in Bihar nearly two thousand miles to the South.

In his treatment of the managing agency system, while giving the system credit for some of its evident

sharp rise in the already high price levels in the Punjab, Uttar Pradesh, Madras and some other States, after the announcement of state trading and the stepping up of purchases by Government, would seem to indicate that the trade is not playing the game, and that half measures in this sphere would not achieve the desired result, notwithstanding Shri Jain to the contrary.

On the whole, the Budget session did not provide any striking evidence to indicate that opposition to the ruling party was being consolidated or co-ordinated. Such opposition as there was to Government's policies was ineffective and diffused. If some concessions, or modifications in policy were squeezed out of the Treasury Benches, the credit for them should go to vocal elements within the Congress party.

dent advantages, Shri Ghose takes care to mention its defects, stemming primarily from the 'selfishness and greed' of some of the managing agents. His discussion of nationalisation, though much too brief, is balanced. He makes the interesting suggestion of a combination of an expert group and a Parliamentary Select Committee for evaluating the working of nationalised undertakings in India.

The account of the structure and progress of six industries in the second part of the book is preceded by an account of 'Industry in the Second Plan' which could usefully have been fuller. The industries selected are reasonably representative—cotton textiles, jute textiles, sugar, iron and steel, coal, and tea. The account of some of these like coal is remarkably well done for all the apparently self-imposed and strict rationing of his space by the author.

Shri Ghose's work would probably have been deeper if the general principles of the first part and the factual analysis of the second had been interwoven at more points. But it is a good introductory, if rather elementary, essay in the subject and as such it has already proved its usefulness.

France under de Gaulle

(iii) De Gaulle's Failures

(From Our ex-Paris-Correspondent)

THE war in Algeria is becoming more and more ruinous from the point of view of most sections of the French people of mainland France, including the Big Bourgeoisie. The direct beneficiaries of the war are few and unimportant. De Gaulle wants, as does the Big Bourgeoisie behind him, to end the war. That of course does not mean that they want independence for Algeria. The French Big Bourgeoisie has realised, belatedly, the wisdom of post war British colonial policy. De Gaulle had no difficulty at all in getting all sections of the people to accept his policy regarding all colonies except Algeria—of transforming them into commonwealth partners. He has also managed to enormously improve France's relations with Tunisia and Morocco.

With respect to Algeria, however, de Gaulle has different plans. His idea, belated by at least half a century, is to develop the region as a colony in the original sense of the word, as a settlement of French people. One with no backward primary economy, but with a modern industrial economy built on French capital, French technology and cheap Algerian labour. That is to say, the idea is to change Algeria from a Kenya-type colony to something in between a Manchuria and an Australia. The difficulty is that it is getting stiff opposition from both the French settlers and the Algerians.

Pétainist Support

The project of the Big Bourgeoisie with regard to Algeria presupposes peace and co-operation from the local population, at least a substantial section of it. No concession however is acceptable to the French settlers. Industrialisation implies dissolution of feudal relations, and the feudal interests of the colons are, as is only to be expected, opposed tooth and nail to industrialisation of Algeria. Relations between de Gaulle and the 'Ultras'—that is, the ultra reactionary leaders of the French settlers—are getting more and more strained. That was not difficult to foresee at the time of de Gaulle's coming to power.

It should not be forgotten that Alger was one of the strongholds of the Vichy regime and as such has, till today, the bitterest hatred for the leader of free France who condemned Petain to death. The macabre spectacle of these arch reactionary Petainists rallying round de Gaulle could hide only a most uncomfortable alliance called upon by very special circumstances. The Fascists have been plotting for years in Algeria; but all they could obtain was complicity of the Army officers of Algeria. They could never manage to enthuse the French public for their Fascist programmes, nor could they count on the support of the entire body of the French Army. They never could find from among their ranks a leader commanding prestige and popularity on a national level. Rallying round de Gaulle was thus a political necessity.

De Gaulle vs the 'Ultras'

De Gaulle's struggle with the Ultras has taken the form of a more or less open conflict with the civilian members of the 'Committee of Public Safety' and a curious half-hidden, half revealed trial of strength with the Army leaders mixed up with the Fascists. The struggle cannot be straight and open, for each side is necessary to the other. If de Gaulle was necessary to the Fascists as a cover, the Fascists, in particular the Army generals, were necessary to de Gaulle who could come to power thanks only to the menace of a putsch. Even today de Gaulle's support in the country, divided into a determined and hostile minority of Communists and a majority of indifferent, passive supporters, is, in the last analysis, the Army.

It is impossible for de Gaulle to do to the Fascist Army generals what Truman could do to MacArthur or Khrushchev to Zhukov. He has therefore been playing fast and loose with them in the most baffling manner, applying fully to the task his genius for ambiguity. It has been his steady policy to loosen the alliance of the colons and the Army leaders, and dismantle the Fascist junta. In this he has achieved some success, though on account

of his very method of work—elimination by promotion—he is still very far from liquidating it. What he has achieved is partial isolation of the different parts of the junta. But even isolated the different elements continue to hold key positions in the power system, so that once de Gaulle is out of the picture they would be able to unite again and with added strength.

Promotions and Parades

De Gaulle started off by paying tribute to the patriotic generals but right from his first visit to Algeria he refused to meet officially the Committee of Public Safety. He annoyed them by repeatedly referring to the bravery of the F L N soldiers and by refusing to commit himself to the Fascist programme of 'integration', and when (at the beginning of June) the rebel Committee had the audacity of attempting to dictate policy matters to him, he addressed to them a very sharply worded rebuke. He deprived the Committee of Soustelle but only at the cost of bringing him over to Paris as a Minister. He gave him the vital Ministry of Information but prevented his getting hold of the Home Ministry. Then he conceded to the generals a moral triumph. General Salan had declared that they (i.e., the rebel generals) would march down the Champs Elyses while the crowd would acclaim them. De Gaulle not only allowed them the march, he went further and decorated the traitor generals with medals and badges.

But immediately after the referendum, feeling himself stronger, de Gaulle struck a thunderbolt at the Fascist Committee. He ordered all Army staff to sever connections with political bodies, including the Committee. The order was obeyed and consequently the Fascist junta got somewhat weakened. But it was far from being liquidated and it took its revenge at the time of the referendum and the elections in Algeria. De Gaulle desired the referendum to be free and was expecting the elections to throw up F L N sympathising leaders through whom he could negotiate with the insurgents. He issued



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clear orders for the Army to see to it that elections were conducted as desired by him. Here he met with stubborn disobedience on the part of the Army. While there was no direct violence involved in the referendum (the moral and psychological atmosphere being sufficient to bring about the desired results), it is an admitted fact that the elections were far from being fair: even certain sections of the colon press (e.g., 'l'Echo d'Alger') complained about irregularities, which incidentally is a reflection of conflicts within the Fascist camp itself.

Another Coup?

Since the order mentioned above, the policy of the Army leaders has been one of silent non-cooperation. Orders and instructions are carried out in letter but flouted in spirit. But de Gaulle has gone ahead and managed to isolate one more of the key figures of the rebel camp; he gave an important promotion to Salan and brought him over to Paris. Following the establishment of the Fifth Republic, de Gaulle launched another attack on the disobedient generals. In the teeth of their determined (though veiled) opposition he ordered a large scale amnesty of Algerian prisoners. The Army leaders did not wait long to take revenge by executing a number of other prisoners. There is already talk about a possible second coup d'etat in Alger. De Gaulle's representative in Algeria is being obstructed in his work. Once more Alger is defying Paris and during the last visit of de Gaulle to Algeria there were, for the first time, hostile, abusive cries.

It is in his third task, namely that of putting an end to the war in Algeria that de Gaulle has, so far, totally failed. In the F L N de Gaulle has met an adversary that no threat or cajoling, no humbug or mystification can induce to budge from its uncompromising revolutionary purpose. It is true that de Gaulle has gone further out to meet the F L N than any other Prime Minister had ever dared before. It is also true that he has been the first head of a French Government to ascribe honourable motives to the insurgents. The F L N on its side also started by having some hopes about de Gaulle. It repeatedly expressed its desire to meet de Gaulle without even insisting on the condition of a prior acceptance of independence for Al-

THE ECONOMIC WEEKLY

geria. It has however stoutly refused to meet him excepting under strictly honourable conditions. Thus, one elaborately and secretly prepared meeting between de Gaulle and the F L N leaders failed to take place at the last moment due to misunderstanding about the place of meeting. The F L N leaders refused to have any talks with the French Government excepting on neutral territory. One has the general impression that de Gaulle would have gone further but was prevented by his Army generals and the Ultras who control Algeria. On the other hand the F L N has made up its mind not to expect too much from the supposed liberalism of de Gaulle but continue the war as if nothing has happened.

The war therefore goes on. According to French official figures, the number of deaths by September last amounted to 77,000 on the Algerian side and 7,000 on the French side without counting losses of civil lives. The war is no nearer its end today than it was anytime since its beginning four and a half years back. The Algerian youth is gradually thinning out but it still has the strength and the morale to continue fighting for years. The French Army is in better control of the Tunisian border, and it seems they have again acquired the upper-hand in the struggle. The Algerian Army on the other hand seems to be better equipped with heavy automatic weapons than ever before.

Peace of the Brave

The intransigence of the F L N has condemned de Gaulle to the pursuit of a policy that is predestined to fail. Unable to find a solution acceptable to the colons as well as the Algerians, he has also chosen, like the F L N, to act as if no solution was needed to any problem. Leaving the question of their status vague, he has been trying to domesticate the revolution by having the Algerian nationalists express their demands through institutional channels. The tragedy of de Gaulle in this particular matter is that he seems to be sincere. He has enough of the noble adversary in him to be able to say about the insurgents "...I say without beating about the bush that the greater part of the men in insurrection have fought courageously. Let us have the peace of the brave..."; but he cannot see or does not want to see that the Algerians cannot accept a "peace of



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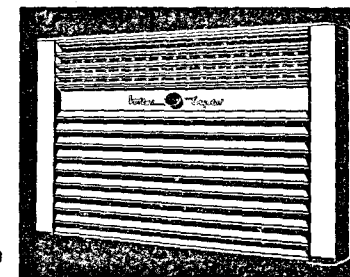
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the brave" if it means "...simply this: that those who have opened fire cease them and that they return, without humiliation, to their family and to their work."

Hoping against hope, de Gaulle imagined that he could get F L N representatives elected. But he did not get what he wanted. The 70 Algerians elected to the French Parliament under the new Constitution are one and all arch Fascists. (It is interesting to note that more than half of them are Arab collaborators.) The net result of the elections has therefore been to provide the U N R-Algerian coalition with an absolute majority in the Parliament.

Constantine Speech

The famous speech of de Gaulle at Constantine is important from several points of view. It at the same time reveals the intentions of the French Big Bourgeoisie about Algeria and illustrates de Gaulle's capacity for passing off sheer humbug as the product of a noble and generous mind. In this speech, delivered after the referendum, he announced a plan for Algeria which among other things promises that in five years,

(1) 10 per cent of the vacancies in the public services in the French mainland would be filled by the natives of Algeria;

(2) wages and salaries in Algeria would be made comparable to those in France;

(3) 250,000 hectares of land would be distributed among the native cultivators;

(4) there would be industrialisation of the region of a sufficient amplitude to increase regular employment by 4 per cent of the present Algerian population; this is to be the first stage of a longterm industrialisation plan that visualises gigantic complexes of chemical and metallurgical industries; and

(5) house construction on a sufficient scale to provide new housing to a million persons.

No comments are necessary on these promises. It may however be noted that despite the promise of some land to be distributed, there is not a word about any land reform, without which no industrialisation is possible.

The evolution of the situation in France from now on depends increasingly on the only two orga-

nised political forces which upto now have resisted all the charms and wiles of Gaullism like two solid rocks, the F L N and the Communist Party of France. If at all de Gaulle founders, as he most likely will, it will be on these two rocks.

Elite Unaffected

Algeria has hardly any native bourgeoisie. The F L N draws its ranks as well a good part of its leadership from among the peasant masses and the subproletariat of the urban centres of the colons. Whether its class character explains its conduct or not, the contrast between the F L N leadership as well as rank and file and the nationalists of Tunisia and Morocco (where there are more developed native bourgeoisie) typified by the suave, francophile Habib Bourguiba, is striking. Hardly ever has a nationalist movement been characterised by more iron determination, greater unity of purpose, and a purer spirit of revolt than that which inspires the F L N.

The opposition of the Communists is no less constant, uncompromising, and fierce, though, upto now, much less effective.

Against both these forces de Gaulle has scored significant victories. The landslide of the referendum has been for the Communists the biggest set back in all their history. The 95 per cent 'Yes' vote of the Algerians (for whom neither 'Yes' nor 'No' had any meaning) also indicated a dangerous amount of mystification and demoralisation of the mass base of the F L N. The important fact however remains that the leadership and the elite of both the movements remain completely unaffected: de Gaulle has not managed to create the slightest dissension among the ranks of the F L N or the Communist leaders.

The Next Stage

De Gaulle's victory has therefore remained very shaky. His only hope of lasting political success lay in rapid implementation of the programme of modernising the economy, reducing to a minimum the period of unemployment and economic hardships. This however meant a rapid solution of the Algerian problem. This project foundered on the rock of the F L N. Instead of reducing the economic burden of the war, he has been obliged to increase it.

The masses are bound to become discontented and disillusioned sooner or later, and then they will have only one party to turn to. In particular it is probable that a large section of socialist workers would turn their backs upon their leaders who had delivered them into the hands of de Gaulle, and join the Communists. This reverse movement of the pendulum would in its turn drive the Fascists to extreme steps. That would be the time when de Gaulle would have to be pushed aside and the real struggle begun between Communists and Fascists.

Communist Recovery

The process has already started "...I believed I understood the terrible game of the Bolsheviks... if, in the event of your success, they know to await the hour of disillusionment, of difficulties that the situation makes inevitable, they will count on being your successor. When? In ten weeks, ten months, or ten years—what does it matter to them?" This is from the secret letter that Guy Mollet wrote to de Gaulle to establish contact with him after the coup d'etat in Algeria.

It is now about ten months since that date. Communists are not nearer to being de Gaulle's successor, but they have already made a most resounding recovery as evidenced by the results of the municipal elections held in March. They have not only gained back almost all the ground lost in the elections and the referendum of last autumn; in many constituency, particularly in Paris they have even improved upon their position previous to the debacle.

The French Bourgeoisie wanted to eat its cake and have it at the same time. It wanted to have the advantages of a Fascist regime, and yet maintain a facade of democracy. I wanted to make use of a Hitlerian menace without acting as Hitler did. Its anxiety to remain respectable prevented de Gaulle from taking the only logical course open to him: destruction of the Communist Party at the time when the Communists were at their weakest.

Now it might be too late. That was a historic miscalculation on the part of the French Bourgeoisie. Respectability, chief among the bourgeois virtues, might now well lead it to its final undoing.

(Concluded)

The Role of Road Transport

Hannan Ezekiel

ROAD transport in India has been subject to restrictive control ever since 1939 when the Motor Vehicles Act was brought into the statute book at the instance of the railways. The immediate provocation was provided by the fall in railway revenues during the years of the great depression, which had been accentuated by the emergence of competition from road transport on a significant scale. The railway authorities brought pressure on the Government to take necessary action to prevent the growth of transport supply during a period of falling demand for transport. The Motor Vehicles Act was the result, but it came into force at a time when the circumstances which had provided the justification for some of its provisions had already changed radically, and an acute bottleneck had developed in transport. Yet, restrictive as the Act itself was, it was operated in a spirit of restrictionism that went much further than the letter of the law.

Transport Bottleneck

During the Second World War, development of road transport was naturally hampered by the non-availability of motor vehicles and spare parts. At the end of the war, in 1945, though a transport shortage continued to exist in the country, the Government of India issued a Code of Principles and Practice which throttled further development of road transport. At the same time, the burden of taxation on road transport became increasingly heavy and there was considerable harassment of operators by the road transport authorities in many States. All this continued even after the achievement of independence and the commencement of the First Five Year Plan, though throughout this period a more or less acute bottleneck was the normal feature of the transport situation.

As a result of persistent efforts by road transport interests, the question of transport policy was brought to the forefront when the Second Five Year Plan was being framed. The volume of investment resources demanded by the railways to enable them to carry the traffic likely to arise as a result of the implementation of the Plan was so large

that it was impossible to make this available without crippling the Plan itself. The railway plan was pruned; even so a substantial volume of resources had to be allocated to the railways. Road operators insisted that with a much smaller investment they would be able to play a very important role in carrying the country's goods, and that in any case the restrictions imposed on road transport operators should be relaxed to enable them to make full use of their existing capacity in the wider interests of the nation.

Administrative Defects

The development of an automobile industry within the country added new force to these arguments and the Motor Vehicles Act was amended in 1956 with a view to relaxing some of the restrictions that had been preventing the healthy development of road transport. While the road transport industry appeared to have received a powerful fillip from the new provisions of the Act, and it was apparent that a substantial volume of traffic was moving by road over fairly long distances, road transport operators complained that there was little real improvement in the circumstances in which they had to operate. In particular, they argued that the administrative mechanism for the implementation of the Act suffered from a number of grave defects which needed an early remedy if the country was to benefit from the healthy development of road transport.

It was against this background that the Road Transport Reorganisation Committee was set up under the chairmanship of Shri M R Masani. "It is felt," said the resolution setting up the Committee, "that the existing administrative set-up in most States is concerned more with the regulation of motor transport rather than its planned development." The Committee was, therefore, set up "to conduct a comprehensive inquiry and make

recommendations for the reorganisation of the transport administrative set-up in the States."

Road-Rail Co-ordination

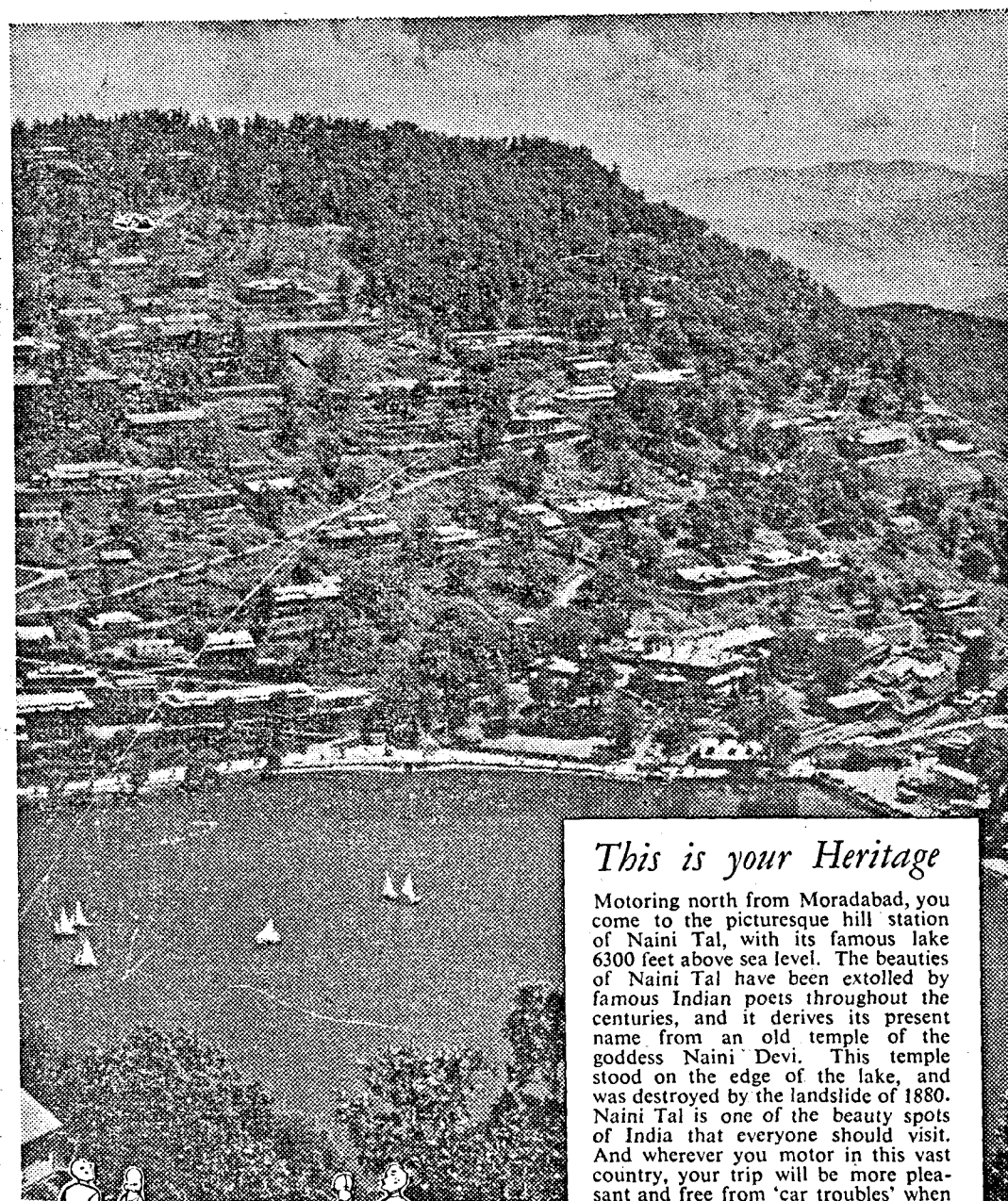
The report* of the Committee, which was submitted to the Government of India towards the end of March and has been recently published, is a comprehensive document examining the entire problem of road transport development in the country and making recommendations for the rapid and healthy development of road transport as an important part of the country's transport system. In discussing this question, the Committee has covered the problems arising in connection with what is called road-rail co-ordination and has attempted to lay down general principles for a sound transport policy for the whole country. Whether these questions fall within the purview of the Committee's terms of reference has been disputed by the railways representative on the Committee, Shri S R Kalyanaraman, who has submitted a note of dissent to the Committee's report.

On this question, there can certainly be two opinions, as it might be felt by some—and it was evidently felt by the members of the Committee—that it would be impossible to suggest a model administrative set-up without being clear about what the functions of such an administration should be and what principles it should follow in carrying on the administration. An administration, whose basic objective would be to control road transport in order to ensure that it provided little or no competition to the railways would have obviously to be organised along different lines from one whose basic objective would be to plan and foster the development of road transport.

Model Administrative Set-up

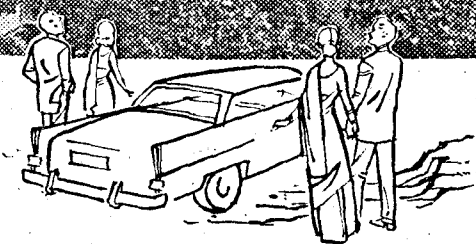
The Committee could take its cue with regard to the main purpose of the administration in this connection from the resolution of the Government of India, which in setting up the Committee pointed out that "it is essential that there should be suitable machinery in the States to look after the various problems facing the industry and to

*Report of the Road Transport Reorganisation Committee (Chairman: M R Masani), Ministry of Transport & Communications (Department of Transport), Government of India, New Delhi, 1959.



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plan and foster its development." The Committee probably felt that it was necessary to spell out the implications of this statement, which it could not possibly do without impinging on the question of rail-road co-ordination. Shri Kalyanaraman has argued that the Committee having been asked only to suggest a model administrative set-up which would ensure the elimination of inhibitory factors in the way of the development of motor transport, it was not thereby entitled to examining the several inhibitory factors and make recommendations as to how they could be eliminated.

Whichever of these two views about the scope of the Committee's terms of reference may be valid, there can be no question about the importance of the questions in fact dealt with by the Committee and of the need for their discussion at the highest level. It has been suggested that a separate committee should be appointed to examine the whole question anew and recommend a transport policy for the country. If such a committee is appointed, the discussion of some of the questions by the Masani Committee will certainly be helpful to that committee and the views expressed by it will have to be taken into consideration. The views of the Masani Committee need, therefore, to be carefully examined.

Basic Disagreement

Though the recommendations of the Masani Committee cover passenger transport and private freight carriers in addition to public freight carriers, it is the public carriers which are really important from the view of overall transport policy. It is to this aspect of the matter that the present discussion will, therefore, be restricted. Shri Kalyanaraman has supported only those recommendations which relate strictly to the question of road transport administration. It is not clear, however, whether he is really opposed to all the other recommendations, which he specifically rejects for the purposes of the present report. The question is, whether, if he had found no quarrel with the Committee with regard to its interpretation of its terms of reference or if the terms of reference had explicitly supported the Committee's interpretation, Shri Kalyanaraman would have rejected all the other recommendations of the Committee or only some of them.

On looking carefully through the report of the Committee, one cannot help feeling that Shri Kalyanaraman's basic disagreement could have been only with the recommendations contained in the chapter on "Licensing Policy". The recommendations of the Committee other than those relating directly to motor transport administration can really be divided into two groups. The first covers the inhibitory factors and recommendations for their elimination, while the second covers licensing policy.

Permissible Load Too Low

The Committee has recommended first that a larger provision should be made for road construction with improved surface and width necessary to cope with modern vehicles including trailers. It has recommended that particularly high priority should be given to the allocation of foreign exchange for buying high tensile steel required to construct about 116 major bridges, the absence of which is holding up through traffic on our National Highways. Interim arrangements like providing suitable diversions, allowing the use of railway bridges, ferrying motor vehicles in railway cars and providing ferries have also been recommended pending the construction or strengthening of bridges and culverts. The Committee has also asserted that the limits with regard to laden weights imposed on vehicles are at present too low and that the question should be subjected to a fresh examination at the technical level. For National Highways, it has recommended a uniform limit of 12 tons on two axles and has also insisted that the system of prescribing safe axle loads should be generally adopted. The use of trailers and semi-trailers has been generally supported and special tax concessions and preferences for government contracts have been recommended for multiple unit vehicles.

The recommendations with regard to supply of vehicles and spare parts, taxation, the recent adoption of measures to restrict consumption of diesel oil, and reciprocal tax arrangements between States, are along the familiar lines advocated by road transport interests. Unless the railway authorities feel that quite apart from the licensing policy followed, the elimination of such inhibitory factors in the field of road transport should be prevented in order to reduce the competitive strength of motor vehi-

cle operators, there would appear to be no justification for opposition to the recommendations of the Committee on these subjects.

What Is a Viable Enterprise?

The recommendations of the Committee with regard to viable units probably require more careful examination. There can, of course, be no objection whatsoever to the recommendation of the Committee that while the formation of efficient enterprises should be encouraged in all reasonable and legitimate ways, no ban should be placed on the owner of the single truck in the case of goods transport. The ownership of a single truck is all that is possible to many of the present operators in the industry and it is probably the best way of entering the industry for the first time and acquiring the necessary experience with regard to the ownership and management of a freight transport organisation. The single truck owners also provide a certain amount of flexibility to the industry and maintain that competitiveness within the industry which is so essential if the user is to obtain a decent deal. Besides, no study has ever been made of the economics of the freight motor transport industry with a view to finding out whether or not the single motor vehicle owner can play a useful role in the industry.

The Committee has gone on, however, to recommend that while there should be no ban on the single vehicle owner for intra-State operation, the unit for State-wide operation should consist of a minimum of five vehicles and for inter-State operation of ten vehicles. What is the basis for this recommendation? "Such limits are considered by the Committee," says the report, "not to be against the interests of the small man or to discriminate against him, because they only correlate facilities made available to the capacity of the unit to provide efficient service." Unfortunately, though five and ten are very convenient round numbers, and it may well be that firms owning these numbers of vehicles do have certain peculiar advantages in the provision of efficient service, there is really no evidence to that effect at all. In fact, there is so far not even any evidence that an increase in the scale of operation results in any improvement of efficiency in this industry. Most of the advantages that are supposed to

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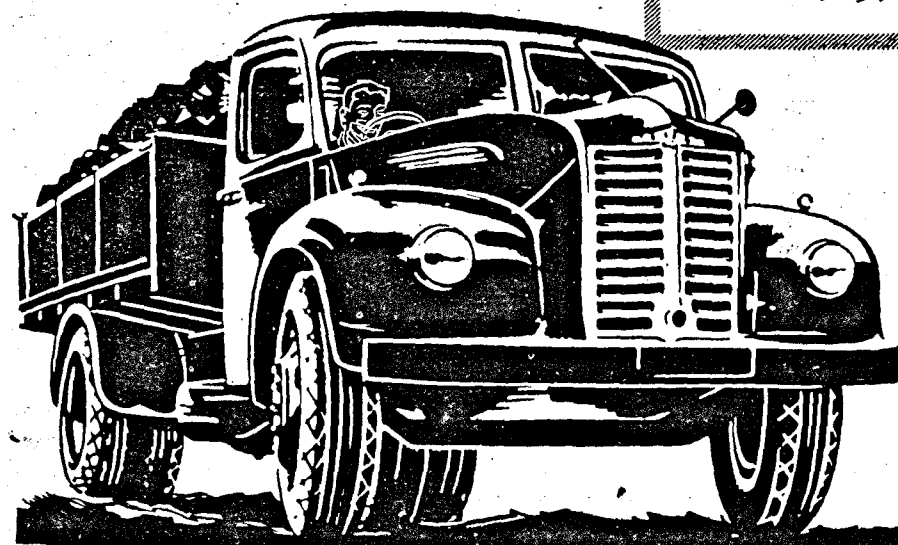
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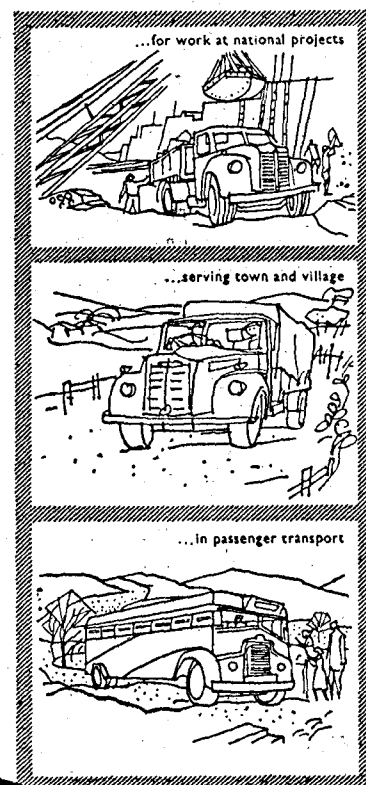
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follow from the possession of a number of vehicles by a single firm may, for instance, result from the development of an organised system of booking and forwarding agents having relations with units possessing only a few vehicles each.

Investigation Necessary

The following figures obtained by me in connection with a small survey of freight motor transport operators in the Bombay region are interesting in this connection. Of the 4,701 firms with currently valid permits, 4,133 were single vehicle owners, 498 had two to four vehicles, 46 had five to nine vehicles and only 24 firms had ten or more vehicles. These figures are exclusive of the Bombay State Road Transport Corporation, which had 190 freight vehicles registered as public carriers with the Regional Transport Authority in Bombay. The maximum number of vehicles owned by any private firm was 40.

It may be of course that the same firms had vehicles registered in other regions, so that the total numbers of vehicles owned by them are different from those shown by the above figures. This is the sort of question, however, which requires to be investigated before any decision on it is reached. With regard to its recommendation on this subject, the report points out that "such a scheme will in the Committee's view also provide a strong incentive towards the formation of efficient and viable enterprises." What exactly is a viable enterprise in this field is not really known today and must be the subject of investigation.

Nationalisation

The Committee has then gone on to make recommendations with regard to provision of credit facilities for motor vehicle operators. On the question of nationalisation of road transport, it has recommended that nationalisation should be resorted to only if such a step is necessary in the opinion of the State Government for providing efficient, adequate, economic and properly co-ordinated services. It has also recommended that where it is decided upon, nationalisation should be carried out according to a phased programme.

With regard to freight transport, it has recommended that the existing moratorium on nationalisation should be extended for a period of at least ten years from the end of

the Third Five Year Plan. Here, perhaps, it could have gone further to recommend on principle that while nationalisation of passenger transport might be considered, nationalisation of goods transport should generally be eschewed altogether.

Licensing Policy

The main controversy between the railway representative on the Committee and the other members relates to the recommendations, regarding the licensing policy that should be followed for road transport. The view of the Committee that road transport will inevitably play a greater role in India than at any time in the past and will have to be developed on a large scale has determined its recommendations on this question. According to the Committee, "any attempt to cling to railways would be to do grave injury to the interest of the country." Looking at it from another point of view, the Committee has held that the task of the planner in a democratic society is to balance the free choice of the consumer with the needs of the maximum utilisation of resources invested in various forms of transport. The Committee has also come to the conclusion that the average cost of carriage is not less on the railways than on the roads.

On the basis of these conclusions, the Committee has recommended that "within the estimated overall capacity of the State, the issue of intra-State public carriers' permits should be free and unrestricted subject to the allocation of a certain number of permits to each region in order to ensure all-sided development." The Committee has also recommended that "Permits for inter-State transport of goods should be issued following a liberal policy somewhat on the system prevailing in the U S A, where the governing factor is public convenience and necessity, to meet all felt needs."

These are the conclusions and recommendations to which the railways have taken objection. The railways' case has been carefully set out by Shri Kalyanaraman. Clearly, however, the questions raised are of fundamental importance and relate to the basic problem of the appropriate transport policy to be followed under a planned economy. These questions require to be separately examined.

Largest Lime Kiln

THE largest lime kiln in India, rated to burn 450 tons of limestone per day, was blown-in at Tata Chemical works, Mithapur on May 10. The putting into commission of the second lime kiln completes the first major step in the expansion programme of the Company which will lead to higher production of soda ash from the next year.

The kiln, designed and engineered entirely by Indian engineers of Tata Chemicals, and over 95 per cent of which was fabricated in India, cost half of what an imported kiln of a similar type would have cost.

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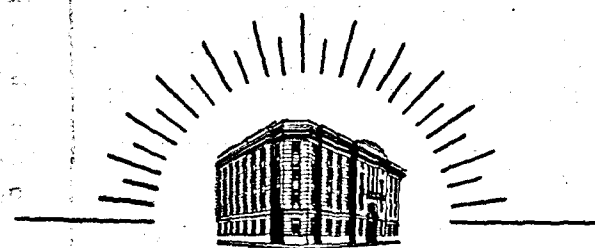
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Challenges to Policy of Greater Employment Lay-offs, Retrenchment and Closures in U P

J L Rastogi

LAY-OFFS, retrenchment and closures in Uttar Pradesh present unique problems in labour-capital relations. These are the alternate devices adopted usually to tide over periods of industrial breakdowns or financial crises. A lay-off is a case of partial unemployment in which workers agree to remain partially out of work in rotation to meet some temporary and unavoidable crisis. The workers laid-off do not cease to be employees of the concern. They are paid 50 per cent of the consolidated wages and are required to present themselves at the factory gates regularly.

Retrenchment, on the other hand, means 'the termination by the employers of the service of a workman for any reason whatsoever, otherwise than as a punishment inflicted by way of disciplinary action'. It is generally adopted in periods of heavy depression, severe mechanical breakdowns, financial difficulties, or when it is desired to work on a rationalised basis and the surplus labour force cannot be advantageously and economically absorbed or laid-off.

A closure is a permanent or temporary suspension of the entire work by the employers to meet continued loss in business, economic crisis, severe and irreparable breakdown in machinery, acute shortage of raw materials or power or any other severe unforeseen contingency. It is, however, adopted only after all possible alternatives including lay-off and retrenchment have proved ineffective.

Alarming Trend

No doubt, lay-offs, retrenchment and closures are useful devices to meet unforeseen contingencies, but in U P they have assumed extensive dimensions. These affect the level of employment adversely. While the effects of lay-offs are temporary, retrenchment and closures may add to the level of unemployment permanently. Frequent use of these devices cannot be justified in these days when we are trying to create greater employment in varied fields. (Lay-offs are more common in Textiles, while retrenchments and

closures are frequent in 'Food, Drink and Tobacco' group of industries.)

It is clear from Table 1 that the number of lay-offs, the workers involved and the resultant loss of man-days have been quite substantial. Man-days lost per 1000 workers have registered a more or less rising trend since 1951 except in 1957. The precipitate fall in man-days lost per 1000 workers in 1957 is due to an enormous increase in the number of workers involved. Such a trend in lay-offs is not conducive to happy labour-capital relations and industrial progress.

The loss of human energy due to lay-offs is much more than that due to strikes and lock-outs. (See Table II).

Like lay-offs, retrenchment also adversely affects the level of employment, though the number of persons retrenched every year forms a small percentage of the total industrial employment. (Table III)

The problem of closures is still more serious as it might lead to permanent loss of employment. (Table IV).

Provisions of the Law

In industrially advanced countries cases of lay-offs, retrenchment etc are regulated by collective agreements. But in our country in view of the ignorance and illiteracy of the working masses, such agreements are rare. Lay-offs and retrenchment in India are regulated by the Central and State Industrial

Table I—Lay-offs in U P, 1949-58

Year	Number	Workers involved (nos)	Man-days lost (nos)	Man-days lost per lay-off (nos)	Man-days lost per 1000 workers (nos)
1949	161	56,426	2,45,407	1,524.3	4,367
1950	327	98,526	10,10,894	3,091.4	10,260
1951	771	1,37,455	8,43,467	1,094.0	6,136
1952	1,721	75,221	5,79,826	336.9	7,708
1953	1,671	87,067	5,39,374	333.6	6,195
1954	1,230	81,860	10,15,901	825.9	12,410
1955	1,113	87,021	10,87,887	977.4	12,501
1956	880	45,215	6,92,249	786.6	15,310
1957	1,144	2,59,566	10,08,783	881.8	3,886
1958	810	66,037	23,55,542	2,908.1	35,670

Source: 'Annual Reviews of Activities', Department of Labour, Government of U P.

Table II—Man-days Lost Due to Strikes and Lockouts and Lay-offs

Year	Man-days lost due to strikes and lock-outs (nos)	Man-days lost due to lay-offs (nos)	Man-days lost per 1000 workers due to strikes and lockouts (nos)	Man-days lost per 1000 workers due to lay-offs (nos)
1949	4,03,888	2,45,407	1,727	4,367
1950	2,29,149	10,01,894	985	10,260
1951	3,05,792	8,43,468	1,510	6,136
1952	1,66,709	5,79,826	806	7,708
1953	1,46,931	5,39,374	711	6,195
1954	1,61,462	10,15,901	786	12,410
1955	20,60,184	10,87,887	9,950	12,501
1956	2,38,515	6,92,249	1,024	15,310
1957	2,36,005	10,08,783	1,053	3,886
1958	1,01,508	23,55,542	421	35,670

Source: 'Annual Reviews of Activities'

Disputes Acts. According to the provisions of these Acts lay-offs, cannot be adopted by seasonal factories or by those employing on an average 50 persons or less in the preceding year. All the workers laid off with services of not less than a year are entitled to receive at least half the consolidated wages as compensation for periods of lay-offs. However, such compensation is not payable to those workers (i) who refuse to accept alternate jobs in the same establishment or in any other concern under the same management within a radius of five miles provided they do not involve any pecuniary loss to them or any special skill or experience or (ii) who fail to present themselves at factory gates at the appointed time regularly. The compensation is also not payable if a lay-off has been forced by a strike or slowdown in any other department of the concern.

The conditions, the mode and the order of retrenchment have also been prescribed by the Industrial Disputes Acts. In the absence of an agreement, workers to be retrenched must be given at least one month's notice in writing, specifying the conditions leading to such a drastic measure, or should be paid wages for the period of such notice. Provision also has been made for the payment of retrenchment compensation equivalent to 15 days average pay for every completed year of service or any part thereof in excess of six months.

Malafide Use Not Uncommon

However, these provisions are far from adequate. Cases of closures are still uncovered by the provisions of the Industrial Disputes Acts. What is more distressing is that even the inadequate provisions of

the Act are seldom followed in their true spirit. No doubt, it is the inherent right of the management to determine the strength of a concern. But, frequently they abuse their superior position and do not fail to take advantage of the loopholes of the Industrial Disputes Acts. Cases are not uncommon where lay-offs, retrenchment and closures have been adopted in this State not with the real intention of meeting an emergency but with a view to victimise and punish workers who refuse to dance to the tune of the masters. The use of these devices to meet selfish ends has discredited them and even when they are resorted to with bonafide intentions they are looked at by the workers with suspicion and doubt.

Lay-offs and retrenchment are frequently resorted to. Ordinarily in lay-offs and retrenchment, the principle of 'last come first go, is followed. But sometimes comparatively junior workers have been retained in preference to senior workers under the pretext of greater skill and capacity and better past records particularly in cases of retrenchment. Cases are not uncommon where lay-offs and retrenchment are carried on in an irregular manner. Workers are very often not served with proper notices. Besides, under the Industrial Disputes Act the amount of retrenchment compensation has been related merely to the length of service without any regard to the capacity of the industry, the nature of service and the probable time for which a retrenched worker is likely to remain unemployed. It is well-known that employers do not fail to bargain privately with workers concerned with regard to retrenchment compensation.

Table III—Number of Workers Retrenched in U P

Year	Workers retrenched (nos)	Average Industrial employment (nos)	% of workers retrenched
1949	10,252	2,33,837	4.4
1950	1,764	2,32,695	0.8
1951	2,573	2,02,514	1.3
1952	3,840	2,06,832	1.9
1953	1,779	2,06,740	0.9
1954	2,248	2,05,294	1.1
1955	1,861	2,09,674	0.9
1956	1,469	2,32,974	0.6
1957	2,599	2,42,519	1.1
1958	4,632	2,40,888	1.9

Note: Figures relating to 1949 and 1950 include Defence establishments.
Source: 'Annual Reviews of Activities'.

Table IV—Closures of Factories in U P

Year	Number of closures	Workers involved (nos)	Workers involved per closure (nos)
1949	116	33,658	290.2
1950	165	26,843	149.3
1951	81	8,549	105.5
1952	59	5,373	91.1
1953	102	10,343	101.4
1954	126	18,002	142.9
1955	58	3,489	60.2
1956	60	13,728	228.8
1957	55	3,419	62.2
1958	85	8,454	99.5

Source: 'Annual Reviews of Activities'.

Preventive Steps

Whatever may be the reasons, frequent resort to lay-offs, retrenchment and closures are wasteful. These should be resorted to with bonafide intentions and only when they are absolutely unavoidable. In order to gain the confidence of the workers in such measures their desirability should be discussed and recommended by a Joint Committee of the workers' and employers' representatives of the concern. As most of the lay-offs, retrenchment and closures are due to uneconomic working, high cost of production and business losses, the solution, in the ultimate analysis lies in rationalisation. But vigilance over employers can certainly be helpful.

Strict control should be exercised over lay-offs, retrenchment and closures. An autonomous corporation should be established to scrutinise not only all applications for closures,—as recommended by the Textile Enquiry Committee, 1958 in the case of textile mills—but also those relating to lay-offs and retrenchment. The Corporation should suggest the measures to avoid them and minimise their ill effects according to the circumstances of each case. The Corporation should also be authorised to take over the plants which are unable or unwilling to avail the facilities offered or which resort frequently to lay-offs, retrenchment and closures with a view to victimise workers.

A close study of the consumers' tastes and preferences should be undertaken and production should be adjusted to the needs of the markets. Such steps will not only minimise lay-offs, retrenchment and closures, but also create greater employment.

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Dalal Street Hits New High

Thursday, Morning

IT was interesting ('amusing' might be more appropriate) to hear Shri M A Master remark at a meeting of the Forum of Free Enterprise last week that New Delhi's present industrial policy had led the people from a 'revolution of expectations' to a 'revolution of frustration'. He also talked of a 'crisis of confidence'. But where is the mood of frustration and where the crisis of confidence?

The shipping magnate cannot be unaware that the stock market is literally booming. The staggering response to the Rs 35 lakh Colour-Chem issue (applications totalled nearly Rs 6 crores), which has been the talk of the town, must have also reached his ears.

Surely, the stock exchange boom has not been engineered by a few powerful professional speculators. Nor is it true that investors and speculators are buying shares merely as a hedge against inflation. By and large, the major upward trend in equities reflects improving economic prospects in the country. Expert opinion may differ on ends and means, but few will deny that the country is moving forward both economically and industrially. The growth potentialities of India are indeed tremendous. Only the national will needs to be harnessed. It does little credit to the Forum of Free Enterprise that it should be crying wolf all the time. The least it can do is to avoid using the language of crisis.

To come back to the market story. Dalal Street, which had taken a big leap forward earlier, made another impressive advance last week. Of course it did pause now and then to have rest for a while, but profit-taking reactions were a very short-lived affair. The uneasiness, which followed the Congress Planning Committee's suggestion that unproductive assets and unearned incomes of every description should be heavily taxed, did not last for more than a day.

Gains were large and well-distributed. And the best levels of the week were touched generally on May 13. The buoyancy in Cotton Mill shares was really remarkable. This followed excellent advices

from the cotton piece-goods market. Most traders say that the current turnover in the cloth market is the record of a few decades. Demand is said to be particularly keen in respect of finer varieties of cloth. It is feared that if the present tempo of demand is maintained, dealers may have to queue up at some of the more popular mills.

If one were to go by the industry's stock argument that huge stocks of cloth had accumulated in the past two years because high food prices left less money for cloth, the rise in the index for food prices over the year from 105.9 to 112.8 (April 18) should have gone against the revival of cloth off-take. It can be argued, however, that agricultural incomes have risen with increased production this season. The fact is that confidence has revived in the trade. This would have come about much earlier if only the industry had not persisted in using the language of crisis to gain concessions from Government.

Apart from encouraging the cloth off-take, sentiment in the Cotton Mill shares was greatly helped by reports that New Delhi was in a mood to offer more incentives to boost exports. Of course, exports do not matter much for the industry because it can sell all it produces in the internal market at fairly remunerative prices. After all, exports have always been a small percentage of the total off-take.

Steel shares were comparatively subdued although they picked up appreciably towards the week-end. Even though the shareholders and management of the Tata Steel Company were generally known to have virtually agreed to raise fresh capital through the issue of both Ordinary and Preference shares on lines mentioned in these columns a week ago, rumours persisted that the issue might consist only of ordinary shares, considered to be bearish from the market viewpoint. The Board's meeting on May 14 should settle the issue. Meanwhile, the management have withdrawn the earlier notice in respect of the closure of transfer books for divi-

dend. This has been welcomed by the market because of its predominantly speculative character. The investor can only hope that the formalities about the capital issue will be completed soon, so that dividend distribution is not delayed.

The miscellaneous section continued to have a full quota of bright spots like Bombay Burmah, Premier Construction, Tata Locomotive and National Rayon. Scindia and Tata Chemicals also shot into the lime-light around the week-end. Cement and Sugar shares shared the general improvement in prices. Corporate news was generally encouraging.

Notwithstanding the recent spectacular rise in prices, technical analysts continue to expect the current bull phase to carry prices substantially higher. This does not preclude the possibility of occasional technical setbacks. They are essential to keep the market healthy and vigorous. Some day the market will also pause for a prolonged correction spread over weeks and months. But that time is not yet.

Oilseeds

Further Advance

OILSEEDS last week registered new highs for the season. Prices had recorded handsome gains in the preceding week, but last week's performance was no less impressive. Castor September advanced from Rs 171.25 to Rs 177.62 (per candy), groundnut August from Rs 204.50 to Rs 207.25, cottonseed September from Rs 137.75 to Rs 140 and linseed September from Rs 34.37 to Rs 35.56 per cwt. Speculative interest centered mainly on castor. Linseeds came next, to be followed by groundnuts and cottonseeds.

Last week's rise of Rs 6.37 in castor September followed the previous week's improvement of Rs 7.25 per candy. Prices shot up without any further export business in castor oil. The highest price realised for castor oil Commercial sold to the U S recently was mentioned at 14.125 cents per pound, but the rise in domestic prices took the Indian parity to about 15 cents.

Speculators pushed up prices on the argument that America had

not taken all it needed and that if it wanted to buy more, the price factor might not count much. That is possible. Considerable significance attaches to the persistent purchases of oil and castor futures by a big foreign firm which is the largest dealer in castor oil in Brazil. But considering the tremendous excitement in the market here, the oversea buyers would probably like to mark time. Technical considerations alone would seem to favour a setback in prices here. Of course, one can never be sure of a technical reaction.

Groundnuts firmed up further, but buyers were generally reserved and bulls were inclined to cash profit. Scarcity of offerings helped the uptrend. Sentiment was also aided by the sudden revival of oversea demand for groundnut extractions with the U K quotation for 50 per cent O and A up again rising from £29-10 to around £30-5 per ton, May shipment. Inquiries were particularly keen for distant positions. Fairly good business was said to have been put through during the week, but it could have been still better if exporters had not held off in anticipation of higher prices. The Communist bloc was mentioned as the main buyer. The U K took only a little. Total sales were estimated around 2,500 tons. Groundnut oil continued to be considerably out of parity.

Linseeds improved despite increased offerings in oil and oilcakes with the progress of the crushing season. Bears covered and bulls also supported the market. The chief cause appeared to be growing strength in castor and groundnuts. Export business in linseed cake was poor, and prices realised were about 10 to 15 shillings down over the week, the latest U K quotation being placed at about £32-10. As for linseed oil, the disparity between Indian and foreign prices is so wide that export business is almost unthinkable in the near future. Australia remains the only customer, taking up a few hundred tons now and then. Cottonseeds held firm which was only to be expected because of the tight supply position and the strong bull hold in upcountry markets.

Total tenders issued so far consist only of 100 candelies of castor, 1,100 candelies of groundnuts and 275 tons of linseeds. There has been no tender yet in cottonseed

May. The figures of margin paid to the Bombay Oilseeds Exchange as on May 8 are Rs 25.83 lakhs in groundnuts (both hedge and delivery contracts), Rs 17.58 lakhs in castor, Rs 6.6 lakhs in linseed and Rs 3.75 lakhs in cottonseeds.

Cotton

Spurt after Setback

AFTER being distinctly subdued during the earlier part of the week under review, cotton futures developed remarkable strength, with the August contract striking a new high of its career. Jarilla August, which had receded from Rs 706.25 to Rs 701.75 in the previous week, eased further to Rs 696.75 on May 8 but shot up to a new high of Rs 711.50 by May 13. Corrective profit-taking brought down the rate to Rs 708 the same day. The May contract eased from Rs 693 to Rs 686 and recovered to Rs 701 to come down later to Rs 695.25.

The earlier setback was essentially technical, a correction of the preceding rise. But when the price curve was inclined lower, market men talked of all sorts of rumours. A heavy margin at above Rs 700 was widely tipped. Some talk of curb on advances against cotton and quite a few about the downward revision of ceiling prices for the 1959-60 season. Besides, the announcement of an import quota for one lakh bales of cotton stapling 1-1/16 inches and above was considered imminent.

Nothing came about, but substantial bull liquidation and some short selling greatly improved the market's technical position. Prices shot up on renewed bull support, and the rise in prices produced sizable bear covering. Tenders, survey and appeal and super appeal results—all these had their influence, but the main guiding factors were the excellent reports of cloth off-take and the basically tight supply position of raw cotton.

Tenders issued last week amounted to 950 bales which raise the total up to May 13 to 1,900 bales, comprising 1,600 bales of Laxmi A and 300 bales of Cambodia. With the spot market so very firm, tenders are unlikely to be heavy.

There can scarcely be any doubt about the supply position of cotton. It is not for nothing that most varieties are available at only above the ceiling rates. And since mills cannot be expected to show much

enthusiasm for buying cotton at black market prices, the volume of business in the spot market has shrunk considerably. Inferior quality cottons like Kalyan and Wagad have been attracting increasing attention recently because of the relative cheapness.

There was not much doing on the export front last week. Stray business, concluded now and then, did not add up to more than a few hundred bales. With internal prices keeping so very high, the prospect of pushing sales abroad seems rather dim at present. But there is little chance of any notable decline in internal prices.

Bullion

The Tide Turns

THE tide has turned. The boom in bullion seems to have passed its peak. Odds are that the highest levels, touched recently by gold and silver, might not be repeated for quite a long while. On May 4, gold and silver Jeth settlements were quoted at Rs 122-15 and Rs 198-8 respectively. But on May 12, they were sold down to Rs 116-7 and Rs 189-14, and the closing rates on May 13 were a little better at Rs 117 and Rs 190-15 respectively.

Since the market had been scaling new peaks week after week (gold touched an all-time high of Rs 124-15, Vaisakh delivery, on May 4), technical considerations alone warranted a good setback, but the manner of the recent break in prices suggests that the decline cannot be dismissed as merely technical. Of course, one can never be too sure of a market which is all the time working under abnormal conditions. Abnormal, because gold and silver are used mainly for hoarding purposes (including ornaments), and illegal smuggling is the only source of supply of gold and silver.

Bullion prices have come down with a bang. Not that smuggling activity in gold has increased recently or silver coins have found their way into India in large quantities. Prices have crashed because they could not be pushed beyond levels which made hoarding seem unattractive. When bulls found that they could not attract public follow-up support on the rise, they made up their mind to liquidate their positions. And when bears found that bulls had lost their hold

on the market, they did not lose the opportunity. They also hammered the market. With both bulls and bears, anxious sellers and fresh support lacking, a sharp break in prices was inevitable. The fall in silver led to the enforcement of a margin on bears. Until last week it was the bull who had been paying margins which were really heavy at times.

Company Notes.

Brighter Future for Kohinoor

THE unpleasant dispute within the top management of Killicks, which, though patched up now, resulted in the loss of two able Directors, has fortunately not come in the way of drawing up a programme for the rehabilitation of Kohinoor Mills. While comparable mills in other groups had initiated modernisation and rehabilitation of equipment many years ago, Kohinoor was lagging behind. The eminent position which it had once held in the textile and capital markets was, therefore, lost. This modernisation and rehabilitation scheme was set in motion last week; its first phase will cost Rs 60 lakhs. Had this programme been started earlier, it would have cost less. Nevertheless, it is still not too late for Kohinoor to recover the reputation it enjoyed at one time both at home and abroad. The programme envisages modernisation, mostly of spinning equipment, and import of combers, which, together, will cost Rs 42 lakhs. The balance will be spent on finishing machinery and the rehabilitation of some looms. Rationalisation of labour is being effected by retrenchment of about 400 workers. Fortunately for the mill, no compensation whatever has to be paid because the employees affected are temporary or due to retire.

Almost since its inception, Kohinoor has specialised in the manufacture of finer cloth, largely out of imported cottons. Recent import cuts, however, forced the mill to change over to domestic cottons. This has not merely strained the mill's equipment which was designed to spin finer counts, but has also adversely affected the quality of the mill's fabrics. Simultaneously the prices of domestic cottons have risen very high owing to a poor crop and deterioration in quality. Kohinoor's export performance has consequently suffered, since it has had to face competition from

fabrics manufactured out of cheaper foreign cottons. The rising prices of domestic cottons, which have now ceased to be cheaper than comparable foreign varieties, mean grave difficulties for textile exports. For a long time our cloth exports enjoyed the advantage of using the cheapest raw cotton in the world. This advantage has gone now. If the textile industry is to give a good export performance, it must not only modernise itself but also have access to the cheapest possible cotton. Shri A N Haksar, in his speech from the Chair of Kohinoor Mills, had good reasons to plead for larger imports of foreign cottons so long as the price of domestic cottons remained at uneconomic levels. It is perhaps not widely known that the mills which have an established position in export markets manufacture coarse and medium fabrics out of relatively longer staple cottons. This under-spinning makes for better quality. Scarcity of medium-staple domestic cotton over the last two years and the cutting down of imports have, therefore, reduced the competitive capacity of well-known exporting mills. Larger imports of foreign cotton may strain the foreign exchange position, but they can pay their way by making for a better export performance in textiles.

Tata Textiles

THE textile slump has affected the sales revenues of all mills, while costs show no signs of going down. Their financial position is rendered still more difficult by the pressing needs of replacement and modernisation. The annual reports of two Tata textile companies, Swadeshi and Tata, which relate to the year ended December 31, 1958, indicate stationary sales but considerable progress in modernisation of equipment.

Swadeshi, which is the older by 24 years, expanded its net fixed assets by Rs 11 lakhs to Rs 152 lakhs, which included installation of new equipment worth Rs 24 lakhs. The company has applied for another 240 automatic looms in addition to the 560 it already has. If this application is granted, the company would need additional finance of the order of Rs 23 lakhs. Its own capital at present is Rs 215 lakhs and short-term borrowing Rs 50 lakhs; the latter is lower by Rs 8 lakhs compared to last year.

Its sales improved over the year from Rs 372 lakhs to Rs 396 lakhs, but the gross profit margin declined from 2.5 per cent to 2.0 per cent, due largely to payment of Rs 5 lakhs as bonus to workers for previous years. Profit before tax declined from Rs 929 lakhs to Rs 798 lakhs, but lower tax liability has kept the net profit at nearly the same level as last year at Rs 673 lakhs. Net earning per ordinary share of Rs 100 has declined fractionally, nevertheless, from Rs 6.04 to Rs 5.98. Distribution has been raised from Rs 9 to Rs 10, without deduction of tax, by drawing nearly Rs 11 lakhs from General Reserve No. 1, which consists of retained profits that have borne tax already.

The accounts of the 47-year-old Tata Mills disappoint for the second year in succession, though it has by now completed more than three-fourths of its replacement programme for ring frames, and the remainder is well on its way to completion. Fixed assets rose during the year from Rs 137 lakhs to Rs 153 lakhs, including installation of new machinery worth Rs 20 lakhs. Orders have been placed for finishing equipment worth another Rs 11 lakhs. The operating results, however, are unsatisfactory. Sales declined from Rs 335 lakhs to Rs 330 lakhs. Gross profits came down to a paltry Rs 7,000 against Rs 2.21 lakhs, and that too after skipping on depreciation to the extent of nearly Rs 11 lakhs. The managing agents have foregone their commission once again and have not even charged their minimum allowance of Rs 50,000 this year.

The company's owned capital is Rs 129 lakhs, of which Rs 15 lakhs consists of capital redemption reserve. In addition it has debentures of Rs 40 lakhs, which are nearly four times covered by the net fixed assets, and other loan liabilities of Rs 109 lakhs. The capital structure is, thus, heavily burdened by loans.

L.I.C.'s NEW BUSINESS

THE Life Insurance Corporation has completed new business worth Rs 48.78 crores during the first four months of 1959 showing an increase of Rs 5.55 crores over the corresponding period of 1958. Business introduced during this period shows an increase of Rs 20.12 crores.

CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores			
	Latest Week	Week Ago	Month Ago	Year Ago
1. Note circulation	1774.72	1751.11	1764.48	1629.96
2. Rupee Coin	123.69	132.06	131.69	129.25
3. Deposits				
Central				
Government's	51.75	53.28	49.69	53.29
Other				
Governments'	16.44	22.44	7.50	15.73
Banks'	63.67	83.70	91.53	111.99
Others'	117.95	118.06	118.29	112.42
4. Foreign Securities	178.01	178.01	178.01	184.83
5. Balances held abroad	25.73	25.21	35.93	73.68
6. Rupee Securities	1360.77	1350.81	1351.25	1207.47
7. Investments	244.81	264.98	211.51	244.96
8. Loans and advances to Governments	41.39	39.39	35.99	57.53
9. Other loans and advances	87.68	75.97	89.06	55.95
Scheduled Banks				
1. Demand Liabilities (net)	718.82	754.57	749.53	733.92
2. Time Liabilities (net)	969.45	938.23	917.40	744.07
3. Cash	124.38	132.90	115.93	138.65
4. Borrowings from Reserve Bank of which against Usance Bills	29.11	27.20	48.69	20.93
5. Advances & Bills (inland & foreign) discounted of which State Bank's	1021.97	1020.58	1021.12	955.86
6. Invst. in Govt. Sec. of which State Bank's	201.43	203.23	207.34	205.88
6. Invst. in Govt. Sec. of which State Bank's	623.67	615.62	611.52	445.05
Cheque Clearance	133.34	179.07	151.41	140.00

For Reserve Bank and Cheque Clearance week ended 8-5-59. Scheduled Banks week ended 24-4-59.

Bombay Money Rates				
	(per cent per annum)			
Call Money	1-5-59	24-4-59	3-4-59	2-5-59
From banks	3½-3¾	3½-3¾	3½-3¾	3-4½
From public	3-3½	2½-3½	3-3½	—
Three Months	3-4	3-4	3-4	3-4½
Six Months	2-4	2-4	2-4	2-4½

Bombay Bullion				
	(In Rupees and nP)			
	6-5-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	121.44	123.90	121.12	113.25
Forward	123.50	122.53	120.25	110.37
Silver (per 100 tolas)				
Spot	201.19	201.56	200.12	196.06
Forward	198.44	199.31	200.12	193.31

INDUSTRIAL DISPUTES IN INDIA

(Numbers)			
Year/Month	Disputes	Workers involved	Working days lost
1954	840	477,138	3,372,630
1955	1,166	527,767	5,697,848
1956	1,203	715,130	6,992,040
1957	1,522	666,253	5,903,083
1958: Oct	138	95,882	822,965
Nov	137	60,478	513,389
Dec	147	70,473	422,406
1957: Jan	155	129,791	405,805
Feb	124	57,833	269,041
Mar	113	42,516	287,650
Apr	161	66,724	414,535
May	163	76,337	455,037
June	153	106,234	734,545
July	198	96,715	764,308
Aug	205	146,511	821,211
Sept	232	148,148	842,508
Oct	222	110,548	533,206
Nov	175	61,498	338,979
Dec	155	84,831	512,831
1958: Jan	145	58,402	354,185
Feb	133	87,130	342,205
Mar	167	91,489	818,824
Apr	170	65,199	490,816
May	160	61,570	560,459
June	163	164,673	1,529,248
July	164	64,516	464,165
Aug	147	72,579	655,057
Sept	132	59,359	415,083
Oct	121	36,501	262,600
Nov	128	34,689	175,017
Dec	126	46,861	180,558

Source: Deputy Commissioner of Labour, Government of Bombay.

INDUSTRIAL DISPUTES IN BOMBAY STATE

(Numbers)			
Year/Month	Disputes	Workers involved	Working days lost
1954	201	111,273	396,287
1955	255	103,319	361,249
1956	294	245,140	705,881
1957	306	192,283	867,311
1957: Jan	34	11,624	46,424
Feb	26	13,432	33,285
Mar	31	16,107	61,351
Apr	35	25,919	123,603
May	28	22,741	34,906
June	25	17,891	71,093
July	38	17,829	151,493
Aug	17	6,712	85,731
Sept	36	26,506	81,333
Oct	52	31,455	53,990
Nov	31	12,934	33,603
Dec	26	16,101	90,499
1958: Jan	31	14,946	69,955
Feb	25	11,475	27,114
Mar	19	5,426	11,428
Apr	34	16,858	113,292
May	25	10,340	147,368
June	26	65,701	605,755
July	30	77,219	197,087
Aug	21	8,824	10,709
Sept	21	5,802	15,209
Oct	17	1,949	20,561
Nov	23	3,811	13,444
Dec	24	17,602	33,848
1959: Jan	21	14,449	27,814
Feb	20	5,231	15,371

Source: Deputy Commissioner of Labour, Government of Bombay.

WORKING CLASS COST OF LIVING INDEX

(Monthly Average or Calendar Months)

(Base: 1949 = 100)

	Bombay		Calcutta		Delhi		Kanpur		Madras		All India (average)	
	F	G	F	G	F	G	F	G	F	G	F	G
1955	110	110	90	92	97	99	68	78	96	99	92	96
1956	117	115	98	98	112	109	81	89	110	111	105	105
1957	123	120	106	105	117	114	87	94	113	116	112	111
1958	133	129	111	110	117	113	94	96	124	124	119*	116*
1957: Mar	117	116	101	100	118	114	83	91	111	114	107	107
Apr	117	116	100	100	116	112	81	89	111	114	108	108
May	121	118	102	102	119	114	85	92	110	114	111	110
June	124	121	106	105	119	115	86	93	112	115	113	112
July	126	122	107	106	119	115	90	96	113	116	113	112
Aug	126	123	110	108	123	118	93	98	113	115	115	113
Sept	125	122	111	109	115	113	91	97	111	115	115	114
Oct	125	122	110	108	115	113	91	96	113	116	113	113
Nov	129	125	111	109	114	112	89	96	120	121	116	114
Dec	128	125	109	107	111	110	85	93	119	121	113	113
1958: Jan	127	124	106	105	111	109	83	91	118	120	112	111
Feb	126	124	104	104	110	108	81	89	118	120	110	110
Mar	127	124	104	105	110	108	82	89	116	119	110	110
Apr	131	127	105	105	109	107	85	91	116	119	112	111
May	132	126	106	106	110	108	87	93	117	120	114	113
June	133	129	109	107	114	111	94	98	118	121	118	116
July	138	133	114	112	122	116	99	101	125	125	122	119
Aug	137	132	118	115	123	117	102	103	127	126	124	120
Sept	136	132	119	116	124	117	104	104	128	127	125	121
Oct	137	132	119	116	125	119	108	108	133	130	127	123
Nov	136	131	117	114	127	120	106	106	136	132	127	122
Dec	133	130	110	110	124	118	100	101	137	133	122	119
1959: Jan	132	129	104	105	129	122	102	103	132	130	115*	114*
Feb	—	130	—	104	—	126	—	103	—	127	—	118*
Mar	—	—	—	104	—	126	—	—	—	127	—	—

Note: F—Food
G—General

*Provisional. Source: Central Statistical Organisation, Delhi

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Group and Sub-Group	Week Ended				Monthly Average			
	25-4-59	18-4-59	28-3-59	26-4-58	April 59	Mar 59	Feb 59	April 58
Food Articles	112.2	113.0	112.7	105.7	113.1	113.8	115.7	105.2
Cereals	98.3	97.5	100.5	98.0	99.0	101.7	105.1	97.2
Pulses	90.5	93.0	109.4	82.5	96.2	113.4	121.0	82.4
Fruits and Vegetables	122.6	124.2	117.7	112.5	121.6	118.4	114.9	108.0
Milk and Ghee	113.0	117.9	105.2	106.0	115.0	106.9	105.2	105.2
Edible Oils	127.5	125.6	123.9	122.8	125.6	123.3	121.7	122.8
Fish, eggs and meat	106.7	107.9	106.1	102.3	106.9	104.9	105.7	102.3
Sugar and gur	128.1	128.8	128.1	112.8	128.0	128.2	127.5	113.5
Others	149.7	150.6	149.2	130.0	150.8	150.0	156.5	130.7
Liquor and Tobacco	97.5	97.5	98.9	93.4	97.5	100.3	104.4	93.4
Tobacco	95.8	95.8	97.5	91.7	95.8	99.0	103.4	91.7
Fuel, Power, Light and Lubricants	115.6	115.6	115.6	114.9	115.6	115.6	115.1	115.0
Industrial Raw Materials	117.6	117.6	115.9	114.3	116.2	116.2	115.5	114.2
Fibres	108.7	108.1	107.2	112.7	108.0	107.9	107.4	112.1
Oil Seeds	129.8	128.3	127.7	118.7	127.4	127.6	126.4	118.7
Minerals	101.4	101.4	103.6	105.1	101.4	102.9	103.1	106.2
Others	112.4	111.5	111.3	109.9	111.6	111.2	111.1	110.2
Manufactures	108.0	108.1	108.3	107.8	108.1	108.2	108.4	107.7
Intermediate Products	107.9	108.6	109.0	108.8	108.4	109.4	110.6	108.9
Finished Products	108.0	108.1	108.2	107.7	108.1	108.0	108.0	107.6
Textiles	102.2	102.2	102.4	105.2	102.3	102.1	101.7	105.2
Cotton	110.6	110.6	110.9	114.1	110.8	111.0	111.1	114.4
Jute	83.7	83.7	—	89.0	83.6	82.3	82.0	88.1
Woollen	105.2	105.2	105.2	103.7	105.2	105.6	105.9	103.7
Silk and Rayon	95.7	95.7	95.7	92.4	95.7	95.0	92.4	92.8
Metal Products	143.3	143.3	143.3	143.3	143.3	143.3	143.3	143.0
Chemicals	110.4	110.5	110.8	99.1	110.6	110.7	110.6	99.0
Oil Cakes	138.8	140.4	140.7	117.4	139.2	140.1	147.5	116.9
Machinery and Transport Equipment	106.1	106.1	106.1	102.8	106.1	106.1	104.7	102.8
Others	112.8	113.0	112.9	113.3	112.9	113.2	113.7	112.6
All Commodities	111.6	111.9	111.7	107.7	111.9	112.3	113.3	107.4

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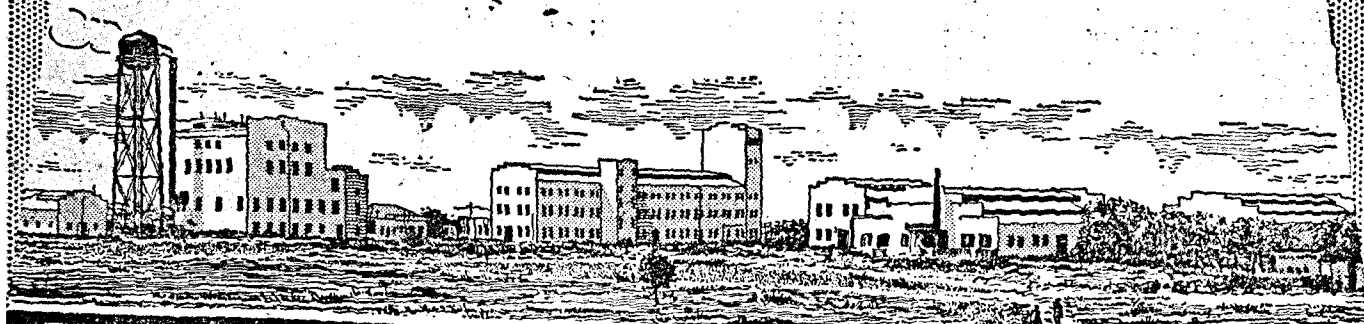
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Test for Neighbours

MR BLACK'S efforts at solving the Indus waters dispute have taken the matter of settlement to a new level. As mentioned elsewhere in this issue, the 'general principles' on which India and Pakistan are agreed have not been clarified by any of the three parties engaged in the negotiations. Whether this is in fact a major step towards accord between the two countries depends ultimately on the possibility of translating these principles into a plan of action. Apart from this, the novel element that has entered into the situation is the move to spread the financial burden of the settlement over a wider group of nations. This was in a sense inevitable; for the difference between what India was prepared to undertake and what Pakistan was prepared to accept was so large that without others stepping in to assume a part of the responsibility, no agreement would have been possible. But the idea needed a sponsor and has fortunately found one in Mr Black.

Mr Black is optimistic about outside assistance coming in adequate quantity and in good time for the construction works included in the project. The amounts involved are doubtless large from Indian and Pakistani angles; but they are not too large to be provided jointly by U S A, U K, Canada and Australia—even if other countries cannot be persuaded to contribute. Considering that the construction of replacement works in Pakistan will be spread over some years, the annual draft on the resources of these countries for the purpose will not be anything extraordinarily heavy. Mr Black is, therefore, justified in his optimism if one looks at the relative magnitudes of the resources required for the Indus project and the capacity of the countries mentioned to provide such resources. However, there are still many bridges to be crossed on the way to a settlement.

In the first place, Mr Black has to make sure that the resources made available for implementation of the Indus project are a net addition to the resources provided by the richer countries for the economic advancement of underdeveloped countries the world over. For this country, which is expecting to draw on the rest of the world substantially for its Second and Third Five Year Plans, this is a question of major importance. Whatever the agreement, there is little doubt that India will have to contribute a sizable amount towards the cost of construction works in Pakistan. This will obviously add to the difficulties of finding domestic resources for the Third Plan. If in addition there is a diversion of possible external assistance away from India's development plan, it will mean an accentuation of the problem. It is, of course, arguable that even if foreign assistance received by India were no larger than would be the case otherwise, the material and psychological gains flowing from a settlement of the canal waters dispute would constitute a net gain to this country in the long run.

Indeed if settlement in this area were to improve Indo-Pakistan relations to such an extent as to enable reduction in defence expenditure, there might well be no curtailment in what would be made available for the development plans. One cannot dismiss this possibility as wishful thinking. At the same time, one cannot take such a development for granted. Like India, Pakistan also would be calculating the balance of net advantage. Mr Black surely is not unaware of all this,

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and one hopes that his optimism is based on something more substantial than just belief in the possibility of additional aid from abroad. The replacement works have apparently to be wholly in Pakistan if Pakistan is to agree to the plan and any loan for this purpose will have to be to Pakistan. But since the benefits of the settlement will accrue to India also, the Government of Pakistan might insist on a part of the servicing of the loans being borne by India. This argument may in fact bedevil any bilateral negotiations that might become necessary even after general agreement is reached with U S A, U K and others for financing the project. Even if certain general principles have been evolved in dealing with this matter, the details of the agreement can be the subject of prolonged bargaining.

There is cause for some concern here because India is interested in ensuring that the scheme is carried out within the time limit set by her. By 1962, India will need all the waters of the eastern rivers. If there is delay in the construction of replacement works in Pakistan, India may be called upon to continue the supply of water to Pakistan at the cost of her own needs. This was one of the contingencies India had tried to avoid in the scheme she prepared for solving the dispute. And clearly, in the detailed negotiations, this is bound to come up—for the reason that considerable investment has already been undertaken in anticipation of the availability of more water from the eastern rivers in 1962.

The settlement that Mr Black is hopeful of bringing about has, therefore, to satisfy several criteria. It has to be acceptable to the disputants; it has to be attractive to the countries invited to join in; and it should be capable of being implemented quickly. Obviously, if the last two conditions are satisfied, the first may also be satisfied with relative ease. In his negotiations with U K and so on, Mr Black will probably be obliged to outline not only what the Bank proposes to do but also how it proposes to get the work done. This is a matter about which the outside world knows very little—though the talks in New Delhi and Karachi might have covered it. The project is patently a large one, and it may not be the wisest thing to let all of it

be implemented by Pakistan single-handed.

What is the alternative? The thought occurs to one of having a supra-national agency to handle the project, similar to the outfit set up for clearance of the Suez Canal. But the analogy would be misleading for several reasons. The dimensions of the work are much larger; and at least in the present state of knowledge, the project is much less specific. Furthermore, Pakistan may not be willing to accept the debt liabilities without having control of operations. Here again, the problems are not such as cannot be solved, given a sense of urgency and perspective. But the Indus waters dispute has so far been conspicuous for the absence of such a sense of urgency.

'Mediation' on Goa?

IT is remarkable how sometimes even mature people misunderstand a simple position. The brief correspondence between Mr Wedgwood, a Labour member of the British Parliament, and Mr Harold Macmillan, the British Prime Minister, has been fairly widely misinterpreted as an official and significant move for the solution of the Goa problem. Mr Wedgwood had written to Mr Macmillan asking if it was possible for the British Government to mediate between India and Portugal with a view to 'settling' the dispute over Goa; and Mr Macmillan had replied that Britain would be only too glad to offer its good offices for bringing the two countries around a table if that were the desire of both of them. But since neither had expressed any desire of that nature, there was nothing Britain could do to help.

Immediately the headlines of newspapers started to scream with anticipation. 'Mac Offers to Mediate on Goa' they sang. As a matter of plain fact, poor Mac (with his hands more than full with a thousand other problems at the moment) had done nothing of the sort. He had merely told a questioner how the procedure of mediation normally worked between Governments. That is all.

The Goa issue is not 'open to negotiation. There can be no bargain over the territory. It is as much a part of India as Pondicherry and the other French enclaves, which Paris has had the

Even if the financial side of the Indus project is taken care of, Mr Black will still be a considerable distance from his objective. However, it would be unkind to ask him to arrange everything for us. A stage has now been reached when India and Pakistan should undertake to devise a *modus operandi* for implementing the project, should Mr Black solve the financial question. Since things have to be done quickly, it is important that India and Pakistan do not wait until Mr Black has gathered in the funds to start working out the practical arrangements. For both India and Pakistan, there is now a rare opportunity to translate into action the goodwill each professes for the other.

slow good sense to give up peacefully. Portugal, evidently, is not prepared to follow the example of Paris. At any rate, not yet. It stubbornly holds to the view that Goa is Portuguese—a claim which contradicts both history and geography. Any expression of willingness on the part of India to seek Britain's 'mediation' on the issue would signify that we are willing and ready to concede that Portugal too has rights in Goa. That is absurd, and therefore mediation is quite impossible.

This does not mean, however, that the well-meaning Mr Wedgwood is helpless to do anything in the matter. There is a great deal he can; and it is in the direction of persuading his Government and his people (who take great pride in referring to Portugal as their 'oldest ally') to impress upon Lisbon that its position in Goa is morally and in every other way untenable. Portugal has never been made conscious of this patent fact by a frank expression of European opinion. It is time this omission was made good. If Lisbon is forced to realise that it is on an internationally weak wicket on this question, it may see reason and concede India's rights. Only then would the time come for 'negotiations'—to work out the details of the transfer of Goa to India. On the principle of the transfer, neither mediation nor negotiation is conceivable.

End of an Uneasy Alliance

FACED as Ceylon is with a multitude of problems, it can ill afford the political uncertainty that has overtaken it. But in a sense, there was no escaping the crisis. The coalition between Shri Bandaranaike's Sri Lanka Freedom Party and Shri Gunawardene's Viplavakari Lanka Sama Samaj Party, torn as they have been by basic differences in outlook and approach, could not be expected to function smoothly for long. That the two parties managed to pull together for three years is perhaps as much due to a prudent submission to political realities on the part of both of them as to the tact and spirit of compromise shown by the Prime Minister, Shri Bandaranaike.

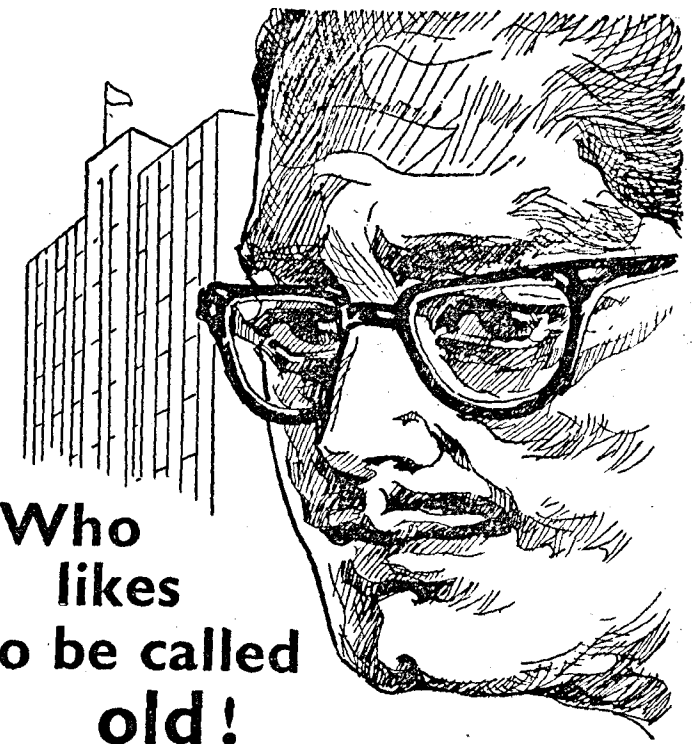
But it was throughout a somewhat uneasy alliance, each wing watching how the other was behaving and each anxious not to let the other exploit the coalition for its own ends. Particularly deep was the anxiety among some leaders of the Lanka Freedom Party that Ministers of the other party were using their portfolios of Food, Agriculture, Co-operative Development and the like to spread Leftist influence among the masses. Conflicts, both inside the Cabinet and outside, had been frequent in the past; but matters actually came to a head over the controversial Co-operative Development Bank Bill sponsored by Shri Philip Gunawardene.

Contending that this Bill would lead to the emergence of Communist authoritarianism in Ceylon, Ministers belonging to Shri Bandaranaike's Sri Lanka Freedom Party sought a showdown. They asked the Prime Minister to choose between them and Shri Gunawardene. Staving the crisis until after the annual session of his party, Shri Bandaranaike, in a final attempt at reconciliation, took over or re-allocated some of the portfolios belonging to Shri Gunawardene and the other Left-wing Minister, Shri P H William Silva. As a protest against this, the two Ministers resigned, bringing to an end the uneasy alliance of three years.

To the extent that this development has brought homogeneity to Shri Bandaranaike's once-divided Cabinet, there is reason for satisfaction. But in the process, the Prime Minister's party has lost the

support not only of five members of the Viplavakari Sama Samaj Party, but also of some of his own more radically-inclined party men, who would not approve of the re-allocation of portfolios. Though Shri Bandaranaike has been expecting a fresh accession of strength to his party from independents and others, the position is still so fluid that there can be no easy prophesying about the final picture. Meanwhile, some source of confidence is the fact that none of the rival parties is yet inclined to go to the country for a fresh mandate, which means that Shri Bandaranaike has a reas-

onable chance of getting together a team to carry on the administration, particularly as groups in the Opposition do not yet appear capable of taking over. But will it be a Government strong and stable enough to tackle the pressing problems of the island? Can homogeneity in the Cabinet make up for the loss of that support which the Leftist Ministers had brought with them once? These questions must bide their answer as the people of Ceylon debate the grave issue of a choice between democratic socialism and communism raised by the Prime Minister.



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Weekly Notes

Settlement in Sight?

ANY development that facilitates settlement of a long-standing dispute between two neighbouring countries cannot but be welcomed. The dispute between India and Pakistan over the distribution of the Indus waters has plagued relations for over a decade in spite of the mediation of the World Bank. It appears at long last that an early accord over this issue is a distinct possibility.

The history of the dispute, with plan and counter-plan being presented by the two countries, need not be recapitulated at this stage. Suffice it to say that even after the pattern of distribution of the waters of the Indus river system between India and Pakistan had been agreed upon, an overall agreement was made impossible by failure to agree on how water supplies to Pakistan's existing canal system were to be maintained intact after India withdrew the supplies which she had been extending to Pakistan in the past, but to which she was entitled under the agreed pattern of distribution. The need of solving the problem became increasingly urgent year by year as the progress of India's development plans made it necessary to reduce water supplies to Pakistan from the eastern rivers of the Indus system.

It will be remembered that the proposals put forward by India for replacement works to meet this problem were not acceptable to Pakistan because they involved dependence on projects sited on Indian territory. Alternative proposals put forward by Pakistan were considered by Indian engineers to be grandiose and out of all relation to the objective of replacing the water supplies withdrawn by India. India had agreed to contribute towards the cost of the replacement works needed for implementing the agreement, but this country was not willing to accept the crippling financial liability involved in the scheme proposed by Pakistan.

That a permanent settlement of the dispute is in sight is evident from the statement made in Karachi by Mr Eugene Black. "We have succeeded," he said, "in establishing

general principles acceptable to both Governments that afford a firm basis for negotiating a final settlement." Unfortunately, no information on the general principles now found acceptable by both the parties has been vouchsafed so far. Newspaper reports suggest that the final agreement will be based on the Pakistan scheme, but India, it would appear, is not to contribute more than what she had agreed to spend in connection with the Mahru tunnel scheme.

The World Bank statement, however, is vague on this point. The press note also points out that 'it is the other friendly countries—the UK, the US, Australia and Canada—which would provide adequate financial assistance which would enable Pakistan to take in hand and complete the big construction programme.' Though this assistance seems to have been taken for granted by the World Bank, no commitments in this respect have been made by these Governments as yet. Perhaps Mr Black has some informal assurances on this question. It is apparent from his statement, however, that a formal approach to these Governments is to be made only now, with the scheme proving not unacceptable to both Governments concerned directly with the dispute.

Party Merger in Andhra

THE coming together of splinter groups for a more effective assertion of views is a happy development. The report from Hyderabad of the merger of two such groups in the Andhra Legislature is, therefore, welcome. One of them is the Democratic Party of Andhra Pradesh consisting of Congressmen who had broken away from the parent body because of internal squabbles, and the other, the Socialist Group which had split from the Lohia-led All-India Socialist Party.

Whatever the merit or demerit of the factors that had caused the dissidence, these splinter groups had only frustration to face in their isolation, neither of them being strong enough separately to influence opinion. But with the merger that has been announced, they will be the main Opposition Party in the

Assembly with a strength of 42 as against the Communist Party's strength of 37. Meanwhile, the new party, calling itself the Socialist Democratic Party, has also appealed to Praja-Socialist members in the Assembly to come in. Whether the Praja-Socialist members will finally agree to an actual merger or not, it is fairly clear that they will extend co-operation to it.

A convention of the Socialist Democratic Party is to be held at Tenali in Andhra Pradesh around the middle of June, when the party is to give itself a constitution and formulate policies and programmes. Meanwhile, spokesmen of the new party have declared that they stand for the philosophy and programme of democratic socialism. The party is to aim at the achievement of a democratic, decentralised social system, guaranteeing the economic and social needs of the common people and maintaining and enlarging the basic freedom of the individual. In other words, it is the declared intention of the new Party to provide an alternative to Congress rule that is different from the one presented by the Communist Party, the largest single group in Opposition so far. It is only to be expected that the new Party will be subject to fire not only from the ruling Congress Party, as was the case so far, but also from the Communist Party which is soon to lose its pre-eminence in Opposition because of the merger. But while taking this double attack, members of the new Party can have the satisfaction of not only making their presence at last felt in both the camps, but also of pioneering a way of their own to progress.

Three-Man Cabinet

IN spite of all the friendly negotiations and expressions of harmony that went before, the formation of the Congress-Ganatantra Parishad Cabinet in Orissa has not been without a hitch. The last-minute dispute was over the strength of the Cabinet, the Congress suggesting a team of either five or eighteen Ministers and the Parishad standing for either three or nine Ministers. Involved in this was also the demand of the Parishad for parity with the Congress, though

with the exclusion of the Chief Minister.

In deciding on a Cabinet of three members, Dr Harekrushna Mahatab, leader of the Congress Party who is mainly responsible for the success of the negotiations, can be said to have not only met the demand of the Parishad in respect of Cabinet composition but also paved the way for experimentation with a small, compact team. In trying to satisfy diverse interests, the tendency in various States in the past has been to go on increasing the strength of Cabinets—at times, even to the point of ludicrousness. For the first time now, an attempt has been made in Orissa to resolve conflicting demands by following an exactly opposite course—keeping the strength of the Cabinet down to the barest minimum.

With the formation of the Congress-Ganatantra Parishad coalition, the general hope has been that the political uncertainties hanging over Orissa for long are likely to vanish. It is no doubt clear that the coalition will command an impressive majority in the State Assembly so long as agreement on the common programme accepted by the two parties continues. But whether such a lasting agreement can be taken for granted yet is not so clear. The quest for the coalition has not been an easy one; and, indeed, opposition to it both from Congress and Parishad circles was, initially at least, considerable. Elements in both parties are still suspicious of one another, and alert to find out what the other camp may be up to.

Trucks for Defence Ministry

THE decision of the Defence Ministry to produce certain types of trucks and vehicles for their own requirements was severely criticised by Shri K C Mahindra, Chairman of Mahindra & Mahindra Limited, in his address to the thirteenth annual general meeting of the company. Shri Mahindra's main contention, that the decision reflects a lack of coordination between the Ministry of Defence on the one hand and the Ministry of Commerce and Industry on the other, is unexceptionable. The latter Ministry, which regulates and controls the development of the automobile industry, has been taking various measures to ensure progress on sound lines, and has been concerned, in this connection, with the problem of an inadequate total

demand for vehicles. The Tariff Commission, examining this question in 1956, had recommended that civilian and military requirements should be co-ordinated, presumably in order that the producers might be able to maintain an adequate volume of demand. Shri Mahindra's contention is that production of military vehicles in Ordnance Factories will mean subtraction of an important part of the demand from the private producers, 'which to that extent will diminish the incentive to lowering of prices'.

What the pattern of the overall demand for jeeps is Shri Mahindra is in the best position to know. But with regard to trucks, if the Masani Committee's conclusions are valid, there would appear to be a greater danger of inadequacy of supply from the domestic producers to meet the anticipated demand. It is difficult to see, therefore, how the Defence Ministry's decision is likely to affect the automobile industry's position adversely, at least in the immediate future. Shri Mahindra's contention that 'the Ordnance Factories, with their limited volume, will not be able to achieve production at any lower cost level' seems more reasonable. That the Defence Ministry's decision will change the climate for private producers of trucks in the country and that they may become reluctant to embark on programmes of expansion because of that decision do seem likely, however. Shri Mahindra failed to point out that the existence of spare plant capacity in Ordnance Factories was no argument in favour of embarking on the production

of motor vehicles as spare capacity in these factories in peace time is an essential part of the country's defence system.

Small Cars

SHRI MAHINDRA also welcomed the appointment of the Jha Committee to examine the possibility of producing a more economic car for the common man. Such a car must obviously be a low cost car and not necessarily a smaller car. It is being contended that there is no need to start the production of another car which would satisfy low price requirements, since the production of any such car within the country would necessarily have a powerful impact on the present producers of small cars. It is being suggested, therefore, that steps should be taken to bring down the price of any one of the small car models now being produced within the country, so that it may fall within the range of Rs 5,000 to Rs 7,000 which has been suggested for the new car. Shri Mahindra had evidently not considered this possibility at all. He, therefore, spoke of this problem as if it implied the introduction of an additional model into the market.

In any case, it is difficult to accept Shri Mahindra's suggestion that Government should think of licensing the import of about 2,000 small cars of the make approved for manufacture within the country. It is true that this would relieve the pressure on the prices of vehicles to some extent, but this might not happen if there is really a large potential demand for cars at the lower

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price level. There are, of course, the foreign exchange considerations, which must be treated as paramount. Besides, even if an altogether new car is to be introduced into the market, there would appear to be no justification for exhausting a part of the anticipated

Our Delhi Letter

Price Policy in Public Enterprises

THE basis of pricing for public enterprises has received renewed attention in the capital owing to a contention raised by Dr V K R V Rao in his note to the Sub-Committee of the A I C C on the Third Five Year Plan. There he is said to have rejected the theory of 'no profit, no loss' in public enterprises and suggested the adoption of a 'price and profit policy for public enterprises such as will make the State increasingly reliant on its own resources (as distinguished from taxing the personal incomes of its citizens).'

This contention, it may be recalled, is not a bit different from that of the Taxation Enquiry Commission, of which he was a member. The Commission categorically stated that the method of fixing prices in public undertakings according to a 'no profit, no loss' basis was a luxury which only developed countries, with the private sector taking the main initiative in economic development, could afford.

In under-developed countries like India, State initiative and enterprise has a more dynamic role to play, and it has to break new ground where private capital is shy. "This suggests an approach to pricing policy for public undertakings somewhat different from what obtains generally in advanced countries" (Vol I, p 201.) It went a step further and said that though serving the 'public purpose' should be the main aim of public undertakings, the realisation of increased profit could in itself constitute public purpose.

With Dr Rao, this principle of pricing perhaps has added importance in view of his being concerned with the transition of the present mixed economy to socialist economy, making for the gradual extension of 'socialist islands' in the vast sea of private enterprise. With him, the extent to which the public sec-

demand for the car by permitting the import of as many as two thousand vehicles. The fact that the production of the new car might have a large import content for quite some time is another reason for not using up valuable foreign exchange on the import of cars,

when much foreign exchange will in any case be required for the import of components of the new car.

Whatever the difficulties caused by the non-availability of small cars within the country, no case can be made out for the import of a large number of cars at this stage.

tor finances both the investment and maintenance expenditure of Government, even more than the proportion of public expenditure to total expenditure, would provide the main index to the country's march towards a socialist society. Following the logic of his argument, the ultimate goal seems to be a pattern not unlike that of a collectivist economy where the larger part of public revenues is derived from non-tax sources. For example, in USSR normally only 10 per cent of the public revenue is derived from general taxation and loans, and the remainder from the profits of national enterprises and the turnover tax on the products of public enterprise.

Dr Rao's argument assumes a good deal of importance against the background of the increasing difficulties faced by Government in raising resources through direct or indirect taxation. In spite of all the efforts that are being made to increase the proportion of public investment expenditure to total investment expenditure, the position has not improved. Under the First Plan, the public sector planned to mobilise for its purpose about 40-45 per cent of all the domestic savings. This was not far from the actual achievement in 1950-51. Thus the First Plan did not envisage any marked break in the public-private expenditure relation. It actually succeeded in mobilising 42 per cent of the total savings. A different conception prevailed in the framing of the Second Plan. While the total domestic savings were expected to grow by Rs 2,125 crores during the progress of the Second Plan, the savings to be mobilised for the public sector were to grow by Rs 1,150 crores over what was actually achieved under the First Plan. Thus it planned to draw within its fold a little less than 73 per cent of the anticipated growth in savings.

It is being gradually realised that without a very aggressive (and effective) system of taxation and enforcement of other controls and without a realistic price policy, this change in the saving pattern cannot be achieved. Experts estimate that, as matters stand, the proportion of domestic monetized savings that can be mobilised for the public sector at the end of the Second Plan will not be much different from what it was under the First Plan. If, with this achievement at the end of the Second Plan, we are to have a Third Plan of the magnitude of Rs 9,000 crores and if the domestic economy is to contribute, say, about Rs 6,000 crores as some people are suggesting, with a liberal assumption of Rs 3,000 crores coming in as foreign aid, then, in marginal terms, about 95 per cent of each additional crore of the domestic monetized savings would need to go to the public sector (see Wilfred Mallenbaum in 'Economic Weekly,' January, 1959).

The object of quoting all these figures is to show that unless the public sector can immediately bring within its fold a greater percentage of domestic savings, then the idea of a gradual evolution of the mixed economy towards a socialist economy would remain merely a dream. And if the scope for additional taxation is very limited and the effort already undertaken has been large, and the current rates of direct as well as indirect taxation are high, (Appraisal and Prospects of the Second Plan, p 19), then some other alternative has to be chosen. It seems that the Taxation Enquiry Commission had exactly this situation in mind when it stated, "We agree that, as a form of taxation, profit from public enterprise has less to commend it than direct taxation, but we also must affirm that it is no less suitable as a means of raising revenue than many of the indirect taxes to which resort is

necessary in the alternative." (Vol I, p 203)

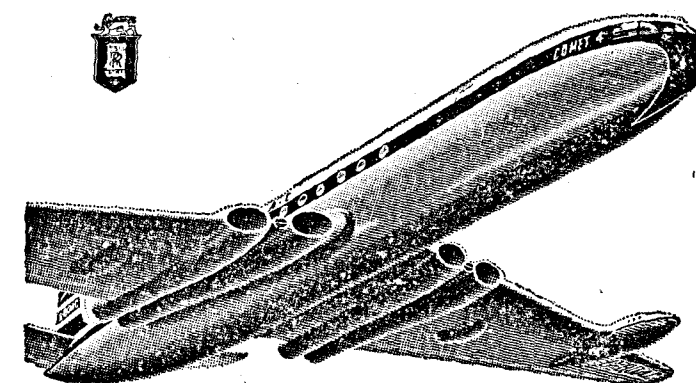
If the principle of mobilising domestic savings through an appropriate price policy be accepted, then its implications should also be considered. Firstly, so long as the percentage of income that is generated in the public sector does not exceed the present 10 per cent, the possibility of mobilising domestic savings in a large measure is limited. Therefore, the proportion of income that is to be generated in the public sector should be on the increase. Secondly, the most profitable lines of investment may not lie in the domain that is being allocated to the public sector by the Industrial Policy Resolution of 1956, namely, the A and B Schedule industries.

Apart from Railways, and Posts and Telegraphs, the total outlay of the Central and State Governments on electricity and irrigation, road transport and industrial undertakings is not very insignificant. In spite of their enjoying a monopolistic position, the income has been very low as a proportion of the capital invested. Expert committees should be formed to go into the rate structure of railways, electricity and irrigation to find out ways of raising the revenue. Ultimately, everything depends on public co-operation. It would be better if all the political parties come to an agreement about it. An intensive drive to propagate the necessity of the moves should be launched. What can happen to an attempt to raise revenue without public support has been amply demonstrated in the Punjab Anti-Betterment Levy campaign. In fact, under the Second Plan, it was proposed to raise about Rs 48 crores by way of betterment levy. Now it is not expected to yield more than Rs 2 crores.

It redounds to the credit of the Congress Party that in the Nagpur Resolution and in subsequent discussions it has mentioned profits in public enterprises as a potential source of revenue. The jargon of 'no profit, no loss' came to the fore in the context of State trading in foodgrains. If Dr Rao's argument has been directed against this and if he feels that profits should be realised through State trading in food grains, then it may have some other consequences not so enviable.

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Road vs Rail Transport Reply

THE purpose of my article was to refute the contention that the capital cost of carrying a million ton of goods over 300 miles by road, is twice that required by the railways. This was the basic premise of the Member, Transportation, the Railway Board. The same figures were advanced by Shri Neogi, Member, Transportation, Planning Commission, in July 1957, and presumably this was a fundamental premise in the argument that finally gave the Railways Rs 1,125 crores out of a total Plan expenditure of Rs 4,800 crores.

My intention in choosing the example of a large quantity of a heavy commodity such as iron ore, and a long haul, was not to demonstrate the all round superiority of road transport under all circumstances, but to show that even under conditions most favourable to the railways, the converse of the premise advanced by the Member, Transportation, the Railway Board, and supported by the Member, Transportation, Planning Commission, is likely to be true.

I am of course aware that there are conditions under which transport by rail offers many significant advantages—but my concern was only with relative capital costs. Since Mr Beckman does not disagree with me on this point, and as I have satisfied myself about the correctness of his arithmetic, I will merely refer to certain practical and technological considerations that will affect his conclusions.

Mr Beckman is of course very correct when he maintains that likely profitability is an excellent guide to investment. However, calculations of likely return are a great deal more complicated than he seems to imagine. Railway returns cannot be created by simply raising charges. In fact there is hardly a railway system in the world which earns the 7-9 per cent return, in the expectation of which Mr Beckman suggests investment in railways. On the other hand most successful road operators make considerably more than 8 per cent, even after paying heavy taxes.

Then it can happen that there is

very little capital available, and that to concentrate what is available on the railways might mean abandoning other worth while projects. It might be, that rather than spend Rs 11.05 crores on the Railways, it is preferable to spend Rs 4.89 on road transport, and use the Rs 6.16 crores thus saved on other projects. This possibility is what stimulated my interest in the transport allocation. My studies suggest that by economising on the railways it should be possible to find funds for a dairy industry in Kerala, for a shipyard in Cochin, a tyre factory in Kottayam, and for the innumerable other excellent projects that have been sacrificed to expand the railways.

In any case Mr Beckman's "financial analysis" is incomplete. He has shown that given the alternatives—road transport at a capital cost of Rs 4.89 crores, with a ton mile cost of 11.6 nP on the one hand, and the railways with a capital cost of 11.05 crores of Rupees, and a ton mile cost of 9 nP on the other—and assuming that the quantum of railway traffic will not change if the railways raise their charge to the road levels, there are advantages in choosing the railways.

But there is another course of action which Mr Beckman has not considered. Suppose one could spend Rs 11.05 crores on road transport? This would permit the use of the most powerful and modern trucks, and the most advanced trailer techniques, and the construction of such high quality roads as would greatly prolong vehicle and tyre life, and significantly reduce repair bills. (The figures quoted in my article of April 25 were, as specifically stated, for truck operation over low quality gravel roads.) This would lead to a sharp fall in ton mile costs, to levels close to and perhaps lower than the railway cost! This would seriously undermine Mr Beckman's conclusions.

Incidentally, the cost figures used in my article of April 25 refer to a truck trailer combination in actual use, with a carrying capacity of 24.5 tons. Development work has been done on vehicle combinations with

carrying capacities in the region of 60 tons. (Proceedings of the Salts-Jobads Conference. The Transport Technology Association. Stockholm.) A graph showing the fall in ton mile costs, as total laden vehicle weight increases appeared in my article in the 'Economic Weekly' of January 3rd.

The essence of Mr Beckman's argument is that the difference in ton mile cost between the two forms of transport compensate the initially higher outlay required by the railways. This is only a partially valid approach. Road transport and the railways do not provide precisely the same service. Road rates hold a contribution to greater speed, promptness, reliability, security, convenience, flexibility and cleanliness. If the railways were to charge exactly the same rate as road operators, in the case of the great majority of commodities they would lose traffic heavily.

As the purpose of my article was to question the validity of a set of figures advanced by the Member, Transportation, the Railway Board, I am reluctant to enter upon Mr Beckman's final argument, which assumes the correctness of another set of figures from the same source. Mr Beckman notes a difference of 17 nP between the ton mile costs of road transport and railway movement in India. This is based on figures quoted by the Member Transportation, the Railway Board ('Eastern Railway Magazine', April 1956) in which he indicated that the cost for road transport in India at 37 nP while claiming the railways ability to carry goods at between 20 and 11 nP per ton mile.

However, the Indian Road Transport Development Association has claimed that the cost of experienced private road operators in India is as low as 18 nP per ton mile, and that even this can be reduced if the present restrictions on vehicle utilization, and the use of trailers were removed.

The final comment on Mr Beckman's "financial analysis" is provided by actual trends in Sweden. Unimpressed by the many advantages

Anglo-Scandinavian Free Trade Area And the Commonwealth

THE announcement last week that Britain was negotiating a free trade area project with the three Scandinavian countries, and with Portugal, Switzerland and Austria, came closely on the heels of the conference of senior economic officials of the Commonwealth, held in London between May 5-8. This Conference is officially the consequence of the agreement reached at Montreal last September for the setting up of what is called the 'Commonwealth Consultative Council'—the only known piece of formal machinery in inter-Commonwealth relations.

Little is concretely known of the transactions at this Conference, but there appears every indication that the United Kingdom is strongly seeking something in the nature of a Commonwealth association with the projected European Free Trade Area of seven countries. Such an arrangement, Britain hopes, will strengthen her bid not to be excluded in the West European market.

Negotiations with France

In previous despatches your correspondent has examined the direction of British policy following the collapse of the OEEC discussions for a trade arrangement between the Franco-German dominated European Economic Community, and the United Kingdom. In the House of Commons debate of February last, the Government while declaring that "the choice between Europe and Commonwealth must not be forced upon us" went on to state as a matter of policy that:

"It has been suggested that Britain might discuss or get closer together with some of the other countries of Europe outside the

that must accrue to them by expanding their railways, they are planning to dismantle some 50 per cent of their mileage in the next twenty five years, and to treble their road mileage in the next few years.

George Isaac

Mazavancheri Flats,
Nanthancode,
Trivandrum 1.
May 19.

Common Market... it was a matter on which the Government would keep an open mind and they would be very glad to examine all suggestions of this kind."

In fact the British authorities have maintained considerably more than an open mind on alternative suggestions. Early in the New Year, Mr Reginald Maudling, the British Minister concerned with the Free Trade Area negotiations, initiated discussions with the Scandinavian countries in Stockholm. Conscious of the implications of an open economic rift which would follow from the creation of a rival bloc to the European Economic Community, the British Government simultaneously entered into negotiations with France, on a purely bilateral basis, to see how far the French Government would immediately entertain a British plea for no discrimination in the application of the quantitative trade control (import quota) provisions of the Common Market treaty (as distinct from the tariff provisions).

Equivocal Response

The French reaction, as shown in the recent Anglo-French trade agreement has been equivocal—the French obligation to the Common Market countries to liberalise imports to the extent of at least 3 per cent of internal production of all products is not to be extended fully to Britain. Thus discrimination in the application of French import licensing control will persist to the disfavour of the United Kingdom. By April it had become clear to the British Government that General de Gaulle remained bent on finding a solution to France's political and economic problems in Europe without counting on the U.K. This therefore must have spurred the British authorities into securing an early agreement with the Scandinavian countries.

The plan for an Anglo-Scandinavian free trade arrangement does not appear to have gone beyond the formative stage. The plan envisages a much more rapid reduction in tariffs than the European Common Market has in mind. It is reported that Sweden has proposed a

20 per cent cut each year in all tariffs on industrial goods leading to complete free trade within the group at the end of 5 years. The problem continues to be agricultural commodities. The British authorities hope to exclude agriculture altogether.

Britain's Aim

The motive for securing agreement on this plan does not appear to be the creation of a rival to the European Economic Community, for this is clearly impossible. The EEC is composed of a considerably more powerful group of countries, who as a group can and do possess the ability to fashion the economic future of Europe. What rather appears to be behind the Anglo-Scandinavian plan is an attempt on the part of Britain to strengthen the position from which she may start another round of negotiations with the EEC, and this in spite of the rebuff from France recently. As the 'Financial Times' indicated recently, "the Governments of the countries outside the Common Market may be coming to think that a negotiation between two groups would hold out greater promise of ultimate success."

But even here there are doubts. There are indications that in most influential circles in Britain, the previous preoccupation with preserving the imperial preferential tariff system in fact is giving place to a recognition that this system is losing much of its value and validity. What in fact this apparent volte face amounts to is that the Commonwealth should agree to participate in a European economic arrangement, so that Britain's bargaining position can be sufficiently strengthened to prise open the otherwise 'inward-looking' EEC.

Links with Commonwealth

The rationale for introducing the Commonwealth into a formal West European economic association is not quite clear but what is plain is the British recognition that somehow or other the economic connection with Europe and the Commonwealth must be preserved even if it involves formal commitments.

The logic of this apparent British view derives from the belief that today by far the greater part of the population and resources of the Commonwealth is centered in the politically independent Dominions; these Dominions maintain fully reciprocal diplomatic representation with the EEC countries. It may therefore conceivably come about that the trade of some of the Dominions with the EEC may reach such proportions as to make them feel it advisable to conclude direct agreements of the kind which at the present are not acceptable to the U.K.

The effect of this would be to rapidly diminish the value of imperial preferences thus reducing the bargaining position of the United Kingdom. On the other hand, as an influential writer recently indicated in the 'Financial Times', "there are today powerful arguments for Britain and the Commonwealth to consider the possibility of a larger economic association." Thus to avoid any weakening of Commonwealth links by an increase in trade between the Dominions and the EEC, there is the possible alternative of throwing the Commonwealth region into an European economic framework which assures Britain an acceptable compromise to the hitherto conflicting choice of "Commonwealth or Europe."

Joint Commonwealth Policy

But there are obstacles. It is natural to believe and appreciate the refusal of, say, India to join an association of West European countries involving economic and political commitments which may be in some conflict with Indian interests. And yet there appear to exist certain forces within the Commonwealth which seem favourable to such association with Britain in a European free trade plan. Mr Peter Thorneycroft, a former Chancellor of the Exchequer, reporting his attendance at the recent Commonwealth Conference, organised by the Royal Institute of International Affairs and held in New Zealand, made the point in the 'Manchester Guardian' earlier this month that the Commonwealth representatives proposed that an approach should be made to Common Market upon the basis of a joint Commonwealth policy.

Mr Peter Thorneycroft reports: "They (i.e. the Commonwealth

representatives) proposed that in exchange for Britain and the other ten countries not in the EEC associating fully with the European Community and reasonable access being accorded to the Commonwealth for trade into Europe, the Commonwealth should be prepared to scale down its preferential advantages at the same time as the tariffs came down in Europe."

It is true that this suggestion is a guarded one, based not on any major economic association with Europe. It is nevertheless significant, for it involves a certain mutual surrender of preferences between Britain and the Commonwealth for some Common Market assurance of continued access to it for sterling area products.

Present indications are that British policy is in search of a basis for free trade among the non-EEC countries in West Europe and that

its aim is to prepare the Commonwealth for a sympathetic attitude to it, so that Britain may enter Europe once again without, at the same time, being too deeply integrated in a purely European framework. But the price is a heavy one, for it involves the weakening of one of the few concrete links which holds the Commonwealth with Britain.

On the other hand, particularly for Commonwealth countries, any arrangement which does not involve them in linking their economic and political fate with Europe but which ensures access for their products in the European market merits consideration. Indeed if the surrender of the system of imperial preference enables lowering of import costs for the Commonwealth and expansion of the European market for Commonwealth exports, then this would be a worthwhile surrender.

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Official Papers

Sources and Methods Not Clear

Hannan Ezekiel

Estimates of National Income, 1948-49—1957-58. Central Statistical Organisation. Manager of Publications, Government of India, New Delhi. April, 1959. Pp 24. Price not mentioned.

THE presentation of the annual white paper on national income provides an opportunity for assessing the progress of the economy during the relevant period and re-examining the methodological issues involved in the preparation and presentation of estimates. The latest white paper gives the provisional estimates for 1957-58 together with the revised estimates for 1956-57, the provisional estimates for which had been presented in last year's report. In reviewing last year's white paper in these columns, it was pointed out that the provisional estimates were calculated by a short-cut method based on partial material and that this generally led to some under-estimation, so that the final revision was generally in the upward direction. "It is to be presumed", it was stated last year, "that the preliminary estimates for 1956-57, released in the present document, will also undergo an upward revision when they are finalised." ('The Economic Weekly' May 10, 1958)

In fact, however, the revision as far as the current price estimate of the net national income is concerned has been in the downward direction,—from Rs 114.1 abja to Rs 113.1 abja. This reduction 'is due mainly to the lower agricultural prices that have since been worked out on the basis of fuller data'. No details are, however, given of the prices that have now been taken into account in making the calculations and their statistical basis. This is really the basic complaint against the white paper. It gives very little information about the sources and methods actually used in making the estimates and about the basis for changes in these sources and methods. As might be expected from the fact that the main reason for the downward revision in the current price estimate is the fact of lower agricultural prices, the fixed price estimate does not show much change.

Average Earnings per Head

With regard to the revised estimates, it is pointed out in the notes at the end of the white paper

that the preliminary estimates for 1956-57 published last year are replaced in this issue by the detailed methods of estimation followed by the National Income Committee. While it is probably true that the estimates for most of the main sectors are made by the detailed methods of estimation followed by the National Income Committee, there is reason to suspect that in respect of some of the sectors, the methods used by the National Income Committee are not applied directly to the raw data, ad hoc measures of change being applied to the results obtained by the National Income Committee for the years covered by it. This suspicion is strengthened by the statement that 'the average earning per head of the working population has been raised by 1.5 per cent' in the small enterprises sector and again in the other commerce and transport, professions and liberal arts and domestic service sectors, 'in the light of trends of wages of rural skilled workers and those of factory workers'.

While this is not indicated clearly, the change seems to have been effected in respect of the year 1957-58 for which provisional estimates have been published for the first time in the current white paper. It appears from the statement quoted above that the method used for estimating the incomes of these sectors is to apply a figure of average earnings per head in the sector to an estimate of the working population in that sector. There are two possible sources of error in the use of this method. First, the average earnings per head of the working population in each sector are subject to change. Unless, such average earnings are independently estimated for each year, the results become to that extent arbitrary. The current white paper indicates that the average earnings have been raised by 1.5 per cent in each of the two sectors mentioned. Presumably, therefore, until now, the estimates of the average earnings made by the National Income Committee have been used by the

Central Statistical Organisation in subsequent years without any change. As these estimates were probably amongst the weakest of those made by the National Income Committee, the results obtained could hardly possess any utility in indicating year-to-year changes.

Working Population

A second source of error lies in the estimates of working population in the sectors concerned. Our population figures for the years subsequent to the 1951 census are highly uncertain. It is well known that the rate of growth of population has been increasing rapidly in recent years, and the Planning Commission is itself working on the assumption that it is not less than 1.8 per cent per annum. There is little or no information about changes in the size of the working force or of the employment available to those who are willing and able to work. When it comes to obtaining figures of the growth of the working force in particular sectors, there seems to be no basis whatsoever in available information.

Presumably, therefore, the Central Statistical Organisation applies some standard rate of growth of the working force in these sectors to the estimate of the working force in those sectors used by the National Income Committee. The results obtained are, therefore, likely to be not only arbitrary, but misleading. The use of standard rates of growth and fixed average earnings estimates tends to give the impression of an unchanging pattern in the industrial origin of the national income, which may not be at all true to reality.

Preparation of Revised Series

The weakness of the population figures tends to vitiate the figures of the per capita national income also. Yet the white paper does not even mention this problem in presenting the estimates. The current white paper does, however, make a statement of the utmost importance. "On account of the availability of new source materials and certain improvements in methodology," it says, "it is considered pos-

sible to improve the estimates. Although a part of the work in this direction has already been done by the National Income Unit, it is proposed that all such changes should be incorporated at one time into a revised series which should be brought out with detailed explanations. When this revised series is likely to be brought out, has not been indicated in the report.

From one point of view, it would appear to be desirable to press for the early preparation of such a revised series. On the other hand, it may also be argued that since the figures presented may have little validity until more information is available about the population of the country, such a revised series should be brought out only after the new census data become available. Perhaps that might be the time for the appointment of a new National Income Committee, which could then take upon itself the finalisation of the new series for past years as well.

No Estimate of Capital Formation

One defect of the white paper which must annoy all students of national income is its continued failure to give estimates of the gross national product, from which the net national income has very obviously been derived. Since there is a powerful school of thought which doubts how far reasonable net estimates can be prepared at all, there would be a justification for publishing the gross estimates also so that those who wish to do so may work on the basis of the gross figures. The failure of the white paper to provide any estimate of capital formation in the economy also needs to be noted because of the fundamental importance of such estimates.

The most important feature of the latest white paper is, of course, the provisional estimate of the national income for 1957-58 which it presents. In current prices, the net national income is estimated at Rs 113.6 abja, which is only Rs 0.5 abja higher than the estimate for the previous year. In fixed prices, however, the net national income is estimated at Rs 108.3 abja, which is lower by Rs 1.7 abja as compared with the previous year, though it is still higher by Rs 3.5 abja over the net national income for 1955-56, which was the last year of the First Plan.

Sharp Fall in per Capita Income

The per capita income shows a fall at current prices from Rs 291.5 in 1956-57 to Rs 289.1 in 1957-58. In fixed prices, the fall is even sharper—from Rs 283.5 to Rs 275.6. Since the per capita income in fixed prices for the last year of the First Plan was Rs 273.6, this implies that over the two years of the Second

Plan, the per capita real income has increased by only two rupees. How these per capita figures would be affected by differences between the actual figures of population and those adopted by the Central Statistical Organisation, it is difficult to say. It is obvious that if the population has been growing as rapidly as is generally believed, and if the

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overall income estimates are assumed to be unchanged, the per capita income figures will all be much lower than those given in the white paper.

On these assumptions, it is also likely that the per capita income in the second year of the Second Plan would not only be lower than in the previous year, but would also be lower, perhaps much lower, than the per capita income for the last year of the First Plan. This may or may not justify the conclusion that our rate of growth is already falling below the demographic rate. It would be difficult to generalise from the fall in real income during the current year; and without a complete series of figures, it is difficult to judge what the trends as a whole are. It is obvious that if the popu-

Book Review

lation estimates change, some of the income estimates will also have to be revised: that the published estimates are clearly out of relation with reality makes any rational judgment in this respect impossible.

Any study of the reasons for the fall in real income between the first and second years of the Second Plan is made difficult by the fact that while a detailed distribution of the national income by industrial origin is given for the current price estimates for various years, only a broad distribution is given for the fixed price estimates. [These estimates have been reproduced in the statistical pages of this issue.] From the broad distribution, it is apparent that the fall in the net national income at fixed prices between 1956-57 and 1957-58 is entire-

ly due to a fall of output in agriculture, animal husbandry and ancillary activities from Rs 52.5 abja in 1956-57 to Rs 49.3 abja in 1957-58, which is lower than that produced every year since 1953-54. (Incidentally, a comparison of the figures of output values in this sector in terms of fixed prices over the period from 1953-54 with those of the physical output figures for different crops would repay study, raising, as it would, questions regarding weightages of different crops in the indices of agricultural production.) The fall of Rs 3.2 abja in this sector is partially offset by small increases in the mining, manufacturing and small enterprises sector, the commerce, transport and communications sector and the other services sector.

A Misleading Guide

Alamelu Aiyer

Elements of Statistics by Indira Bhanot. Acharya Book Depot, Baroda. 1958. Pp 327. Price Rs 9.

AN important cause of the lowering of educational standards in Indian Universities is the disturbing and enormous outflow of mediocre and time-serving publications masquerading as text books. These publications are specially prepared to suit the variety of student-clientele whom such authors would like to reach at various centres of learning in order that their sales are as high as possible.

The book under review is a text book written by a university teacher with a London degree in Statistics and with nearly ten years' teaching experience. A book from her should have been one which the students as well as teachers would welcome. The present reviewer also placed high hopes on it. But after going through it, the feeling that remains is that the author ought never to have made the attempt, if this is all that she is capable of doing. The students would be better off without such a text book and she would have maintained her reputation as a teacher of Statistics.

The book is intended primarily for students of Economics. Nine chapters are devoted to the methods of collection, presentation and classification of data by charts and graphs, frequency distribution, measures of location, dispersion and association. The author, however, fails to do justice to time series and index numbers, two branches of

Statistics which economists have to use so often in their empirical investigations. Mathematical techniques relevant to the subject are omitted completely. Nor does the author give to the students an adequate number of illustrations to explain the various uses to which time series and index numbers can be put. Time series particularly has been dealt with so cursorily that it could better have been left out. There are also chapters on official statistics and tests of significance of means.

The book abounds in errors. It would shock, for example, any student of Statistics at the failure of the book to define a histogram correctly. To say that a histogram is a set of rectangles with the height proportional to the frequency corresponding to the class intervals is absolutely wrong. Then the book mixes up a frequency curve and a Lorenz curve (pages 64-65). The fact that the author draws a frequency curve and describes it in great detail as Lorenz curve makes one highly suspicious of her credentials as a statistician.

A very serious error occurs in the Chapter on 'Tests of Significance of Means'. On page 218 the author discusses the 'degrees of freedom for t'. According to her, both means and variance have been calculated from a sample of size n.

Therefore two degrees of freedom are lost leaving n-2 degrees of freedom. To say that t is distributed with n-2 degrees of freedom is patently incorrect. The entire chapter proceeds on the above erroneous basis and deserves to be scrapped.

The book has an attractive cover, but it is carelessly bound. The printing errors are enormous, quite a few projecting themselves even in the lengthy Errata provided in place of an index! The Errata, of course, leave out so many errors and misprints. The academic level of the book is most manifest in its final part. Almost seventy pages, that is more than one fifth of the book, have been devoted to exercises and recent question papers of the Universities of Bombay and Baroda, as they purport to 'constitute a ready yardstick and standard' for the competence of the student.

Such considerations apart, the book has very little to offer. The student of Economics should rather be wary. If he reads this book, he is likely to be misled and would emerge from his study of it as ignorant as he was before he embarked on the project of digesting this "treatise"—so it is termed—of three hundred and odd pages. Misleading as a guide, it would be a misnomer to call this publication a text-book.

Men and Oil . . . 8

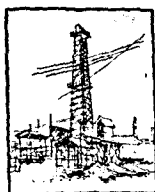
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The Second Official Language

K C Sen

THERE is no national language in India. The Constitution of India, in Part XVII, has 'Official Language' as its subject matter, and has laid down that the Official Language of the Union shall be Hindi in Devanagari script; nowhere does it make any mention of a national language or national languages. The Report of the Parliamentary Committee on Official Language,* which was submitted to President of India on the 8th February 1959, however, mentions 'national languages' at least at two places: in paragraph 15 it speaks of the Constitutional settlement arrived at in the Constituent Assembly as "providing for the use of Hindi as well as of other national languages for official purposes"; and in paragraph 20 it says, "The question of conflict between Hindi and other national languages does not arise."

Article 351

The Eighth Schedule to the Constitution contains a list of 14 languages, including Sanskrit, Urdu, Punjabi and Kashmiri, but excluding English and Hindustani. This Schedule is referred to in Article 344, under which the President constituted the Commission on the Official Language, consisting of a Chairman and other members "representing the different languages specified in the Eighth Schedule". A more important reference to this Schedule is to be found in Article 351:

"It shall be the duty of the Union to promote the spread of the Hindi language, to develop it so that it may serve as a medium of expression for all the elements of the composite culture of India and to secure its enrichment by assimilating, without interfering with its genius, the forms, style and expressions used in Hindustani and in the other languages of India specified in the Eighth Schedule, and by drawing wherever necessary or desirable, for its vocabulary, primarily on Sanskrit and secondarily on other languages."

The phraseology used in Article

*Report of the Committee of Parliament on Official Language, 1958. Chairman: Shri Govind Ballabh Pant. Government of India. New Delhi, 1959.

351 suggests that Hindustani is one of the languages specified in the Eighth Schedule. Actually, Hindi is, not Hindustani (the language recommended by Gandhi). Secondly, it may be noted that 'all the elements of the composite culture of India' necessarily include some elements contributed by the English language; this is consistent with the final words of Article 351: "by drawing, wherever necessary or desirable, for its vocabulary, primarily on Sanskrit and secondarily on other languages." It should be noted that the expression used is 'other languages' and not 'other languages mentioned in the Eighth Schedule', so that English is not to be prevented from making its contribution, so far as it may be 'necessary or desirable', to the vocabulary of the Hindi language.

Role of English

At present English is the Official Language of the Union. This was considered derogatory to the dignity of Independent India, and Hindi, therefore, was to take its place. The rightness, or wrongness of this decision was outside the purview of the Official Language Commission as well as of the Parliamentary Committee on Official Language. The opinions, publicly expressed by large sections of the public in the State of Madras and by the legislature of the State of West Bengal, against the adoption of Hindi as the Official Language, could not, therefore, be considered by the Commission or the Committee. But they do not raise an idle issue. The questions they raise are vital to the future of India and the cohesion and solidarity of its States.

Though English has not become the national language, or a national language, of India, it has acquired such prestige and power that it has influenced the thoughts and mental and cultural make-up of all educated persons as well as the growth of our literatures, having opened the door of European culture and thought and brought in its train science, modern learning and scholarship, the critical faculties and the dynamic experience and outlook of modern Europe. It has become useful to us in our trade and commerce and other modes of intercourse with the other countries of the world, having at-

tained the position of the main international or global language. Our struggle for independence owed not a small part of its energy and drive from this language, and the leaders of that movement could meet and communicate with each other, discuss their problems, pass their resolutions and make their decisions mainly through the instrumentality of this language, now under a virtual sentence of death.

Hindi Not Neutral

The unity of India was fostered to no mean extent by the use of it by the English-educated classes, no doubt a mere percentage of 2 out of the population, but the most influential, the most vital and the most effective part of the population. All this has been due not only to the position of English as the Official Language, but to its inherent treasures, its power, attractiveness, utility, and expressiveness. Its official position in this country no doubt added to its attraction and utility, but it will be readily conceded that its hold on the intelligentsia cannot be wholly explained by its official position. It was neutral in a sense in which Hindi will not be neutral; it held treasures which unfortunately are largely absent in Hindi; its international status is something which Hindi cannot aspire to attain; and it made it easier for us to acquire and be in touch with European knowledge and learning than it will be possible for Hindi to do.

However, considerations of prestige, dignity and self-respect are paramount, and we must have an Indian Official Language, viz, Hindi, although it is not a neutral language like English, it is not a fully developed language and whether it will develop a ponderously and puristically Sanskritised form or in a more popular form is yet uncertain; and although the task of finding new technical, legal and administrative expressions, translating vast masses of enactments, rules, regulations, law reports, administrative manuals, text-books for schools, colleges and other institutions, and scientific journals and foreign publications, and keeping up all this work in future, will be immense, massive and laborious.

Regional Languages

English, being the language of the rulers, could be imposed on the whole country. Such imposition is not possible in the case of Hindi, which is the language of a particular region, albeit large, and there is an instinctive opposition to even an appearance of imposition from the non-Hindi regions; witness the opposition that has developed in the States of Madras and West Bengal. The States having been constituted mainly on linguistic lines, the tendency towards linguistic nationalism, so to speak, will be difficult to check. The question is, whether the adoption of Hindi as the Official Language will further or will check this tendency? Would it be an additional ground for the growth of linguistic self-consciousness as a disruptive force or would it act as a brake to such growth?

It may act in both ways. It seems to be accepted that the non-Hindi States, at least most of them, will go ahead with their plan of making their respective regional languages the media of their education, administration and legal forms and processes. It is also apparent that English will retain some place in the educational sphere, at least in the higher institutions, though the encroachment of the regional languages has resulted and will continue to result in the deterioration of the English element in education. In such circumstances, can it be expected that the learning of Hindi in the non-Hindi areas will attain a high order? It is likely that an educated Bengali and an educated Tamil will continue, as heretofore, to talk together and correspond in English and not in Hindi. For a large number of persons who have learnt Hindi in such areas, their Hindi will be halting, to be used, perhaps, only when absolutely necessary as at present, and otherwise as little as Latin or French learnt by an Englishman at school; for all official publications, reports, notifications, etc., will be reproduced in their regional languages.

Will the Scales be Held Even?

In such circumstances, can it be said that in the examinations held by the Union Public Service Commission, to posts under the Central Government and particularly in situations where there is competition between a person from a non-Hindi area and one whose mother-tongue

is Hindi, the scales will be held even, and will be felt to be held even, between such persons? It is to be remembered that our capital is in the middle of the Hindi-speaking area and that a large percentage of our M.P.s and Ministers hail from this area. The apprehensions in this regard in the minds of persons in the non-Hindi areas cannot be brushed aside as mere prejudices and exercises in unreason. They are not unrelated to the question of the political stability and cohesion of our country and to the prestige of the ruling party.

In the fields of scientific and technological education and in the courts of law it is difficult to envisage a time when English will be completely discontinued. Our knowledge of scientific and legal principles has been largely derived from England. Among the most precious things England has left behind in this country are its jurisprudence and legal principles and traditions of precise thinking and experimentation in science. Both have not only to be acquired by study of legal and scientific literature but also to be kept alive and up-to-date by incessant study of current foreign publications. If the standards of knowledge of English have already deteriorated owing to the regional languages having largely supplanted English in our educational institutions, will it not deteriorate still more if Hindi also claims the attention of students in non-Hindi areas, and will it then be possible to keep alive the interest of the students and practitioners in scientific and legal learning? It would be an almost impossible task to keep translations abreast of the times either in scientific, technological or legal literature.

Not Against Hindi

All these considerations in favour of English are not necessarily meant to be arguments against Hindi. Let Hindi develop to the fullest extent and let the whole of India benefit from such development. But is it necessary for us to throw away the benefits which English, even as an Official Language, gives us? The Committee has found it difficult to recommend the elimination of English in certain fields. For instance, as regards competitive examinations for the All-India and the Higher Central Services it has recommended, inter alia that "English should continue to be the medium of examinations, and Hindi may be admitted

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as an alternative medium after some time and both Hindi and English should be available as alternative media at the option of the candidates for as long as necessary."

Our country is really a sub-continent and the fact that it has unity and cohesion of a pronounced character today is very largely due—let us admit it, if only reluctantly—to British occupation and the English language. We are today a member of the comity of nations, and we wish to assimilate the best that Western culture and civilization have to give us, while preserving the best of our own traditions. We should not be narrowly nationalist nor ashamed of the fact that we possess no national language (as Europe possesses none), but be proud of our country as one of the important, significant countries of the world. It is, therefore, fortunate that we already possess a language which serves as a link between ourselves and the outer world. From this point of view and in view of the considerations discussed above, would it not be an advantage for us to have a second Official Language in English?

A Second Bridge

English has already become an official bridge between the Centre and the States and between the States themselves: is it necessary to demolish this bridge in order to build another? We could do with having a second bridge along with the new one, and we need not be shame-faced about it. Only then, it seems to us, can the disruptive effects of the increasing language-consciousness in the States be counteracted. We are not ashamed to make use of railways, motor cars, aeroplanes, electricity, medicines, the parliamentary form of Government and the thousand and other things that the British and the modern civilisation have brought to us. English ought to be regarded as a tool of culture, as well as of utilitarian efficiency, which the British have brought to and left in this country. Would it be wise or prudent to throw it away? By all means forge indigenous tools, but why not forge them in addition to English?

The writer wishes to make an earnest plea that our Constitution needs an amendment on the question of the Official Language, so that the Union does not have Hindi as its sole Official Language, and English also is recognised as an Official Language. Small countries such as

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Switzerland and Belgium have managed very well with more than one Official Language. We could afford to have three, five or even seven Official Languages. Urdu might be one of them; or perhaps three representative languages from the south, east and west. But Urdu would be regarded as another language of the State which is the home of Hindi, and choosing only three languages from the south, east and west, to the exclusion of others, would appear invidious and discriminative.

Summing Up

Our recommendation of English as the second Official Language is

Hire Purchase Finance in India

The Issues Involved

S K Basu

HIRE purchase is a type of instalment credit the essence of which consists in the consumer agreeing to hire the goods at a stated periodical rental with an option to purchase. It should be sharply distinguished from the other type of instalment credit, known as credit sale. In the credit sale contract there is an absolute binding obligation to purchase, although payment is made in instalments, whereas in typical hire purchase the consumer does not agree to buy but has merely an option to do so. While in credit sales, property passes immediately to the purchaser, in the hire purchase agreement the seller retains ownership until the final instalment is made. The hirer cannot dispose of the goods and is bound to take care of them while they remain the property of the seller. A distinction may also be drawn between the purchase by these methods of means of production such as farm machinery, machine tools, lorries and other industrial equipment and of durable consumer goods. Although the development of hire purchase finance has not yet assumed the same proportions in India as it has in the U.S.A., Australia, Canada and U.K., a study of the issues involved even at the present stage is likely to prove a fruitful line of research for more than one reason.

Rising Incomes and Consumption

The basic objective of India's Five-Year Plans is to increase the per capita income, to provide a high

level of employment and thereby raise the standard of living of the masses of the people. The aim of Government policy also is to establish a welfare state. When our economy is expanding and national income is increasing and efforts are being made to train up more and more technicians, and a redistribution of income in favour of the skilled wage earners is being effected, the demand for hire purchase facilities is likely to increase. Today it is an exception rather than the rule for married women to give up work after marriage. The relatively high earnings of young people, together with the tendency of married women to continue to work after marriage, will serve to increase further the demand for hire purchase as has happened in other countries. The possibilities of hire purchase finance in India's developing economy are immense and will cover a wide field.

The growth of hire purchase or consumer instalment credit raises two important problems, one cyclical, the other long run. Instalment credit may intensify cyclical fluctuations. In anticipation of increases in their incomes, people may be induced to purchase durable consumer goods. Such increased investment in durables would have the usual multiplier and accelerator effects. Similarly in a downswing, with declining incomes and increasing burden of repayments, people may be obliged to spend a decreasing proportion of their incomes on current consumption

which would intensify the recession. The long run problem consists in the possibility of a growth of consumer credit out of all proportion to the rise in the national product. In such an event it would be a 'borrowed' and 'sham' prosperity. In the United States, where consumer instalment debt has grown to enormous proportions, the debt is financed by dealers, finance companies and the commercial banks. Banks there handle more of this business than any other institution and do

pendent of them, and that for our own well-being and healthy growth we have to develop an ambivalent or complex personality, introvert as well as extrovert, represented by Hindi and English. If we do so, we shall be developing a full life and a personality suited to modern conditions and a strength born of adequate knowledge and mastery of the main life-currents of the modern world. We should then be able to show to all concerned how we can overcome our problems, if need be, by rising above the requirements of mere nationalism, by the confident application of an inclusive vision and a world outlook.

Problem for Monetary Control

The growth of hire purchase finance may pose a problem for monetary control. The rise of non-banking financing institutions in the shape of hire purchase or sales finance companies is likely to complicate the whole process of enforcing monetary control measures by the central bank. Borrowers and lenders find ways of circumventing the monetary system. An important question is whether the monetary tools of the central bank would be seriously blunted. A corollary is whether the central bank should be empowered to regulate these non-banking institutions and if so by what methods. A further question is whether controls should operate on the cost or the terms of hire purchase arrangements. In this connection, the respective potency of the effects of general and selective controls over consumer credit would also call for careful evaluation.

The long run problem consists in the possibility of a growth of consumer credit out of all proportion to the rise in the national product. In such an event it would be a 'borrowed' and 'sham' prosperity. In the United States, where consumer instalment debt has grown to enormous proportions, the debt is financed by dealers, finance companies and the commercial banks. Banks there handle more of this business than any other institution and do

so through direct participation as well as by loans to finance companies and retailers. In Australia, banks have direct participation in the equity capital of finance companies and also grant overdraft facilities. In recent years there has been a decline in bank overdrafts which has been matched by an increase in direct participation. Banks have 44-45 per cent interest in finance companies. Some have wholly owned finance subsidiaries.

'Personal Loans'

In England, although merchant banks had never hesitated to take a direct part in hire purchase finance, the ordinary clearing banks had not generally done so till the first half of 1958. The entry of the British clearing banks into the field of hire purchase finance in the second half of 1958 has been a dramatic movement. It has been due to special circumstances relating to the lifting of the credit squeeze and the official call for the stabilisation of hire purchase in the context of an expansionary policy. A number of well-known British banks including the Barclays, Westminster, Martins, the Royal Bank of Scotland in conjunction with William Deacons and Glynn Mills have come to purchase a sizeable interest in the equity capital of hire purchase companies, while the Midland Bank as well as the Royal Bank of Scotland have gone further in the way of direct participation by introducing the system of 'personal loans.'

Some well-known bank chairmen in India have contended that with their mounting deposit resources and declining opportunities for loans and advances, new avenues of employing their funds have to be explored and that the incursion into the field of hire purchase finance would be a safe and profitable venture. A number of Indian banks have already taken steps to participate directly in hire purchase finance by introducing the scheme of 'personal loans' on the lines of the British Midland Bank and more banks are likely to enter into this new sphere of activity. The association of Indian banks with hire purchase finance for the first time in India's banking history raises a number of issues which call for close and careful examination.

Method of Association

What should be the most appropriate method of association of

banks with hire purchase finance? Should it be in the form of participation in the equity capital of sales finance companies or in the form of providing ordinary overdraft facilities? Should the banks go in direct for hire purchase business as in U S A? If so, should they do so by establishing a wholly owned subsidiary or by setting up a special department staffed by experts?

Hire purchase business may be akin to but is not entirely the same as banking business. In some respects credit granted to a trader to extend hire purchase facilities to his customers does not differ from other forms of bank credit. Hire purchase conforms to the self-liquidating principle, since, as the seller receives instalments from the buyers, he is placed in funds to repay his bank. The basic difference between banking business and hire purchase lies in the fact that the banker takes into consideration primarily the character and standing of the customer and only secondarily, the collateral security which he offers. But the hire purchase financier looks into security first, second and perhaps for all time. Hire purchase, moreover, may call for its own expertise and may perhaps be better entrusted to specialised institutions or specialised departments of commercial banks.

In the Indian Context

An important point for consideration is whether the Indian banks will at all be justified at the present stage in extending hire purchase finance facilities on a large scale for durable consumer goods which are in short supply. Provision of cheap consumer instalment credit may lead to increased consumer spending and aggravate the prevailing inflationary forces. The increased demand for durable consumer goods as a result of such facilities may also have the effect of diverting scarce resources of capital and critical raw materials from the production of capital goods on which our resources have to be concentrated during the Second Plan. Personal loans or instalment credit available to small industrialists for the purchase of their tools and equipment stand of course in a different category.

It will be useful to undertake a survey of hire purchase financing companies operating in the four principal cities of India, Bombay, Cal-

cutta, Delhi and Madras, concentrating on the following features:

- (1) Sources of finance of these companies.
- (2) Types of merchandise they deal in.
- (3) Legal basis of transactions carried on by hire purchase companies.
- (4) Methods of finance adopted by them—whether direct collection financing or block discount financing.
- (5) Principles and methods of their business—the percentage of the down payment required, the number of instalments allowed and the charge on the hire purchase debt.
- (6) Income and age groups of their customers.
- (7) What kind of protection, if any, members of the public have against inequitably worded documents and harsh practices of hire purchase companies.
- (8) The kind of security enjoyed by hire purchase companies.
- (9) The regularity or otherwise of instalment payments.
- (10) Incidence of loss.
- (11) Rates of return on such business.

(A survey on similar lines may also be conducted in respect of the personal loan schemes introduced by several Indian banks.

Such a survey would give us a factual and analytical picture of the existing position of hire purchase finance in the Indian economy. It will help us in formulating an appropriate policy on hire purchase finance which is destined to exercise a profound influence on our economy in the coming years.

Hire purchase companies on their part should welcome such interest and encourage discussion of financial techniques. Detailed studies of the history, practice, finance and law of hire purchase, together with all the attendant problems, have been made in other countries, for instance, by the Board of Governors of the Federal Reserve System in U S A in 1957 and by the Oxford Institute of Statistics, and the Institute of Economic Affairs in Great Britain in 1958. An official survey was also made in South Africa in 1952.

From the Chair

Mahindra & Mahindra Limited

Speech of the Chairman, Shri K C Mahindra

THE following is the speech delivered by the Chairman, Shri K C Mahindra, at the 13th Annual General Meeting of the Members of Mahindra & Mahindra Limited, held on the 18th May, 1959, at the Taj Mahal Hotel, Bombay 1:—

Record Earnings

I welcome you to the 13th Annual General Meeting of your Company. That in this 13th year the Company would report a record level of earnings is not a concession to any juxtaposition of stars, as perhaps our Hindu shareholders would claim, but it is a reflection of the hard work, selective judgement and constructive enthusiasm of the staff in our various divisions many of whom are also proud shareholders.

There was no change in the composition of the Board during the year, but it is sad to note that Raja Maharaj Singh, our respected colleague, ceases to be a Director, for, owing to illness, he does not wish to continue to serve on the Board. To him is due our grateful appreciation for his wise counsels throughout; and we extend to him our best wishes for speedy recovery.

Expansion and Growth

You have before you a proposal to increase the number of Directors from nine to twelve. In view of the rapid expansion in the activities of the Company, it is desirable that the Board be enlarged, it is also desirable that we continue to receive advice and counsel from men of varied experience in different parts of our country. I hope that you will approve of the proposal and thus extend the area of experience and guidance available for the Management of the growing activities of the Company.

During the year the paid-up capital of the Company was increased from Rs 80 lacs to 187 lacs; the programme for the issue of new capital was smoothly carried out and the support received from our shareholders was indeed gratifying. This large increase in the capital, necessitated by our various projects, enjoins upon the Management and the staff the need to expand sales,

to enlarge margins of profit through strict vigilance on expenses and ever to maintain a buoyant optimism for the future.

New Schemes

The rapidity of expansion has become imperative by growing pressures of planned development. I make no apology for the growth which has enveloped your Company, for I consider it both an essential element of faith as well as consistent with business ideals that there remain in the Managers a continuous look at the future, a persistent glance to the yonder horizons, a corporate philosophy which assumes obligations to support loyally State plans for rapid economic development. In making this general statement I am envisioning further capital developments within the ambit of the activities of your Company and its associated groups in the near future.

The report of the Directors refers briefly to the proposals for manufacturing one ton 4-wheel drive truck, and David Brown tractors. We expect these schemes to fructify during the year. Your Company is also participating in the expansion of the Otis Elevator Co. (India) Ltd.—a Company in our associate Group which is increasing its capital fourfold and embarking on an ambitious programme for manufacturing various types of lifts required in the country. Few other schemes are under examination.

Allocation for Research

The Shareholders must have noticed the appropriation this year of a modest sum of Rs. 50,000/- towards a Research and Development Fund. This is the beginning of an organised effort to determine through basic research the essential adaptability of vehicles and other products to conditions prevailing in our country and through applied experimentation design and develop something which will suit not merely the operating requirements but cheapen costs in conformity with the low purchasing power of the millions. Sustenance of demand is essential for a programme of growth, and unless the product is with-

Accounts

Turning to the Accounts you will notice that additional depreciation, which amounts to about Rs. 2,71,000 over and above the normal permitted under the Income Tax Act regulations has been provided. This has been done in order to conform to the realities of replacement of some of our fixed Assets. A Development Rebate account appears in the Profit & Loss Account, representing, as stipulated by the Finance Act, 75 % of the amount admissible to the Company for tax reliefs. The provision for taxation for the year is double the amount provided last year because of the great increase in the gross profits of the Company, being Rs. 71.25 lacs as against Rs. 43.10 lacs last year (before providing for Depreciation).

Reference has been made in the Directors' Report to the decline in the volume of turnover in sales and service, from Rs. 24.41 crores to Rs. 17.69 crores. The apparent decline does not give a correct picture, for a substantial quantity of steel imports was arranged through successful bids on tenders which did not require financing. The relative figures (in Rs. crores) are as follows:

	1957	1958
Sale of steel material purchased and financed	18.82	13.65
Sale of steel material (No finance involved)	1.70	7.27

Dividend

In view of the changing pattern and incidence of taxation it is difficult to present a comparable statistical picture of the operating results. It should, however, be gratifying to the shareholders to note that the profit margin on sales and service has more than doubled as compared to previous year, but the quantum of corporate taxes for the year is also little more than double of what was provided in 1956-57 being Rs. 31.25 lacs as against Rs.

15.50 lacs last year. Nevertheless, the net earnings per equity share have kept pace with increase in the profit margin and considering that the new capital came into service only for one month during the year, the results may be considered highly satisfactory.

As already reported by the Directors, the provisions of Section 23A of the Income Tax Act apply to the Company for this year and accordingly the Directors have recommended payment of a Dividend of 22% p.a. (free of tax) on ordinary shares—this percentage must be distributed according to the Act. I do not disguise my reluctance in respect of this dividend, for, at this stage of the Company's development, I feel that cash resources may be conserved to the maximum extent—and particularly in view of our enlarged programme, it is ordinary business prudence to maintain the cash ways and means position in a healthy state. I trust, however, that the shareholders will approve of the dividend recommendations with acclaim and join me in hoping that the future will also bring satisfactory returns.

Jeep Division

Even with increased emphasis on our manufacturing activity and consequent high costs, we have experienced satisfactory results during the last six months of the current year. The application of the American Loan funds towards some of our requirements of both capital goods and current vehicles has resulted in larger allocations and the volume of turnover in the Jeep Division shows substantial increase as compared to last year.

Steel Division

In the Steel Division we are holding our ground and although orders so far booked indicate a decline in tonnage, this is according to anticipations. Interest is being increasingly diverted to enlarging internal distribution channels. With increasing production of steel in the country our dependence upon imports will soon diminish and time is opportune for the formulation of a comprehensive policy relating to distribution, control and prices.

The Iron and Steel Controller's organisation, with experience now ranging over both the war and post-war periods will have garnered sufficient data on the subject and

I am sure they will be the first to recognise the technical complexities of steel production and distribution: satisfactory and advance programming of both aspects is a sine qua non for effective and maximum yields from the vast amount of capital invested in an industry which is basic for general economic advancement. I make a plea for an early enquiry and decisions in this matter, for hasty judgments and ad hoc policy announcements are more likely to retard than improve a rational consumption growth and useful utilisation of both plants and products.

Road Transport

Of interest to the Automobile industry several exciting things have happened during the year. The most momentous event was the very comprehensive enquiry into Road Transport whose report is now receiving the attention of Government. In my address to you last year I urged speedy development of an extensive Road Haulage Service and submitted for discussion a proposal to ensure the production of requisite volume of trucks and trailers on the one side and the design for financing this development on the other. Transportation as the conveyor belt of industry assumes greater importance as the emphasis on agricultural activity and the drive to produce more of each crop gain momentum. The movement factor of such growth in production therefore needs immediate attention.

In this context it looked rather odd to me that the Railways Ministry would ascribe temporary fall in their earnings to increased competition from Road Services, implying that a curb be placed on such activities. With the best will in the world and even after completing the very ambitious Railways Plan, which would absorb more than 25% of the Second Plan Expenditure and with whatever impetus is given to development of Road Transport, I remain apprehensive in that there will not be sufficient transport available to move the target productions of both industry and agriculture at the conclusion of the Second Five Year Plan. More detailed efforts are therefore necessary in the direction of improving and enlarging transport facilities all round.

Defence Requirements

Another event which caused considerable excitement was the decision taken by the Ministry of Defence to commence production of certain types of trucks and vehicles for their own requirements thereby threatening to curtail the scope of the market for similar vehicles presently being produced in several existing factories. The decision was explained on the ground that the present commercial producers have been very tardy in their programme of manufacture; that their prices are too high; that there was spare plant capacity in the Ordnance Factories; that the Defence Ministry desired to become self-sufficient in respect of its major requirements.

I am not in a position to appraise properly the various comments which have been made on this policy, but would like to draw attention to the apparent lack of co-ordination between the Ministry of Defence and Ministry of Commerce & Industry. The latter regulates and controls the development of the automobile industry and a Policy resolution on the subject announced in 1956 took the comprehensive view that the industry was being placed in the "protected" category and it was desired that the manufacturing programme of the several units should be rationalised and speeded up.

Tariff Commission's View

The Report of the Tariff Commission submitted in October, 1956, which formed the basis for the Policy Resolution, contains an exhaustive review of the difficulties in respect of manufacture and of demand, of high local costs and relatively large capital needs. The smallness of the demand for motor vehicles engaged the attention of the Tariff Commission and I reckon that the recommendation to co-ordinate civilian and military requirements was made specifically for the purpose of ensuring a larger volume to the producers, which alone can form the base for reduced costs of production.

In this context the decision of the Defence Ministry means subtraction of an important part of the demand from the general volume which to that extent will diminish the incentive to lowering of prices. At the same time it is axiomatic that the Ordnance Factories with their limited volume will

not be able to achieve production at any lower cost level.

Distribution and Prices

Another event which has exercised enough comment has been Government intrusions in respect of distribution and prices. The restrictions on imports which the industry began to feel from September 1957 have continued, with the result that fewer and fewer automobiles became available and a black or grey market has developed in this respect. I am glad that this position is not applicable to Jeeps and allied vehicles, for supplies have been fairly well maintained and distribution channels adequately supervised.

It is a notorious comment that "Government have a habit of applying controls at wrong points of the supply line or of applying them piecemeal and half-heartedly." This is as true of automobile regulations as of food grain policy. There is no cure where demand out-reaches supply except the pumping in of more supply or strictly regimented rationing of available supply. I do not see any practicable solution to the emergent black market and sky rocketing of prices except a bold decision by Government to bring in the country a sizeable volume of cars and trucks. This expenditure on foreign exchange can be amply justified for curing the imbalance which has developed and which threatens to upset the delicate price structure already under severe pressure of inflationary forces. The Tariff Commission of 1956 considered this matter of short supply and price controls. They came to this firm conclusion:—

"It might appear that in the absence of price controls, the current shortage . . . may lead to an excessive rise in prices. We are of the opinion however that even this possibility does not justify the present system of price control. . . . It is the shortage which creates opportunities for an excessive rise in prices and the correct remedy is to take measures to relieve the shortage. So long as the shortage persists a system of price control which prevents only the manufacturer from charging excessive prices cannot protect the consumer against exploitation by Dealers and middlemen."

I commend this conclusion to the Government.

'People's Car'

Another event of considerable import to the Automobile industry was the announcement of a seven man Committee presided over by Mr. L. K. Jha to examine the possibility of producing a more economic car for the common man, that is, a low cost car within the price range of Rs. 5,000 to Rs. 7,000. It is stated that the Committee will examine various models of such cars that have been developed in different countries and suggest ways and means of manufacturing such a car in India.

I welcome this move as two years ago I advocated exploration and research toward building a "people's car". I hope that the dreams will soon materialise and that the Committee would arrive at the conclusion that something should be done and done quickly to produce in the country what a person of small means can afford. You want a vehicle which will go and reasonably go anywhere, a vehicle which will suit the conditions of locomotion and roads available, a vehicle which is simple to operate and easy to service. Cost factor is of course most important for the people's car as for other vehicles and costs can be brought down only by volume production. There is no other way.

Import Small Cars

As a start Government may consider licensing the import of say 2,000 small cars of approved make whose ultimate manufacture is being designed by the Jha Committee, on conditions (a) that the retail price must not exceed 5% over landed cost and (b) that the importer should bring in with each consignment equivalent of 5% worth of spare parts. The import of 2,000 cars will also help in relieving the pressure on prices of vehicles.

Experiment on Different Models

In addition to the problem of production of a low cost vehicle which will engage the attention of the Jha Committee, I suggest that consideration be given to provide facilities for the present manufacturers to devise ways and means to increase their volume of production. One sure way is to permit them to experiment on different models with various combinations of functional components of the basic vehicle each is

producing. I submit this as one of the measures which will reduce the costs of production and enable retail prices to be brought down.

I have pleasure in reporting that a five year Agreement was signed last week with the Union representing the workmen and members of the Staff. This was made possible after a very exhaustive joint study and analysis of the various jobs, and through the goodwill and co-operation extended by the representatives of the Union. This Agreement, I am sure, will provide an incentive to attaining higher productivity.

This has been a good financial year for the Company. In my opening remarks I have paid tribute to the management and the employees of the Company for the fine results. I am sure they will not rest on their laurels and will continue to give ungrudging service with readiness and enthusiasm and sense of loyalty of which you and I should be proud. Join me in saying thank you to them, one and all.

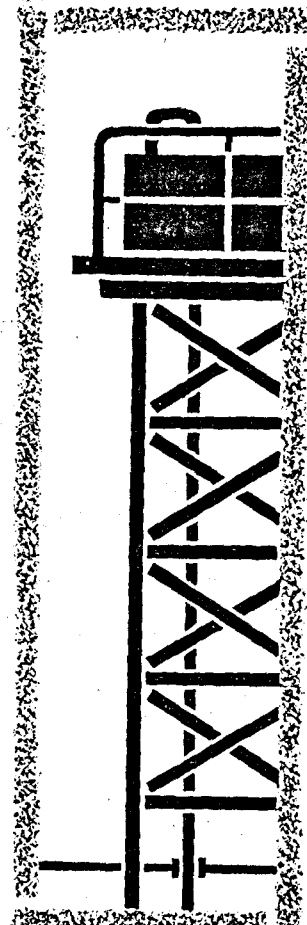
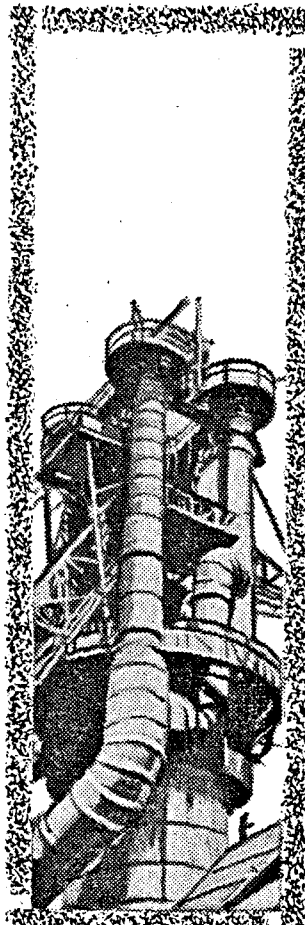
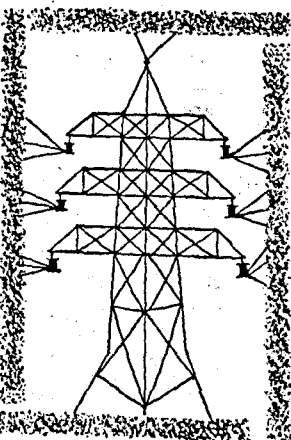
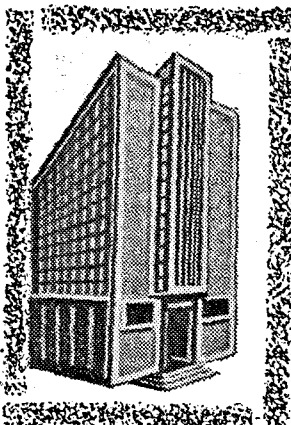
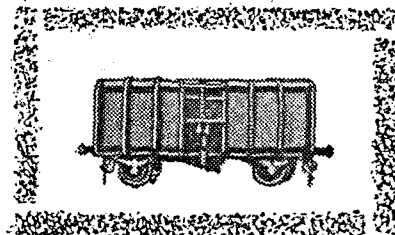
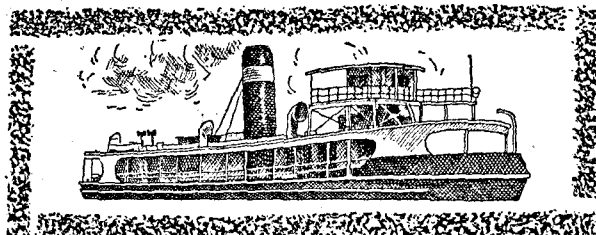
Note:—This does not purport to be a record of the proceedings of the Annual General Meeting.

U N SPECIAL FUND ASSISTANCE

INDIA has applied for an assistance of \$ 860,000 from the United Nations Special Fund to finance the Central Training Institute for Industrial Instructors, to be set up at Calcutta. The Institute will train 400 craft instructors in a session lasting five and a half months, with courses in 14 crafts. The Fund's assistance will be utilised to purchase equipment as well as to cover the expenses of foreign experts to train the instructors. Besides this amount, India will spend Rs 1 crore (\$ 2 million) on the project.

The project has been recommended along with 12 others from 15 countries (five Latin American countries have jointly sought aid for a research institute for industry) as part of the Special Fund's \$ 7.5 million first operational programme. The recommendations are being submitted for approval to the Fund's Governing Council which is to meet on May 26.

AIDING INDIA'S PROGRESS



IN COMMERCE AND INDUSTRY

IRON • STEEL • ENGINEERING • SHIPBUILDING
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Head Office: 12 MISSION ROW, CALCUTTA

Branches at NEW DELHI BOMBAY KANPUR

Around Bombay Markets

Equities Still Rising, But ...

Thursday, Morning

DALAL STREET continues to scale new peaks. Equities have recorded spectacular gains since the turn of the year, ranging up to 40 per cent in certain cases. And the market as a whole is about nine to ten per cent higher than the 1958 top recorded in September. The trend is still up, and there is no knowing how long it will last and how far it will take equity prices. No one can foretell the extent of any intermediate trend; and to attempt it would be sheer guess-work.

The market will begin to boil and fluctuations will become quite erratic before it halts for an important secondary correction like the one which took place between October and the middle of January. While the market may not be far away from an important top, there is no indication yet that it is near it. Not until the market begins to boil need one take a very serious view of the rise in prices, no matter how steep it may be.

Even though the market seemed to lack the previous week's dash, its performance last week was by no means unimpressive. Nearly all the popular speculative counters recorded sizable improvement, and some of them which had become ex-dividend during the week took little time in making good all their dividends. Cotton Mill shares continued to lead under the impetus of an encouraging cloth off-take. Exports have not yet responded to the incentives, and the April figure is quite disappointing. But exports constitute only a small percentage of the industry's total production.

With the uncertainty about TISCO's fresh capital dispelled to the market's entire satisfaction (the terms are: one Ordinary for every five already held and one Second Preference for every two Preference shares, First or Second, held), Tata Steel held their pride of place, hitting a new high of Rs 196 in Wednesday's kerb dealings. Indian Iron also hardened but rather reluctantly. Among Miscellaneous counters, National Rayon, Tata Locomotive and Bombay Burmah were the outstanding bright spots. Shipping shares were hesitant and Sugars just steady. Cements were steadier with Digvijay in good form. Bank,

Insurance and Electric shares attracted little attention.

Carry-forward charges on May 15 were generally on the high side but that did not have any noticeable effect on the trading sentiment. For, budla charges cannot be expected to be low when the market is in a mark-up phase and professional speculators are known to be carrying a big 'long' interest. The flow of corporate news continues to be encouraging.

Setback in Cash Shares

The market is still in good form. Speculators' favourites continue to seek new high levels. But it is well worth noting that cash shares have turned distinctly easy and suffered considerable losses from the best levels seen recently. Ceat Tyres have come down from Rs 170 to Rs 144, Amar Dyes from Rs 175 to Rs 100, Hindustan Lever from Rs 31 to Rs 30, Dunlop Rubber from Rs 34 to Rs 32.25 and Guest Keen Williams from Rs 41.50 to Rs 40.50. The list can be multiplied.

The implications of the setback in cash shares, which is due more to a pause in investment inquiry than to any important selling pressure, can be easily exaggerated. But it may not be wise to ignore this development. It might focus traders' attention on the high prices of speculative counters.

Extractions Active

THE oilseeds market had a good shake-out last week. It was badly needed. The preceding rise had been much too steep to keep up without necessary technical adjustments. On May 13 Castor September were quoted as high as Rs 177.62 but by May 19 they had climbed down to Rs 169.62. During the same period, groundnut August fell from Rs 207.25 to Rs 200, cottonseed September from Rs 140 to Rs 135.50 and linseed September from Rs 35.50 to Rs 34.50 per cwt. Prices registered a moderate recovery on May 20 with castor up at Rs 172.62, groundnut at Rs 203, cottonseed at Rs 137.50 and linseed at Rs 34.87.

Last week's sharp setback in castor futures was essentially technical. It did not reflect any change

in the trade's ideas about the export outlook for castor oil. A technically vulnerable market responded quickly to the reluctance on the part of the American buyers to follow the rise in Indian castor oil. But export houses are convinced that demand exists and that it will be possible to sell further large quantities of oil in the near future. America is said to be willing to take up any amount up to 14.25 cents per pound Commercial. That alone should check any important fall in prices from the current levels.

Total sales to-date to America and other countries, mainly of the Communist bloc, are mentioned, around 13,000 tons. India has an exportable surplus of about 28,000 tons of oil this year. But this need cause no great anxiety because both U K and the Communist bloc have still to take a good deal to make up their normal quotas. Considering the supply position elsewhere and the marked strength in castor beans abroad, the price outlook for castor seems bullish. Fresh business put through last week was not large and prices realised were mentioned around £115-10 per ton from the U K and 14.25 cents per pound from the U S, both Commercial.

Mention may be made here of the Forward Markets Commission's decision to allow exporters to offset their purchases in castor futures with sales of castor oil abroad in the ratio of 100 candelas for every 10 tons of oil for the payment of margin. This follows numerous representations to the Commission that the margin imposed a serious strain on their resources and impeded export business because the mechanism of the hedge market had now become an integral part of the export trade. It is to be hoped that the margin concession will not be abused by the trade because it is not very difficult to create evidence of export business which may not be really genuine.

Groundnuts too had their profit-taking sinking spells and some selling was said to have been prompted by ideas about the approaching monsoon. Exporters, however, reported keen inquiries for extractions, both

from the UK and the Continent. Fairly good business is said to have materialised, and prices realised showed sizable improvement over the previous week. Extractions, 50 per cent O and A, May position were bid up to £ 31-5, about a pound over the week. October position was traded up to £ 33. Prospects of business are rated high.

Exporters also made mention of good inquiries for groundnut oil from certain Communist countries, and potential business was estimated around 5,000 tons. There does not, however, seem much chance of selling oil to other destinations, particularly because the incentive scheme is due to lapse by the end of this month. This has already set export houses thinking about the fate of the large expeller quotas earned under the incentive scheme because not all these have yet been sold abroad.

Linseeds merely followed the movements in castor and groundnuts. Export business in linseed oil continues to be virtually at a standstill, and activity in cakes has also dwindled appreciably. Locally the supply position is steadily improving with the flow of arrivals from the producing centres. Cottonseeds were a dull market but the general undertone was firm because of the tight supply.

Tenders issued against the maturing contracts to date consist of 1,800 candles of castor, 1,600 candles of groundnut and 350 tons of linseed. No tenders have been issued against cottonseed May. The figures of margin collected by the Bombay Oilseeds Exchange as on May 16 are: Rs 16.41 lakhs in castor, Rs 23.8 lakhs in groundnut, Rs 5.10 lakhs in linseed and Rs 3.10 lakhs in cottonseeds.

Cotton

Import Quota

THE prolonged uncertainty about the cotton import quota is at last over. The quantity is 2.4 lakh bales, of which one lakh bales are against the entitlement licences on the export of cotton textiles in the January-June period. The rest is earmarked for export performance in the April-June quarter but facility is being provided for advanced licences. Details about imports are not yet known but it is generally believed that the one lakh bale quota will consist of only sterling area cotton stapling 1-1/16" and above. The distinction between 1-1/16"

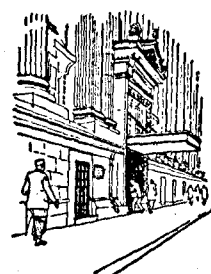
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and 1-3/16" might be done away with.

The present release raises the total import quota for this season to 5.97 lakh bales. The quantity licensed so far is 4.04 lakh bales with actual arrivals up to May 9 totalling 2.32 lakh bales. The textile industry is naturally pleased with liberal policy in regard to the supply of foreign cotton, particularly considering the difficult foreign exchange position. This season's quota compares very favourably with imports in the past. For instance, actual arrivals in the 1957-58 quota season totalled only 3.97 lakh bales.

The import quota exceeded the general market expectations. Even so, cotton futures recorded an impressive rise on Wednesday and spot prices held firm around their previous levels. This is probably because few market men expect the quota to be availed of fully because of disappointing cloth exports. Possible. But it is well to bear in mind that New Delhi is favourably inclined towards increasing the quantum of imports under the incentive scheme. This should help the effective utilisation of the import quota.

The spot cotton market continued to display a distinctly firm tendency throughout the week, but spinner inquiry was limited by the high premiums commanded by the superior quality cottons. Wagad, Kalagin and Kalyan firmed up on sustained support from traders presumably because of the relative cheapness. But by far the most outstanding feature of last week's trading in the spot market was the keen demand for exportable varieties, particularly Bengals, because of the sudden marked revival of overseas interest. Fairly large business was said to have been put through with Japan and the Continent. The UK and US were also said to be in the market. With demand brisk and offerings poor, prices hardened appreciably and Bengals shot up by about Rs 35 per candy.

Cotton futures moved both ways in a wide range but net changes over the week were negligible. Jarilla August which had been marked down from Rs 709.25 on May 14 to Rs 701 by May 19 was up again at Rs 709.25 the next day. The May contract declined from Rs 697 to Rs 689 but recovered later to Rs 699. Tenders issued during the week amounted to 1,700 bales, raising the total to 3,600 bales.

To emphasise the tight supply position of raw cotton and the encouraging trend in the internal off-take of cloth is to state the very obvious. This explains the remarkable strength in ready cotton prices. If cotton futures still continue to be substantially below the prices fetched by the spot materials, it is because the hedge contract has very little to do with conditions in the spot market. Ridiculous, isn't it?

Bullion

Irregular But Steadier

AFTER hitting new lows in the recent downward move early in the week bullion prices developed an irregularly steadier tendency and showed small net gains over the week. Gold Jeth, which had been marked down to Rs 115-2, moved irregularly up to Rs 118-8 by May 20 but closed at Rs 117-10 the same day against Rs 117 a week ago. Silver Jeth which touched a low of Rs 189-2 on May 15, improved to Rs 193-2 and finished at Rs 191-11 against Rs 190-15 a week ago.

Last week's trading pattern in bullion seemed to suggest that in

view of the preceding steep decline in prices, the market had paused to allow technical forces to have their full play. Lower levels attracted not only short covering but also considerable support from bargain hunters. But enthusiasm to follow the rise was lacking. Hence erratic fluctuations.

Apart from the up and down movements in prices, trading last week was also notable for the marked increase in the premium on Vaisakh delivery over Jeth in both the metals. Backwardation charges in gold Vaisakh rose from 14 annas to Rs 2-10, indicating both a scarcity of floating stocks and the bearish outlook for the distant position when off-take is expected to slow down appreciably. The premium on Jeth over Asharh also rose from four annas to 11 annas over the week. In silver, backwardation charges in Vaisakh increased from Rs 2-6 to Rs 4. The fall in prices and the rise in backwardation charges led to the enforcement of margins in both the metals, which has become a normal feature of trading of late.

National Carbon Expands

AN affiliate of Union Carbide of U S A, National Carbon (India) Limited, is celebrating its Silver Jubilee this year. Twenty-five years ago, it had one small plant capable of assembling six million flashlight cells per year from imported parts. Today, it operates two battery plants with a capacity of 142 million dry cells per year of various types, including cells for hearing aids, tele-communication equipment, and electronic devices. It also operates a plant for processing manganese ore, a strip mill for alloying and processing of zinc, and a new plant at Lucknow with a capacity of six million flashlight cases per year. Most of the raw material and practically all the component parts of these products are of indigenous origin.

Over the past 25 years, gross sales have expanded from Rs 8 lakhs to Rs 605 lakhs, fixed assets from Rs 5 lakhs to Rs 200 lakhs, and personnel employed from 406 to 2540. The annual wage bill has risen from Rs 75,000 to Rs 92 lakhs.

The company is putting up a plant at Trombay for the manufac-

ture of organic chemicals and polyethylene resin. This will involve capital expenditure of about Rs 4.5 crores; the plant is expected to be completed towards the end of 1960. Its major raw material, industrial alcohol, will be of indigenous origin. When fully operative its sales turnover is expected to be over Rs 2 crores per year. It will manufacture, among other things, basic chemicals for paints, dyestuffs and pharmaceuticals including antibiotics. Annual production of polyethylene will be six million pounds, paving the way for self-sufficiency in this important plastic.

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CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores	Latest Week	Month Ago	Year Ago
		Week†		
		Week†		
1. Note circulation	1765.98	1774.72	1765.18	1614.83
2. Rupee Coin	129.40	129.69	131.84	129.42
3. Deposits				
Central				
Government's	52.97	51.75	49.62	75.07
Other				
Governments'	9.73	16.44	24.71	13.69
Banks'	72.32	68.67	77.91	73.88
Others'	118.72	117.95	117.96	113.19
4. Foreign Securities	178.01	178.01	178.01	209.68
5. Balances held abroad	24.81	25.73	32.86	42.84
6. Rupee Securities	1860.77	1860.77	1851.10	1182.62
7. Investments	241.83	244.81	246.07	227.04
8. Loans and advances to Governments	43.53	41.39	38.17	59.80
9. Other loans and advances	74.79	87.68	79.45	69.33
Scheduled Banks				
1. Demand Liabilities (net)	710.59	718.82	743.08	731.20
2. Time Liabilities (net)	917.61	969.45	924.11	793.91
3. Cash	109.14	124.38	132.89	147.93
4. Borrowings from Reserve Bank of which against Usance Bills	40.54	29.11	40.33	18.64
5. Advances & Bills (inland & foreign) discounted of which State Bank's	1027.26	1021.07	1020.34	948.55
6. Invest. in Govt. Sec. of which State Bank's	683.62	623.67	607.75	425.05
Cheque Clearance	157.51	166.64	173.46	171.08

For Reserve Bank and Cheque Clearance week ended 15-5-59. Scheduled Banks week ended 10-5-59.

Bombay Money Rates				
(per cent per annum)				
Call Money	8-5-59	1-5-59	10-4-59	9-5-59
From banks	3½-3¾	3½-3¾	3½-3¾	3-4½
From public	2½-3½	3-3½	2½-3½	—
Three Months	3-4	3-4	2½-4	3-4½
Six Months	2-4	2-4	2-4	2-4½

Bombay Bullion				
(In Rupees and nP)				
	20-5-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	120.75	118.56	123.75	108.25
Forward	120.69	118.56	123.30	107.62
Silver (per 100 tolas)				
Spot	195.19	194.00	202.00	185.00
Forward	195.56	193.44	201.30	185.31

INDEX NUMBER OF WHOLESALE PRICES				
(Base : 1952-53=100)				
Group and Sub-Group	WEEK	ENDED		
	2-5-59	25-4-59	4-4-59	3-5-58
Food Articles	113.0	112.1	113.2	105.8
Cereals	97.5	98.2	99.8	97.9
Pulses	90.5	90.3	102.3	81.4
Fruits & Veg.	123.1	122.6	116.4	113.6
Milk and Ghee	114.5	113.0	113.2	105.5
Edible Oils	129.2	127.3	124.2	121.4
Fish, Eggs & Meat	104.9	107.4	104.4	105.7
Sugar & Gur	129.7	128.1	126.9	112.8
Others	156.4	149.8	152.0	131.9
Liquor and Tobacco	98.2	97.5	97.5	92.1
Tobacco	96.6	95.8	95.8	90.3
Fuel, Power, Light & Lubricants	115.5	115.5	115.5	114.2
Industrial Raw Materials	118.1	117.7	114.9	114.3
Fibres	109.1	108.7	106.7	112.8
Oilseeds	130.8	129.8	126.6	118.8
Minerals	100.6	101.4	103.6	105.1
Others	112.8	112.8	111.1	109.2
Manufactures	108.1	108.0	108.2	107.8
Intermediate Products	108.2	107.9	108.5	108.5
Finished Products	108.0	108.0	108.1	107.7
Textiles	102.3	102.2	102.4	104.9
Cotton	110.6	110.6	110.9	113.4
Jute	84.2	83.7	—	89.4
Woollen	105.2	105.2	105.2	103.7
Silk & Rayon	95.7	95.7	95.7	92.4
Metal Products	143.8	143.3	143.3	143.0
Chemicals	110.4	110.4	110.9	99.1
Oilcakes	138.8	138.3	138.1	118.2
Machinery and Trans Equipment	106.1	106.1	106.1	102.8
Others	112.8	112.8	112.8	114.8
All Commodities	112.1	111.6	111.7	107.7

FOREIGN TRADE OF INDIA				
(Merchandise Value, Rs lakhs)				
Year/Month	Imports	Exports*	+ or -	
1956	808.73	613.46	-195.27	
1957	1,025.82	642.85	-382.97	
1958	797.62	587.18	-210.43	
1957 Mar	79.41	53.94	-25.47	
Apr	89.40	47.85	-41.55	
May	85.38	52.83	-32.55	
June	86.23	48.34	-37.89	
July	81.13	55.79	-25.34	
Aug	80.98	60.25	-20.73	
Sept	83.29	61.55	-21.74	
Oct	73.07	53.64	-19.43	
Nov	78.18	59.02	-19.16	
Dec	66.58	54.59	-11.99	
1958 Jan	66.05	55.27	-10.78	
Feb	66.21	54.44	-11.77	
Mar	70.56	46.73	-23.83	
Apr	60.00	41.73	-18.27	
May	63.24	44.71	-18.53	
June	63.93	28.12	-35.81	
July	66.79	54.31	-12.48	
Aug	55.92	49.91	-6.01	
Sept	58.60	59.02	+ 42	
Oct	56.99	56.10	- 89	
Nov	68.65	49.57	-19.08	
Dec	85.75	52.40	-33.35	
1959 Jan	66.58	45.34	-21.24	
Feb	59.79	42.90	-16.89	

* Including re-exports

Source : D C I S, Calcutta

NATIONAL INCOME OF INDIA BY INDUSTRIAL ORIGIN

(Amount in Rs abja*, Percentage Distribution in Brackets)

At Current Prices										
	1957-58	1956-57	1955-56	1954-55	1953-54	1952-53	1951-52	1950-51	1949-50	1948-49
Agriculture, animal husbandry and ancillary activities	51.7 (45.5)	53.8 (47.6)	43.9 (44.0)	42.3 (44.0)	52.0 (49.6)	47.1 (48.0)	48.8 (48.9)	47.8 (50.2)	43.8 (48.6)	41.6 (48.1)
Forestry	0.8 (0.7)	0.8 (0.7)	0.7 (0.7)	0.7 (0.8)	0.6 (0.5)	0.6 (0.6)	0.7 (0.7)	0.7 (0.7)	0.7 (0.8)	0.6 (0.7)
Fishery	0.8 (0.7)	0.6 (0.5)	0.6 (0.6)	0.5 (0.5)	0.5 (0.5)	0.4 (0.4)	0.4 (0.4)	0.4 (0.4)	0.4 (0.4)	0.3 (0.3)
Total	53.3 (46.9)	55.2 (48.8)	45.2 (45.3)	43.5 (45.3)	53.1 (50.7)	48.1 (49.0)	49.9 (50.0)	48.9 (51.3)	44.9 (49.8)	42.5 (49.1)
Mining	1.4 (1.2)	1.2 (1.1)	1.0 (1.0)	0.9 (0.9)	1.0 (1.0)	0.9 (0.9)	0.9 (0.9)	0.7 (0.7)	0.8 (0.7)	0.6 (0.7)
Factory establishments	9.5 (8.4)	9.0 (7.9)	7.8 (7.8)	7.5 (7.8)	6.9 (6.6)	6.4 (6.5)	6.9 (6.9)	5.5 (5.8)	5.4 (6.0)	5.5 (6.3)
Small enterprises	10.0 (8.8)	9.8 (8.7)	9.7 (9.7)	9.6 (10.0)	9.8 (9.3)	9.7 (9.9)	9.5 (9.5)	9.1 (9.6)	9.0 (10.0)	8.7 (10.1)
Total	20.9 (18.4)	20.0 (17.7)	18.5 (18.5)	18.0 (18.7)	17.7 (16.9)	17.0 (17.3)	17.3 (17.3)	15.3 (16.1)	15.0 (16.7)	14.8 (17.1)
Communication (post, telegraph and telephone)	0.5 (0.4)	0.5 (0.4)	0.5 (0.5)	0.4 (0.4)	0.4 (0.4)	0.4 (0.4)	0.4 (0.4)	0.4 (0.4)	0.3 (0.3)	0.3 (0.3)
Railways	3.2 (2.8)	2.8 (2.5)	2.5 (2.5)	2.2 (2.3)	2.0 (1.9)	2.0 (2.0)	2.1 (2.1)	1.8 (1.9)	1.8 (2.0)	1.7 (2.0)
Organised banking and insurance	1.1 (1.0)	1.1 (1.0)	0.9 (0.9)	0.8 (0.8)	0.8 (0.8)	0.7 (0.7)	0.8 (0.8)	0.7 (0.7)	0.6 (0.7)	0.5 (0.6)
Other commerce and transport	15.4 (13.6)	15.2 (13.4)	14.9 (15.0)	14.7 (15.3)	14.8 (14.1)	14.7 (15.0)	14.6 (14.6)	14.0 (14.7)	13.9 (15.4)	13.5 (15.6)
Total	20.2 (17.8)	19.6 (17.3)	18.8 (18.9)	18.1 (18.8)	18.0 (17.2)	17.8 (18.1)	17.9 (17.9)	16.9 (17.7)	16.8 (18.4)	16.0 (18.5)
Professions and liberal arts	6.1 (5.4)	5.8 (5.1)	5.6 (5.6)	5.4 (5.6)	5.3 (5.0)	5.2 (5.3)	5.0 (5.0)	4.7 (4.9)	4.5 (5.0)	4.3 (5.0)
Government services (administration)	6.6 (5.8)	6.1 (5.4)	5.7 (5.7)	5.2 (5.4)	4.9 (4.7)	4.6 (4.7)	4.6 (4.5)	4.3 (4.5)	4.1 (4.6)	4.0 (4.6)
Domestic service	1.6 (1.4)	1.5 (1.3)	1.4 (1.4)	1.4 (1.5)	1.4 (1.3)	1.3 (1.3)	1.3 (1.4)	1.2 (1.4)	1.2 (1.3)	1.2 (1.4)
House property	4.9 (4.3)	4.8 (4.3)	4.6 (4.6)	4.5 (4.7)	4.4 (4.2)	4.3 (4.4)	4.3 (4.1)	4.1 (4.3)	4.0 (4.4)	3.9 (4.5)
Total	19.2 (16.9)	18.2 (16.1)	17.3 (17.3)	16.5 (17.2)	16.0 (15.2)	15.4 (15.7)	15.4 (15.0)	14.4 (15.1)	13.8 (15.3)	13.4 (15.5)
Net Domestic Product at Factor Cost	113.6 (100.0)	113.0 (99.9)	99.8 (100.0)	96.1 (100.0)	104.8 (100.0)	98.3 (100.1)	100.1 (100.2)	95.5 (100.2)	90.3 (100.2)	86.7 (100.2)
Net Earned Income from Abroad	0.0 (0.0)	0.1 (0.1)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	-0.1 (-0.1)	-0.2 (-0.2)	-0.2 (-0.2)	-0.2 (-0.2)	-0.2 (-0.2)
Net National Output at Factor Cost = National Income	113.6 (100.0)	113.1 (100.0)	99.8 (100.0)	96.1 (100.0)	104.8 (100.0)	98.2 (100.0)	99.9 (100.0)	95.3 (100.0)	90.1 (100.0)	86.5 (100.0)
At 1948-49 Prices										
Agriculture, animal husbandry and ancillary activities (including forestry and fishery)	49.3 (45.5)	52.5 (47.7)	50.2 (47.9)	50.3 (48.9)	49.8 (49.7)	46.0 (48.6)	44.4 (48.5)	43.4 (49.0)	43.6 (49.4)	42.5 (49.1)
Mining, manufacturing and small enterprises	18.8 (17.4)	18.4 (16.7)	17.6 (16.8)	17.0 (16.5)	16.5 (16.4)	15.8 (16.7)	15.8 (17.2)	14.8 (16.7)	14.6 (16.6)	14.8 (17.1)
Commerce, transport and communications	21.0 (19.4)	20.8 (18.9)	19.7 (18.8)	19.1 (18.6)	18.3 (18.2)	17.9 (18.9)	17.3 (18.9)	16.6 (18.8)	16.4 (18.6)	16.0 (18.5)
Professions and liberal arts, government services (administration), domestic service and house property	19.2 (17.7)	18.2 (16.6)	17.3 (16.5)	16.4 (16.0)	15.7 (15.7)	15.0 (15.9)	14.3 (15.6)	13.9 (15.7)	13.8 (15.6)	13.4 (15.5)
Net Domestic Product at Factor Cost	108.3 (100.0)	109.9 (99.9)	104.8 (100.0)	102.8 (100.0)	100.3 (100.0)	94.7 (100.1)	91.8 (100.2)	88.7 (100.2)	88.4 (100.2)	86.7 (100.2)
Net Earned Income from Abroad	0.0 (0.0)	0.1 (0.1)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	-0.1 (-0.1)	-0.2 (-0.2)	-0.2 (-0.2)	-0.2 (-0.2)	-0.2 (-0.2)
Net National Output at Factor Cost = National Income	108.3 (100.0)	110.0 (100.0)	104.8 (100.0)	102.8 (100.0)	100.3 (100.0)	94.6 (100.0)	91.6 (100.0)	88.5 (100.0)	88.2 (100.0)	86.5 (100.0)

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Employment in Third Plan

OF the many points that have emerged from the deliberations of the Central Committee on Employment this week there is one that is so obvious that it runs every risk of not being appreciated. This relates to Shri Nanda's statement that, judging by current experience, it would be too optimistic to expect the Third Five Year Plan to wipe out the problem of unemployment totally. What can reasonably be hoped, according to Shri Nanda, is the creation of enough employment opportunities to absorb new entrants in the labour force, estimated at 14 million over the period of the Third Plan. This will leave the so-called back-log of unemployment as a continuing problem. Even so, if we succeed in providing enough jobs for new comers we shall have enlarged employment opportunities at about twice the rate achieved in the Second Plan period. This would be no mean achievement.

There are two aspects to this. In the first place, Shri Nanda amongst others is prepared to treat the employment problem as something that can be solved only over the long period. It may be that by 1976 we shall be able to wipe out the back-log in unemployment—assuming that each successive development Plan contributes in an increasing measure to higher investment and more fruitful changes in the production structure. Even if we plan to absorb only additions to the labour force in each Plan period, we shall have to provide more and more jobs as we move from one Plan to another. Recognition of the fact that the magnitude of unemployment in the country is too large to be resolved through one or two Plans is likely to be of considerable importance in its effect on the shape of the Third Plan.

The second aspect relates to the objective of not adding to the back-log. This implies that all those who find employment in the Third Plan period must continue to be employed as long as they remain in the labour force. This will have to be true not only of the jobs created under the next Plan but also of those to which subsequent Plans give rise. This again is so obvious that one may wonder if it needs to be stated at all. But the point is in fact a crucial one inasmuch as it requires nice judgment in apportioning labour supply between what may be called 'capital-creating' and 'capital-utilising' industries. This, to be sure, is not a very precise way of looking at economic sectors. But it is not for that reason an unhelpful distinction. The Committee that gathered in Delhi was, for instance concerned about the retrenchment of large numbers of workers once a hydro-electric or irrigation project was completed and about the difficulty of re-deploying the surplus labour. In the next few years, it is not impossible that the bulk of investment will be in industries which to a greater or lesser degree are capital-creating. Some of these are likely to provide continuing employment to those taken on during the period of construction. In respect of the others, the possibility of retrenchment at the end of a certain period will be very real. To avoid this we have to plan the use of our resources much more carefully than so far.

This question of lay-off in construction industries is in a way not different from the unemployment resulting from the closing of units in industries in so far as the policy-maker is concerned. That is to say, in both cases jobs have to be found for people in some other unit or

area, and this has to be done promptly and with the minimum of cost to society. Of course, the reasons for people being thrown out of employment are different in the two cases. But this does not put the jobless workers in different categories: they are unemployed and therefore have to be provided with employment. Shri Nanda suggested that in the latter case a special fund might be created for each industry to provide relief to workers that might be thrown out as also to finance the retraining and transfer of such workers to other occupations. Shri Nanda considers this a social responsibility which should be squarely accepted in view of the fact that there is no general system of unemployment relief or insurance in India. Curiously enough, his search for unorthodox measures has led him to suggest something which in India at any rate smacks of extreme orthodoxy. The special fund idea goes very well with the Indian tradition of joint family, which provided unemployment relief to so many for so long. Apparently the Central Committee on Employment found the special fund not sufficiently unorthodox to be attractive.

What the Committee did find attractive was the suggestion regarding rural industrial estates. Here again, we have an illustration of people being led astray by the attractiveness of a phrase. Quite clearly a desideratum in India is the transfer of surplus labour in rural areas to non-agricultural occupations. Similarly a good idea for promoting industrial growth is the encouragement of industrial estates. What then would be more natural than to put the two together and call it a programme for establishing rural industrial estates? It is one of those things which appear good until one takes a close look. Few will dispute the need of locating industrial estates away from established agglomerations of industry. But what is rural about these estates? And is it really possible or economical to set up industrial estates in areas which do not have adequate power, water, transport and market facilities? In other words, what we need is good industrial estates whether or not they are rural. If they are successful, they will provide jobs anyway.

All this notwithstanding, the Central Committee on Employment has done a useful job in sorting out some of the issues involved in em-

ployment policy for the Third Plan. But the real hard work still remains to be done, and here Shri Nanda's plea for unorthodox measures is not out of place. The trouble so far has been that in the name of unorthodoxy we have in fact been resorting to ultra-orthodox policies in trying to solve our unemployment problem. A measure does not become unorthodox merely because it is at variance with the thinking implicit in classical economics. Much more important is whether or not in the environment, in which the policy is to be pursued, it is weighted disproportionately by traditional views on social institutions and economic arrangements. It would be a major achievement if this Committee saw clearly the difference between a genuine increase in employment opportunities and a blind adoption of labour-intensive techniques of production.

That there are areas in which labour-intensive techniques of production are worthwhile is an estimable proposition. But when one looks at the problem of employment in terms of a continuous increase in opportunities, the labour-intensive

technique must have something besides the number of jobs provided to justify itself. In the final analysis, it must contribute to more rapid growth somewhere in the economy in later years. And for this purpose it is not enough that in terms of current output the technique should be as good as an alternative to more capital-intensive techniques: it is necessary that in the process it enlarges the reinvestment potential of the economy. At least it should not reduce it. All this is in a way orthodox analysis, but in order to approach the problem from this angle policy-makers in India will have to give up a variety of pet notions in regard to small-scale and cottage industries. There is nothing inherently good about small-scale industries just as there is nothing inherently bad about them. But it has become more or less the tradition in India to consider the promotion of small-scale industries as the one and only way of solving the unemployment problem. The sooner we break from this tradition the better it will be for all of us—particularly for those who want to be employed and want to remain employed.

A Dedicated Man

IT is difficult to write dispassionately of a man who has just died of a mortal affliction. Perhaps it is not even decent to do so. Obituary columns are not places for frank appraisals; when you come to bury Caesar, it is expected of you that you praise him as well. And yet when the person in question is a man of extraordinary public importance, some judgment of his work and of his life must necessarily find its way into obituary notices. Leavening of criticism in a funeral oration is not always justified; history and a greater distance in time may present a different view of the man. An assessment has nevertheless to be attempted. We owe it to the great dead.

All these considerations have to be kept in mind in assessing the record of John Foster Dulles. At this stage, when the memory of the man is still fresh in our minds—and, still more, when the memory of the cruel disease to which he succumbed is strong—he is bound to get the benefit of our sympathy. This need not be grudged. It is his due. Yet it is instructive to reflect

that the world at large wastes no sympathy on thousands of others who die annually of cancer; they are present, of course, somewhere at the back of our minds, but rather as a Cause than individuals rendered great by ailment. It is equally instructive to reflect whether Dulles would have received in his death such uniform sympathy if he had died quietly from nothing worse than sheer old age. Tributes would definitely have come forth: mankind habitually shows politeness to people whom rudeness will no longer hurt. But perhaps candour would then have shown more clearly through the phrases of courtesy and clichés of the graveside mood.

First, then, the praise. President Eisenhower has described Dulles as one of the greatest Secretaries of State America has ever had. Mr Mikoyan has called him 'a great partisan statesman'; Harry Truman has said that he was 'a good public servant', while Stevenson has praised him for his 'personal integrity, patriotism and stern resolution'. There is a good deal of truth in all these tributes. Some people may

dispute Dulles's claim to being one of the greatest of American Secretaries of State: they may remember Marshall, who was perhaps greater. And they may remember Acheson. But so soon after his death, when his shadow has barely lifted from the international scene, Dulles must indeed seem among the greatest of them all. His greatness can be reckoned by the immense gap he has left in the leadership of the West. No single man available at the moment appears capable of filling the void his departure has created. Whatever rating historians of the future may give him, in contemporary annals his stature must indeed be deemed great.

Of course, there were special factors which helped Dulles to rise to his greatest heights; and the most important of these was perhaps the weakness of his 'chief', President Eisenhower. Probably from choice, but more probably out of sheer necessity, the President had surrendered the real leadership to Dulles, who thus became much more than a mere Secretary of State could ever be, whatever his qualities and attributes. It was Dulles, in the absence of a dynamic President, who made the policies of the West and determined how to carry them out. Naturally this gave him a much larger stage to play on than any of his distinguished predecessors.

But, of course, these additional responsibilities would have been a handicap rather than an advantage to a lesser man. One can thrust greatness on a man, but it is the man himself who must sustain the burden and not give way under it. This is where the other qualities of Dulles, so correctly summed up by Stevenson, come in. This is where he was helped by his 'personal integrity, patriotism and stern resolution'. Dulles was indeed a dedicated man albeit the description might seem a little trite. He was passionately devoted to the cause he served, and he served it with an integrity that never weakened and a 'stern resolution' that never for a moment flagged. His sincerity was above question.

But what of his methods and line of thought? Was he not, after all, the one man who delighted in pushing the world again and again to the brink of disaster and leaving it trembling there? Of course, he did not do that for the sheer fun of it; he was convinced that only at the

brink could Russia be made to recoil from rashness. It was a dangerous game, but it must be admitted that he played it with skill. He knew not only when to push on to the brink, but also when to avoid the perilous sally. He demonstrated this memorably in the case of Formosa and Suez, when he used his compelling influence on the side of restraint rather than provocation.

Nevertheless, Dulles's one outstanding weakness was his lack of flexibility. 'Stern resolution' is a two-edged phrase; it also means extreme obstinacy and woeful incapacity for adjustment to the demands of the moment. In a way, it is strange that Dulles should have been guilty of this weakness, for it was Dulles himself who once said, "We cannot deal in absolutes." But that is precisely what he did deal in.

Dulles had another weakness: he could not grasp the standpoint of countries choosing to stay out of both the power blocs and, in that way, helping to reduce the arena of the cold war. Not many years ago, he was still calling non-alignment

'immoral'. This, more than anything else, brought him into disrepute in countries of Asia and Africa, and in some parts of the Arab world. It was his inability to accommodate the 'non-aligned' point of view that led him into making ridiculous pacts and alliances in Asia and the Middle East which have been the major obsession of American policy since the war.

These were again the weaknesses of strength. Men of 'stern resolution' cannot bear with people whose neutrality they are apt to attribute to irresolution. Dulles was a strong man, and strong men are not always the wisest. When, however, wisdom is not fully at hand to guide action through a crisis, strength helps a lot. And that is where Dulles made his greatest contribution to the Western cause. With a less resolute person as his lieutenant, President Eisenhower would have quickly forfeited America's position as leader of the West, and landed his allies in a situation of grave disadvantage in relation to the Communists.

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Weekly Notes

U S Trade Mission Report

SUBSTANTIAL U S investment in Indian engineering industries and particularly in the tool and die industry has been recommended by the U S Trade Mission to Eastern India, whose report has been recently made available. The Mission completed a 9-week programme of study and discussion with Indian business men and trade organisations early this year so as to explore ways and means of developing larger two-way trade between India and the United States as also an accelerated flow of private capital investment and technical know-how to assist the economic development of India. It has drawn attention to the fact that the Indian economy is developing rapidly with emphasis on industrialisation and that various European and Asian countries are rapidly entering this market "oftentimes with complete, well-designed plants quoted or delivered at competitive prices..." The Mission has warned American business men that India is moving so rapidly that it is imperative for American business to survey the opportunities immediately before the competitors obtain a long-term foothold through supply of their machinery with consequent flow of maintenance parts.

The Mission obviously feels that it is in the long-term interests of the United States for private U S capital to participate in the industrial development of the country at this early stage. The explanation for lack of American interest so far, according to the Mission, is the ignorance among American manufacturers of the potential opportunities for their products in India, which the present report may itself do something to remove. The Mission, however, considers that the initiative should come from Indian business men, who will find favourable response to well-developed proposals presented to American firms. The Mission's recommendation that 'India can be the base for manufacturing and supply to other Asian markets' should be of special interest to this country. Many of the joint venture agreements entered into with foreign firms preclude export of the product and thus detract considerably from the value of the investment to this country. To the extent that joint ven-

tures aim deliberately at producing for purposes of export, the foreign capital concerned will be even more welcome.

Being concerned with trade on a two-way basis, the Mission has also made some recommendations regarding the expansion of Indian exports to the United States. The Mission points out that there is a wide variety of Indian handicrafts that should sell well in the United States. It stresses, however, that 'real effort is necessary to organise producers to develop central marketing channels on a private enterprise basis and insure maintenance of consistent quality and prompt shipments'. Some of the detailed recommendations of this mission on how a regular volume of handicrafts export can be maintained are well worth adopting.

The Mission has also made a number of recommendations on the development of tourism, which can attract a considerable amount of foreign exchange if it is properly organised. This is a subject on which much has been said before, and the Mission does not add anything new.

Manganese in Difficulties

THOUGH the immediate cause of the decline in manganese ore exports since the end of 1957 was the recession in the U S steel industry, our exports have continued to be low even after the passing of the recession. In his address to the annual general meeting of the Shivrajpur Syndicate Shri A N Haksar explained that the lower demand for Indian ores was due to the great headway which the Brazilian product had been making in the U S in recent years. Brazil has increased her share of the total U S manganese imports from about 8 per cent three years ago to around 56 per cent because of competitive prices, low freight rates and the export subsidy offered by the Brazilian Government.

Our export earnings from manganese ore fell from Rs 32 crores in 1957 to Rs 16 crores in 1958, while figures for January this year indicate an annual rate of barely Rs 15 crores. Most of the decline has occurred under low-grade ores of 35 to 47 per cent concentration, which fetched only Rs 8 crores in 1958 as compared with Rs 18 cro-

res in 1957. Demand has probably fallen even further subsequently, for Shri Haksar remarked that there was 'practically no demand for low grade ore.' Other factors have also played a part in reducing Indian exports of manganese ore. Demand from the United States is still subdued owing mainly to accumulation of stocks, even though American steel production is currently running at approximately 90 per cent of capacity. Besides, consumers are reluctant to pile up further stocks in view of the threat of a steel strike.

The appearance of Russia as an exporter of manganese ore is another important development. Russia's exports to Japan have already jeopardised one of our traditional markets. Russia is one of the largest producers of manganese, and Shri Haksar's statement that she is trying to interest U S consumers in large quantities of both manganese and ferro-manganese is very disturbing indeed. The only hopeful factor for the immediate future is the possibility of increasing exports under the Indo-U S barter deal for wheat in exchange for manganese. While this agreement does not appear to have made any impression on our exports as yet, it is hoped that it will help to improve our export performance in the near future.

Shri Haksar had a number of suggestions to offer for resuscitating manganese exports, and some of his criticisms of official policy in this context appear to be very pertinent. The abolition of export duty towards the end of November last was undoubtedly welcome, though it came very late. A reduction in rail freight rates, raised in October 1958, back to their original level has been demanded by trade interests. There has also been a strong demand for bringing down royalty rates to a reasonable level. While these demands have been 'under the consideration' of Government, no action has been taken as yet. It is believed that acceptance of these demands would make a difference of about Rs 40 per ton in the F O B price of manganese ores and thus strengthen their competitive position in international markets.

Normalcy At Last!

AFTER a protracted period of uncertainty and improvisation, Nepal has at last secured its first elected Government. It was nine years ago that the Nepali Congress led its successful rebellion against the autocratic Rana regime, followed by the proclamation of democracy by the late King Tribhuvan on February 18, 1951. The first Government to be formed in the new order was an awkward coalition of members of the Nepali Congress and supporters of the former Rana dispensation. By its very nature, the new arrangement could not last long, however expedient it might have seemed in the context of sudden transition from undiluted autocracy to the first experiment in democracy. When the Rana elements were thrown out, the Congress got its first chance to set up a Government of its own, headed by Shri M P Koirala, brother of the present Prime Minister, Shri B P Koirala. But the unfortunate dispute that arose between the two brothers made an end of this experiment, and a Councilors' regime was set up.

The Nepali Congress was badly shaken by the defection of Shri M P Koirala and his supporters, who set up a rival body known as the National Democratic Party. The latter was asked to form a Government; but the opposition it faced from the Nepali Congress was such that it had to throw open its doors to a number of other parties and groups to keep itself in power. Even so, it found the going too hard, and Shri M P Koirala had no option but to resign. Acceptance of the resignation was, however, delayed by the death of King Tribhuvan. King Mahendra, who succeeded to the throne, not only allowed the coalition to go out of power, but also decided to do away with Ministerial Government for the time being. Contenting himself with a few advisers to begin with, he switched over to the old form of Ministerial Government in course of time, seeking the assistance of various leaders to form a stable Ministry, but with no great success. Finally, in May last year, he decided to appoint a Council of Ministers without a Prime Minister.

If the political wranglings in the country hindered to some extent the drafting of a constitution or the holding of elections, the long delay in carrying out these important tasks

was in its turn responsible for the unhealthy emergence of power politics and group rivalries, which led to the rise and fall of nine Governments in nine years. Throughout this period, barring the first year, the Nepali Congress, which brought democracy to Nepal, was essentially in opposition, agitating singly or in combination with other parties and groups for early elections. The success it achieved in the recent elections, winning as many as 74 out of a total of 109 seats in the new Assembly, must be attributed largely to the fact that this organisation followed a more or less sensible line of action in the long interval of uncertainty, scramble for office and political intrigue in Nepal.

Led by Shri B P Koirala, the Congress has now assumed office on the strength of the freely-given mandate of the people; and it has such a large majority in the Assembly that it need fear no obstacle in forging ahead with its programmes unless it should again be assailed by such internal differences as nearly wrecked it once. With the ideals of parliamentary democracy facing serious threats in certain countries and with ominous trends manifesting themselves in the north, the Nepali Congress, now at last firmly in the saddle, faces both a challenge and an opportunity. Its progress in the difficult years ahead will be watched with keen interest and sympathy.

Unseemly Squabble

IT is a pity that at a time when problems of development demand the undivided attention of the nation, the spirit of communalism, dormant for some years, should seek new outlets for unseemly expression. In recent weeks, communal clashes have been reported from certain parts of the country; and the threatened agitation in Kerala, though linked up with the State Government's move for educational reorganisation and various political issues, is not without certain sectarian implications, likely to be exploited. Meanwhile, the Sikhs, rent by differences over an essentially temporal issue, have been involved in violent disturbances over Gurdwaras in Delhi. It is bad enough when people belonging to different communities squabble about imagined grievances, as happens in most cases. It is worse when members of the same community or sect fall out and stage street fights, as

the Sikhs in Delhi have been doing. The immediate cause of the quarrel is the issue of control over the Gurdwaras in that area, with the Shiromani Gurdwara Prabandhak Committee wanting to take possession of these places and the Delhi Gurdwara Prabandhak Committee resisting. The rift between these two Committees can be traced back to the time when Master Tara Singh and his group failed to retain their control over the Shiromani Gurdwara Prabandhak Committee in elections held some time ago. Since then, Master Tara Singh has been in an angry mood, losing no opportunity to embarrass and attack the SGPC on the one hand and consolidate his position wherever he could on the other.

With the Delhi Gurdwara Prabandhak Committee still remaining under the control of Master Tara Singh's followers, the newly-elected SGPC was not in a position to exercise its authority in the Delhi area. Whether it was a case of the former severing 'all its connections' with the latter or the latter 'superseding' the former, the fact is that they have been at loggerheads ever since the elections. The Delhi Committee has been of the view that control of Gurdwaras in its area rightfully belongs to it as it has severed its connections with the SGPC. The latter on the other hand holds that, having superseded the Delhi Committee, it is entitled to take direct possession of the holy places. And batches of volunteers have tried on its behalf to enter the Gurdwaras, with the followers of Master Tara Singh and supporters of the Delhi Committee offering strong resistance from inside. It is reported that one of the three shrines in Delhi has already been occupied by SGPC adherents while the battle for the other two is still on. Master Tara Singh has called for a band of thousand volunteers to defend the Gurdwaras while the leader of the other group is sure that he will not lack supporters from the Punjab and other areas to counter this move. It would seem as though preparations are on for a 'religious war' of the mediaeval type, albeit happily on a very small scale. Yet, it holds considerable danger not only to the harmony and strength of the Sikh community, but also to the peace and order of Delhi and the neighbouring areas. That an issue, which might wisely have been left to law and

common sense to decide, should have led to so much sectarian frenzy and show of violence is regrettable in the extreme. Even now, it is to be hoped that sanity will prevail and that the question will be decided in a court of law rather than through street skirmishes.

Linguistic Minorities

THE reorganisation of States, though carried out primarily on a linguistic basis, has not solved the problem of linguistic minorities. Given the distribution of various linguistic groups, no particular geographical rearrangement of boundaries could ensure the elimination of linguistic minorities in the different States. If anything, the establishment of States on a linguistic basis has brought the problem of these minorities to the fore. It has focused attention on the need for giving them adequate protection against chauvinism on the part of the majority linguistic groups in the various States concerned. It is true, as the States Reorganisation Commission had pointed out, that 'no guarantees can secure a minority against every kind of discriminatory policy of a State Government. . . . There can be no substitute for a sense of fairplay on the part of the majority. . . . Yet, there is clearly scope for instituting various safeguards for the minorities. Some of these have been incorporated in the Constitution in general terms, but even these have to be spelled out to ensure that the rights that are guaranteed do not remain merely empty shells but are invested with substance. Some agency to ensure implementation of the constitutional provisions and draw attention to discriminatory policies that may be followed by State Governments is obviously necessary.

Following the pattern of the office of Commissioner for Scheduled Castes and Scheduled Tribes, the Government of India created the office of Commissioner for Linguistic Minorities to report to the President on the working of safeguards for minor language groups. The first report of the Commissioner for Linguistic Minorities was placed before Parliament early this month. The report, which covers the year ending July 31, 1958, is heartening because it shows that the authorities in most of the States are quite willing to take the necessary action to ensure that linguistic minorities are not suppressed and

that they are provided with adequate facilities for their own development. The recommendations of the Provincial Education Ministers' Conference in 1949 are being implemented quite satisfactorily in most States. The position of linguistic minorities in the educational field is therefore quite sound.

The difficulties in the educational sphere appear to be mainly of a practical nature. When, for instance, there are only a few students speaking a language different from that of the majority population, it is difficult to provide separate teaching facilities for them. The non-availability of teachers and the additional cost needed are important considerations. What is important is that State Governments appear to be willing to do all that is possible to provide these facilities; the fear that the dominant section would impose its own language on the minority has not been justified. There is a possibility that instances of injustice to linguistic minorities have not so far been brought to the notice of the Commissioner. The present report is based, in fact, mainly on replies given by various State Governments to a questionnaire issued by the Commissioner and, therefore, presents only the official side of the picture.

Buying Conditions Good, But . . .

ADDRESSING the Indian National Steamship Owners' Association last week, the Union Minister for Shipping, Shri Raj Bahadur, called upon shipping companies to take full advantage of the present favourable conditions for buying ships so that India could achieve the target of nine lakh tons by the end of the Second Five Year Plan. In suggesting this, however, the Minister focused attention on a paradox that characterises the shipping industry all the world over. It is when conditions are most favourable for buying ships that shipping companies are usually most reluctant to buy them, this attitude reflecting merely the fact that favourable conditions for buying ships usually exist only when the shipping freight market is at its lowest. That is exactly the situation which exists today, and Indian ship-owners do not appear to be very eager to acquire new ships even though favourable buying conditions exist in the world now.

Until recently, shipping interests in the country were urging Government, to provide more assistance to the industry to enable it to acquire additional tonnage. The demand for the establishment of a non-lapsable revolving shipping development fund was also put forward by shipping interests. Today, however, Indian shipping companies are said to be evincing little interest in this fund. That explains the Minister's statements, which would have appeared entirely irrelevant a year or so ago.

The fact that Indian ships have been finding it difficult to keep even their present tonnage fully utilised has, however, an entirely different significance in the coastal trade as compared with the oversea trade. Inadequate cargo for coastal shipping, which is fully reserved for Indian companies, implies a failure of co-ordination between the different means of transport within the country. Coastal tonnage has increased by only about 9,000 tons since the beginning of the Second Plan, standing now at 248,895 tons as against the target of 412,200 for 1961. The inadequacy of coastal cargo for even this relatively small tonnage is, according to Shri Raj Bahadur, 'engaging the serious attention of Government'. Apart, however, from referring to some slight improvement in the freight position in certain sectors of the coastal trade in recent months and promising to consider any recommendations that the National Shipping Board might make on this subject, the Minister was not able to offer any hope of improvement in the situation in the near future.

The difficulties that have been arising in coastal trade are intimately related to the domestic transport position and to various policies affecting it. The inadequacy of cargo in the oversea trade has an entirely different significance. Indian ships are carrying at present only about nine to ten per cent of the cargo arising out of the country's foreign trade though they should be entitled to carry about fifty per cent of it. Reservation may or may not be the right solution, but the scope for improvement is obvious. In this context, there is a strong case for insisting that at least all Government cargo should be carried by Indian ships. Shri Raj Bahadur referred to the work of the Shipping Co-ordination Committee,

which was set up some time ago to arrange for Indian ships to carry Government cargo as and when required. To achieve more success in this direction, the Minister suggested that shipping com-

panies should set up an organisation in New Delhi to establish direct, day-to-day contacts with the various Departments and Ministries of Government responsible for the shipment of cargo on Gov-

ernment account. The implications of this suggestion of the Minister for Shipping for direct initiative by shipping companies in obtaining Government cargo have to be more fully worked out.

Letter from Kerala

Stage Set for Trial of Strength

THE stage is set here for the 'civil war' which Namboodiripad predicted a year ago. At this birth place of Sankara, 'Dharma' has disappeared according to some. They have found in the 82-year-old Mannath Padmanabhan, generally known as Mannam, a modern Arjun out to re-establish the 'Dharma' of their creed after destroying the Communists who displaced 'Dharmikas' like Panampillil, Chackos and their ilk. The other day a public meeting was held at the Stadium grounds in Calicut, to which Mannam was brought in procession in regal style. The old man sitting in glee in a chariot-like vehicle piloted by Catholics, once considered to be his arch-enemies whose extinction he was dreaming of day and night, was a sight for the gods to see. No wonder that, in a State where freedom of association and expression is more freely used than elsewhere in the country, people should flock to his meetings to enjoy the 'tamasha' free of cost. Mannam himself is a master of vituperative language, and if orators like Father Vadakkan, Abraham, Chandy and Cheriyan are added to the fair, what else would people need for fun in a sultry evening? What the Congress President was not told correctly about by her friends was the conferences and mass rallies that are taking place at taluka and district levels under Communist auspices. In their programme, no taluka or district is left out. The people who go to Mannam's and to Communist rallies present a good study in contrast. In the Communist rallies you find workers and peasants in large numbers with determination writ large on their faces to keep their Government in power at any cost, while Mannam's meetings attract 'Yajmanans' (the Nair aristocracy) and Punyawalans (those dependent on the Catholic church) in desperation and a crowd looking for fun. This does not mean that Mannam's movement can be dis-

missed lightly. Where its strength lies, we shall see later.

It should be said to the credit of the Communist Government that its 2-year rule has driven all elements in the State's politics, standing in the way of progress, into one camp. These are people who have refused to grow beyond their family and community or to learn the lessons of history. To the former class belong Mannam and his Nair Service Society (NSS), and to the latter, the Catholic Church. The SNDP of Ezhavas is also a communal body, but as more than 95 per cent of the Ezhavas belong to the economic strata of peasants and workers, the class character of the organisation is more significant than its communal colour. That is why one finds them more in alignment with the Communists. It is a well-known fact that it was communal politics that denied a stable Congress Government to the State in the last ten years, with the role of the Catholic Church in it being most pronounced. The Education Act and the Land Bill, now under the consideration of the Legislature, will cut at the root of communal politics and divide the people only into two classes, namely, the class of workers and peasants, and the rest. Here is a dilemma for the Opposition parties to face. They cannot continue in the political scene any longer without alienating the one or the other, with the result that they are in utter confusion, running helter-skelter to forge a united front in the name of democracy to stop the march of Communism. The strength and hope of the Mannam-led NSS and the Catholic Church rest on this democratic front. It is expected that the democratic front will be compelled to walk into the parlour of Mannam and the Catholic Church, as it is built on blind anti-Communism without a better, alternative approach to the social and economic problems facing the State than the one presented by the Communists.

What are the political possibilities of the situation? Is democracy in danger? This is a difficult question to answer. Democracy, as it is understood in the West, cannot function if Opposition parties are not willing to give a chance to the duly-elected party in power to introduce reforms, for which it has obtained a mandate from the people. It was unfortunate that the Opposition parties were not prepared to accept their defeat at the polls in the spirit in which such defeats are accepted in Britain and other countries. Nor had they the courage to go deep into the causes of their defeat and to put their house in order. They set out to cover their ignominious defeat by trying to create an impression outside the State, that the Communist Government in Kerala was no different from Communist Governments elsewhere. That is exactly what the Government has been scrupulously trying to avoid. It has shown willingness to compromise even on basic principles and work within the Constitution. The controversial Education Act itself is illustrative. The original Bill underwent many changes before it received the President's assent, partly to bring it within the framework of the Constitution and partly to accommodate popular opinion, publicly expressed. It is doubtful whether any other piece of legislation has been discussed so threadbare, both inside the Legislature and outside. No Malayali has any qualms about the future of private management. By and large, it is admitted that private management has been corrupt and unscrupulous and that a reform of this type was overdue. In fact, Panampillil, when he was Education Minister in the Congress Government, tried to introduce a measure on similar lines, but was compelled to give up his Education portfolio under pressure from Catholic Church.

It does seem rather strange that when the Congress High Command has issued directives to Provincial

Committees to root out communalism in all forms, individual Congressmen in Kerala should be allowed to perform 'Chelliyattam' (a dance form in Kathakali) to the drum beats of Mannam and the Punyawalans of the Catholic Church. It is true that private management has lost its attraction under the educational reform. There will be neither money in it nor avenues of employment for relatives and friends. The right thing for managers, in such circumstances, would have been to hand over the business to Government and make it responsible for the running of schools. Such a step calls for breadth of outlook and resignation of a high order. The alternative would have been to wait for a change of Government to modify objectionable provisions in the Act, and mean-

Our Delhi Letter

Employment Prospects

THE Second Five Year Plan had the modest aim of creating employment for 'new entrants' into the labour force, estimated at about 10 million, leaving out the back-log of the unemployed, estimated at about 5.3 million. But apparently, even that modest target of addition is not likely to be attained. Shri Gulzarilal Nanda, while addressing the Central Committee on Employment, argued that because of the paucity of resources and the reduced dimensions of the Second Plan, the new employment likely to be created in the non-agricultural sector may fall short by 1.5 million. Thus the Third Plan will have a back-log of unemployed persons totalling 7 million. And the official estimate of the addition to labour force in the Third Plan period is put at 14.1 million, assuming a somewhat higher female participation than in the Second Plan period. Thus, if unemployment is to be wiped off by the end of the Third Plan, additional employment will have to be provided for about 21 million persons.

Shri Nanda was frank enough to admit that this was a tough proposition, and he talked about tackling the problem squarely by 1976. But by 1976, the problem would be much bigger. A study undertaken jointly by the Ministry of Labour and the Planning Commission estimates that by 1976, on the assumption of 45

while, to establish their right in a court of law, if any legitimate right had been taken away by the Act. That is the democratic way. Strangely, the disciples of Christ in Kerala and Mannam believe in the agitational approach, generally associated with Communists; and it is difficult to feel from the preparations they are making that the movement would not end in violence and bloodshed. It is this dangerous prospect which prompted the universally-revered Sarvodaya leader, Kelappan, to undertake a fourteen-day fast for self-purification and enlightenment. On the theory that the ruling party could afford to be more generous than the Opposition, the Sarvodaya leader has no doubt expressed his dissatisfaction with Government; but his distress over the atti-

tures of the other parties has in no way been less.

The next question is whether Government will be able to withstand the agitation. Indications are that Government will be cautious, but firm. Politically, the ruling party is much stronger than any other. Further, there is a strong section in the Congress and the PSP which does not like to associate itself with Mannam and the Catholic Church. If the agitation is conducted on peaceful lines, it is bound to fizzle out soon. But if it takes a violent turn, Congress and the PSP will try to make political capital out of it. Eventually, the crucial question would be how public opinion outside the State reacts to it and what the attitude of the Centre turns out to be.

above, consider it adequate if we find resources for ensuring an investment of Rs 8,000 per person newly-employed. On this basis, the total investment required for the employment of 54 million in the non-agricultural sector would be around Rs 43,000 crores. And there is in addition the need to find, through additional investment or otherwise, jobs for 26 million more in agriculture. Whatever else one may say about Shri Nanda, he cannot be accused of being shy of large numbers.

Shri Nanda expressed concern at the fact that the output of educational institutions was growing faster than the increase in employment opportunities. He is right to be concerned about it so long as he does not imply thereby that the educational programme should be slowed down. There are already enough obstacles in the way of expanding educational facilities. One hopes. Shri Nanda's fears of an increase in the number of the educated unemployed will not become one more argument for paring the already small allocation for education in our development plans. Universities should be open only to a restricted few after matriculation. It is a grave sociological issue which the best brains in the country should tackle with a sense of urgency.

From the London End

German Capital Exports

THE postwar economic recovery of West Germany is certainly remarkable and we are yet to fully understand the factors which explain this achievement. There has now emerged a new and startling feature in West Germany's international economic position. The recovery having been completed, the West Germans are now looking abroad with increasing interest. Already their exports have attained a level which matches the share of Britain in world trade. In West Europe, Germany is truly the dominant economic power, and this more than anything else describes the content of the European Common Market. In the Middle East, and in Latin America, West German exports have reached significantly large figures. There is now the matter of capital exports. For most of the postwar years West Germany has been a net capital importer. Then from about 1955 there occurred a gradual transformation of West Germany's net international investment position and by 1958 she emerged as one of the more important capital exporters of the world.

Investment in Foreign Securities*

The Bundesbank's publication of a particularly detailed analysis of West Germany's balance of payments for 1958 shows this transformation with considerable clarity. In 1958 West German net investments abroad on long-term account amounted to D M 1.8 billion as compared with D M 1.1 billion in 1957. By far the greater part of this outflow of capital funds represents investments by the private sector. For most years since 1955 West German private investment in foreign countries has mainly gone into the acquisition, establishment and enlargement of branches, and participations abroad—largely in direct investments in coal, steel, chemical, pharmaceutical and electrical engineering industries in Europe and Latin America.

In 1958 capital exports other than in the direct form became particularly prominent; one of these new forms was the purchase of foreign securities. According to available data, net purchases of foreign se-

curities in 1958 reached D M 280 million, against only D M 40 million in the previous year; some two-thirds of the purchases in 1958 are said to have taken place in the fourth quarter of 1958, largely by way of preparation for the Common Market. There was also a substantial increase in loans and credits granted to foreigners. With the inclusion of the credit granted to the Indian Government by West German banks, such loans and credits amounted in 1958 to nearly D M 500 million compared to D M 40 million in the previous year.

Aggressive Bid

There was equally a substantial increase in West German public capital exports in 1958. The increase was primarily due to payments resulting from membership in international organisations. Thus D M 271 million was made available through the I M F for the DM drawings of Yugoslavia, France and Turkey; D M 126 million were paid in at the European Investment Bank of the Common Market, being the two instalments of the West German share in its capital.

The size of West Germany's capital exports is certainly impressive when placed against that of the United Kingdom. In 1957 and 1958 the U K's long-term capital exports averaged about £170 million a year. By contrast, West Germany's long-term exports of capital amounted to £180 million in 1958 and about £100 million in 1957. There can, therefore, hardly be any doubt that West Germany has emerged as a powerful competitor in the bid to secure economic footholds in various parts of the world.

Investment Unit Trusts

It is, however, to be noted that West German capital has tended to concentrate itself in areas of rising importance in world trade, particularly in areas which already have substantial domestic markets. Thus, for example, the bulk of West German capital exports continue to be directed to West Europe, Latin America, Canada and the United States. By contrast British overseas investment is busy securing control over sources of raw materials, though in more recent years the expansion of subsidiary and secondary production in the White Dominions has proved attractive for British capital.

A wholly new feature of West German capital exports is the amount of funds collected for distribution over a wide range of external manufacturing assets through the now popular 'investment unit trusts'. One recent example of this type of international investment is provided by the Deutsche Bank's D M 50 million trust 'Interinvest'. About 60 per cent of its total portfolio is to be in North American securities, while the remainder will be spread in West European and South African shares. As indicated above, the latest trend in West German investment exports is that of acquiring foreign securities and expansion along these lines is likely in the coming months.

Fabulous Export Surplus

The external transactions of West Germany (imports and exports) have been such that in almost every year since 1951, a net export surplus has been achieved. For the

West German Long-Term Capital Investment Transactions (D M Million)			
	1959	1958	1954-58
Total Net Capital Exports	1,100	1,848	4,185
of which:			
Private	782	1,114	2,654
Official	318	734	1,531
Total Net Capital Imports	370	41	— 159
Private	911	542	1,843
of which direct	139	164	919
Official	—541	— 501	—2,002*

*Repayment of prewar external debts under London Debt Agreement.

period 1950-58 the balance of transactions on goods amounted to the fabulous total of D M 33,730 million and this was largely responsible for the sucking into the West German reserves of a sizeable chunk of the world liquid reserves. Indeed the problem child of the 1957 exchange crisis in Europe was West Germany. The obvious remedy for such a persistent and large balance of trade surplus would be to pursue an interally expansionist policy so that imports may rise. Such a solution was, however, not within the purview of West Germany's policies. Instead, while holding closely to the economic balance they achieved internally, and without in any way jeopardizing their external trading surplus, the West Germans embarked on a massive export of capital, both on long and short term account. In this way, they moderated the rate of accumulation of their gold reserves, and scotched the widespread criticisms that were being levelled against their policies.

In the years 1956 and 1957 the gold and foreign exchange reserves of West Germany rose by over D M 5,000 million. In 1958 this rate of accumulation fell to D M 3,190 million. The difference was accounted for not by any reduction in the trade surplus (which in fact rose further) but by an outflow of short-term speculative capital. This is the unstable feature of the current European exchanges.

BRITISH TEXTILES

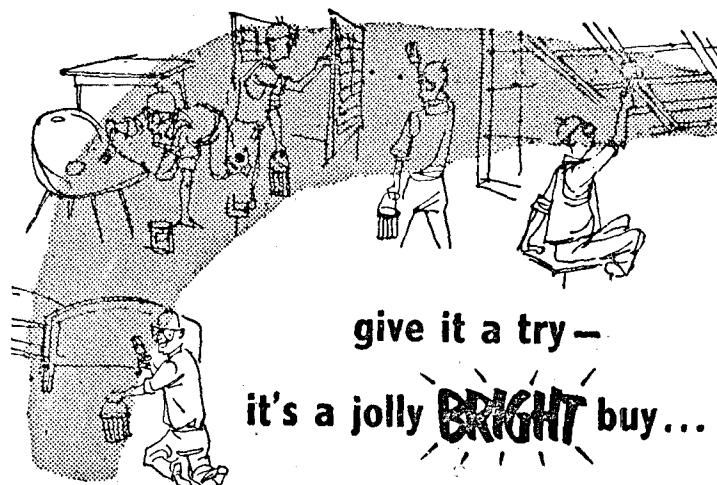
THE British cotton textile industry's plea for restriction of duty-free imports of textiles from Commonwealth countries has not been accepted by the British Government. Rather it has suggested, in a White Paper published on May 13, a plan of rehabilitation and modernisation of the industry. Government has offered to bear a portion of the cost of doing away with obsolete machinery and, if it is satisfied that the scrapping is large enough, to bear one-third of the cost of modernization and re-equipment. It is estimated that the plan, which will be spread over five years, will cost the Exchequer £30 million.

The surplus capacity in British textiles is estimated as follows: in spinning, 12 million spindles or half the total; in weaving, 70,000 looms or 30 per cent of the total; and in

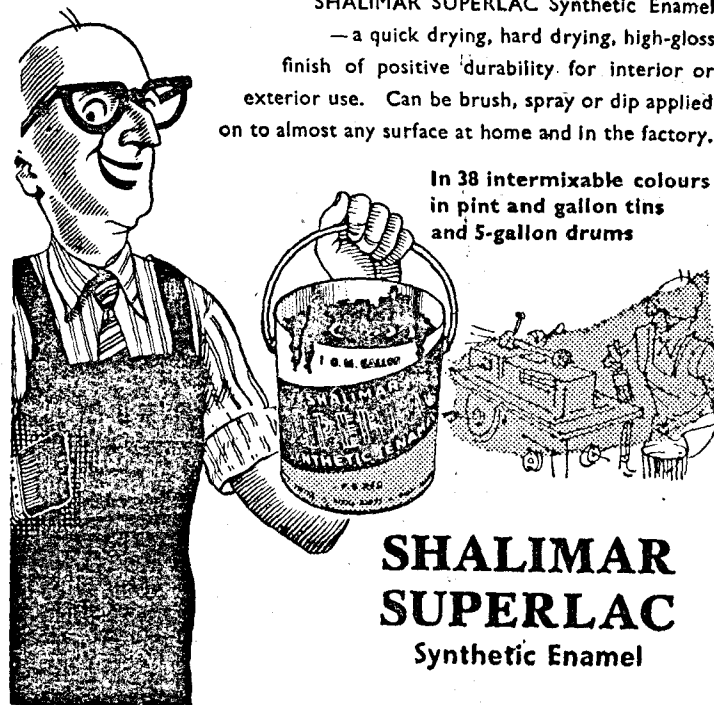
finishing (printing, bleaching, etc), about 25 to 40 per cent of the machinery installed. If all the excess capacity is eliminated, the cost of re-equipment and modernization of spinning alone is estimated at £40 million and of weaving between £30 to 45 million. Since these are only preliminary estimates, says the White Paper, the actual costs may be higher.

While noting the extent of competition which the British textile industry has to face in Britain from India, Hong Kong and Pakistan, the

White Paper says: "This is our side of the imperial preference system, which is of great political and economic benefit to the Commonwealth. We could not expect to dismantle this system at our end and at the same time keep the advantages which Commonwealth countries give us in their markets". The White Paper hopes, however, that the recent agreement with representatives of these Asian countries for limitation of exports to the U K will soon come into force.



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Official Papers

Inflationary Conditions And Recessionary Tendencies

Trend and Progress of Banking in India during the Year 1958. Reserve Bank of India, Bombay, 1959. Pp 22. Annexure and Appendices pp 23-119. Price Rs 4.

UNDER the Banking Companies Act, 1949, the Reserve Bank of India is expected to present, annually, a report on developments in the field of banking in the country. The annual reports on the 'Trend and Progress of Banking in India' bring together a wealth of information about banking developments and provide an analysis of various trends shown by the data collected by the Reserve Bank.

Critical Year

The latest report is the tenth in the series and covers developments during 1958. This was a critical year for the economy. The external payments position continued to be acute and inflationary pressure internally had also not abated substantially. The report draws attention to the fact, however, that there were 'recessionary tendencies' in certain sectors of the economy. While the rate of investment in the public sector was stepped up further, though not to the extent projected earlier, the expansionary impact of this increased public investment "was probably offset by some slackening of investment in the private sector, due partly to the restrictions on imports of plant and equipment." As a result of this sluggishness in private investment activity, "bank credit increased only moderately and at no stage during the year did it show any sharp increase." The report also notes that "the seasonal (1957-58) expansion was much smaller than in the preceding two busy seasons while the slack season contraction was the highest since 1952. Deposits, on the other hand, recorded an impressive rise with the result that banks were comfortably liquid throughout the year."

Money supply rose, but only to the extent of Rs 75 crores (3.3 per cent) as against Rs 96 crores (4.4 per cent) in 1957 and Rs 132 crores (6.4 per cent) in 1956. Total money supply stood at Rs 2,349.9 crores at the end of the year. The report explains that the smaller expansion of money supply "was due to a lower level of deficit financing, a

smaller increase in bank credit and a continued and more pronounced shift from demand to time deposits." As had been predicted by some economists, the contractionary impact on money supply of the balance of payments deficit was much less than in the last two years. The expansion in money supply was brought about by a Rs 80 crore expansion in currency, offset partially by a Rs 5 crore contraction in deposit money. That the experience in this respect this year should be contrary to that of the previous year was not surprising in view of the change in the pattern of total investment as between public and private sectors.

Banking Habit Spreading

Since the expansion in time deposits, which the report describes as a record one, is of relevance to the question of the limited expansion that has taken place in the money supply as a whole, it requires more careful examination. The Reserve Bank takes the view that this record expansion in time deposits, "though partly due to a shift from demand deposits, as reflected in their decline for the first time in the last three years, was indicative of a satisfactory growth of savings through the banking system."

This conclusion is supported and supplemented by another finding. "There is growing evidence," says the report, "that the banking habit itself is gradually spreading amongst the people, in the context of expanding money incomes released by large developmental outlay. Thus, excluding P L 480 deposits, the rate of deposit expansion has been the greatest since 1955 in centres with a population of 50,000 and less as against a smaller rise in the larger centres. Even on the basis of absolute figures the increase in deposits in the smaller centres represented over a fourth of total deposit expansion." The report, however, adds: "... the fact remains that a major portion of the new incomes generated by developmental expenditure throughout the economy has not found its way into the organised banking system. It

has been observed that bank deposits have hardly registered any significant increase in certain States where some major Plan projects have been undertaken involving substantial expenditures on wages and growth in complementary economic activity."

Credit Control

Bank credit showed an increase of only Rs 11.1 crores over the year as compared with a rise of Rs 74.6 crores in 1957 and of Rs 151.3 crores in 1956. According to the report, the explanation for the small expansion of bank credit in 1958 "is to be sought, apart from the slackening of activity in the private sector, in the policy of the Reserve Bank aimed at preventing the speculative use of bank finance." This conclusion may not be widely acceptable, even though the report tries to support it by a reference to the pattern of seasonal contraction and expansion over the period. The Reserve Bank itself admits for instance that there was a perceptible increase of Rs 27.5 crores in advances against 'other securities'. The overall fall in credit besides was probably more due to the fact that there was a considerable amount of disinvestment in stocks both in the commercial and industrial sectors of the economy induced by lower imports as the report itself admits.

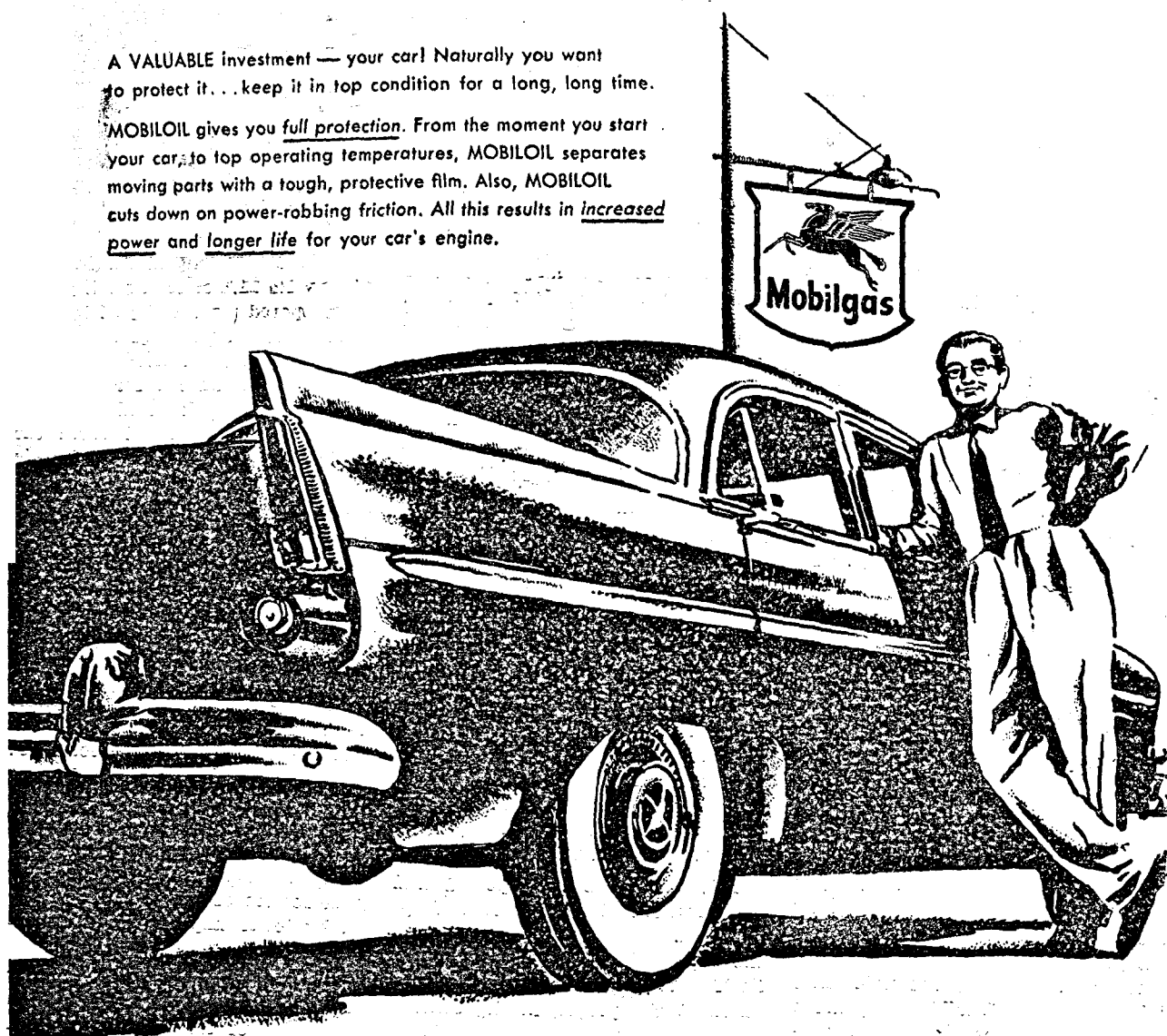
The Reserve Bank could hardly claim that this fall in credit was the result of its policies, though some of the other measures taken by it probably did operate in the desired direction. "Apart from the close vigilance kept on foodgrain advances," the report points out, "the Reserve Bank also took measures during the year to restrict the speculative use of bank credit on the stock exchange." The Reserve Bank also claims that though its policy was restrictive in its general tenor, it continued to assist the direction of bank credit towards productive sectors of the economy. This statement is made with special reference to the growth of industrial credit. The share of industrial

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credit increased from 43.6 per cent to 47.9 per cent in the total of scheduled bank credit.

Advances-Deposits Ratio Falls Sharply

As the advances-deposits ratio fell sharply from 63.2 per cent in December 1957 to 54.8 per cent in December 1958, the liquidity position of the banks showed a considerable improvement. This induced the banks to increase their investment portfolio by Rs 206.2 crores during the year. During this period, banks also absorbed Treasury bills, the sale of which was resumed by the Reserve Bank from July 1958. At

the end of December 1958, their holdings amounted to Rs 55.7 crores.

After discussing the trends in money rates, the report draws attention to the Deposit Rate Agreement amongst important Indian and foreign banks, fixing ceilings on interest paid on deposits. Under this agreement, it was decided that no interest would be payable on deposits on call or on notice of less than seven days and that the ceiling rates on time deposits for less than three months and on those for three months and over would be 3-7/8 per cent and 4 per cent respectively. Similarly, the maximum rate

in respect of savings bank accounts was fixed at 2½ per cent on minimum monthly balance and the maximum amount on which interest would be paid was kept at Rs 50,000.

Banks' Profits Lower

The report notes the reversal of the rising trend in net profits of banks noticed since 1953. Expenses rose by Rs 11.3 crores, while gross earnings of banks rose by Rs 10.7 crores. Net profits thus fell from Rs 8.5 crores to Rs 7.9 crores. These figures are for the twenty-five large Indian scheduled banks for which figures are analysed annually.

Book Review

Orthodoxy: Old vs New

Mahesh Bhatt

Public Principles of Public Debt — A Defence and Restatement, James M Buchanan. Richard D Irwin, Inc, Homewood, Illinois, 1958

VARIOUS attempts have been made in recent times to rehabilitate the classical position in different fields of economic theory. Patinkin's 'Money, Interest and Price,' and Bauer and Yamey's 'The Economics of Underdeveloped Countries' are important examples. Here is another brilliant effort to rehabilitate the classical position—in the field of Public Debt Theory. In this thought-provoking book, Professor James M Buchanan of the University of Virginia, tries to prove "the theory of public debt which is now accepted by most economists is, at base, fallacious" and that the 'vulgar' conception of the public debt is the only one which is fundamentally correct and valid generally.

Buchanan starts his analysis with a restatement of the currently held doctrine of public debt which he describes as 'The New Orthodoxy', concentrating particularly on the following three fundamental propositions:

- (1) The creation of public debt does not involve any transfer of the primary real burden to the future generation.
- (2) The analogy between individual or private debt and public debt is fallacious in all essential respects.
- (3) There is a sharp and important distinction between an internal and external public debt.

His own analysis leads him to exactly the opposite conclusions: the

primary real burden of public debt is shifted to future generations; the analogy between public and private debt is fundamentally correct; and the external debt and the internal debt are fundamentally equivalent.

Burden on Future Generations

His analysis is based on the assumptions that (1) there is full employment; (2) borrowing is for real purposes (i.e. aimed at securing command over real resources); (3) the amount borrowed does not affect interest rates or the price level; and that (4) bonds are bought voluntarily from real savings. The 'future generation' is defined as "any set of individuals living in any time periods following that in which the debt is created." Under these sets of conditions, Buchanan maintains that the purchase of bonds by a private individual does not involve burden on him, as he voluntarily exchanges liquid funds for Government bonds, and moves to a preferred position on his utility surface.

This is undoubtedly true, but when we think of the economy as a whole, resources are withdrawn from private employment in the period of debt creation, and hence it may be considered as a burden on the present generation. Buchanan's answer to this is that the economists of the individualistic and democratic society, cannot think in the terms of 'group' or the 'whole'. The individual or the family is, and must be, the basic philosophical entity in this society. Thus Professor Bucha-

nan interprets the meaning of the concept of 'burden' in terms of individual attitudes towards their well-being, rather than in terms of changes in private-sector outputs and real income.

Will Debt Match Credit?

If this is accepted, then we can talk about individual bondholders' sacrifice in terms of 'pain cost' or 'opportunity cost' doctrine. Nobody will today accept the 'pain cost' doctrine while the 'opportunity cost' doctrine does not suggest any sacrifice on the part of the bondholder, who is merely exchanging current command over resources for future command over resources. He makes a presumably favourable exchange by shifting the time shape of his income stream. The real primary burden falls on the individuals who will be taxed in future periods in order to service the debt. If the borrowed money is wasted, the future taxpayer has no productive asset in the form of a public project to off-set his genuine sacrifice.

The individualistic philosophy of Buchanan leads him to reject the social accounting argument according to which the burden cannot be on future generations as interest receivers and taxpayers live in the same time period and debt will thus match credit. Buchanan believes that the cancelling out in the national balance sheet is important if, and only if, this is accompanied by a cancelling out among the individual and family balance sheets.

Bondholders usually capitalise the future interest payments and thus discount them. These interest payments are the *quo pro* of his *quid pro quo*. But the sacrifice of the income by the taxpayer in order to make these payments has no direct *quid pro quo* implications. It is a sacrifice imposed compulsorily on the taxpayer. The taxpayer is the one who pays and who sacrifices real resources. His is the only sacrifice which is offset, if at all, by the income yielded by the public investment of resources made possible by the debt.

Taxpayers Not Worse Off

Buchanan's arguments on this point do not appear to be very convincing. Under the assumption of full employment, the economy is working at full capacity, and hence a fall in the real income of taxpayers is offset by the increase in the real income of bondholders—since the total real income of society remains unchanged. It is true that from the view point of the individual taxpayer there may be some burden, but from the point of view of the economy as a whole there is no burden. Even from the point of view of the individual, it is necessary to note that if there had been no public debt, the bondholder may have invested in some private project. The taxpayer would then have paid interest on the investment as a part of the price of the goods produced. The interest element in the price, unlike a tax payment, may not be very obvious to individuals. But this is merely a psychological difference and does not affect the real situation.

Further, as Paul B Trescott pointed out in his article "The 'Burdens' of Government Finance" ('Public Finance', No 2, 1956), taxpayers as a group are not worse off because the amount of tax required to repay the debt principal is the same as would have been required at the start, if the expenditure had been financed by taxation—and the taxes required for interest rate are the price of postponing that payment. No taxpayer need postpone his payment, since he can always lend the money to the Government earlier, and thus save the interest charge. Thus, in a sense, the taxpayer, like the bondholder, does exchange the future command over resources for the present command

over resources. Thus the taxpayers need suffer no loss; if they pay more tax, it is because they postpone the payment of the principal, which act remains optional for them.

Public and Private

Buchanan's second contention, that the analogy between public debt and private debt is fundamentally correct, is more convincing. The distinction between private and public debt pointed out by the new orthodoxy is that in the case of the private debt, payment of debt represents a reduction in the private net worth, but when we think of the public debt there is no reduction in the aggregate wealth of the community because of the payment of debt. Buchanan points out what he calls 'a subtle fallacy' in the above reasoning. He emphasises especially the fact that there are alternative employments for capital investment, and that the net worth of bondholder would increase even if there were no public debt. The bondholder might have invested in a private project instead of Government securities. Thus in the differential sense, the bondholders net worth is not increased by debt issue, *per se*. As against this, the net worth of the taxpayer is reduced when he is taxed for servicing the public debt. This is similar to what happens when private debt is incurred. The benefits received out of the public projects must be offset against tax payment, but it is improper to offset this reduction in net worth against the increase in the net worth enjoyed by the bondholders. From this it is concluded that the public borrower (taxpayer) is at no time in a position different from the private borrower. The analogy between the two holds good in all essential respects.

Undoubtedly Buchanan's position is strong on this point, but it is not beyond dispute. There are many characteristics of public debt as distinct from private debt, which are not discussed by Buchanan. For example, the sovereign Government can make payment in its own legal tender—and it can create these means of paying a debt without limit, which is obviously not true of the private debtor.

External and Internal Debt

To a great extent the third contention of Buchanan, that the external and internal debt are fundamentally equivalent, follows directly

from his arguments concerning the earlier two propositions. Under the assumptions of 'equal ease of transfer' and the equivalent interest rate for internally and externally borrowed capital, Buchanan argues that the internal loan would reduce domestic private investment. The external loan would not cause such a reduction in private investment, and income in a future period would be higher than in the internal loan case by precisely the amount necessary to service the external loan.

In the case where the domestic productivity of capital investment is greater than the rate at which funds may be borrowed externally, the community will be better off if it chooses the external loan form, and external loan will not be a burden. If the borrowed funds are not properly utilised, then the interest payment of the externally held debt would be a 'burden'. But this burden arises not because of the locational source of the loan, but because the community has not chosen the most 'economic' or 'efficient' form of utilisation. Even if the assumption of 'equal ease of transfer' is relaxed—the difference which will arise will be solely from the institutional framework imposed by the separate national monetary and economic structures. In basic respects the internal loan and the external loan are identical.

Under the assumption of 'equal ease of transfer', Buchanan's arguments appear to be sound, but once that assumption is relaxed, the difference between external and internal debt becomes very obvious. Externally borrowed capital may increase total income but that does not necessarily mean that there will be more foreign exchange available for servicing the debt. Secondly, in the case of internally held debt, the national Government can influence conditions through monetary policy, but this is obviously not possible in the case of externally held debt.

Besides the topics discussed above, Professor Buchanan considers many other topics, such as Public Debt and Depression, War Borrowing, Public Debt and Inflation, Debt Retirement and Economic Stabilisation, etc. More important is his methodological criticism in the third chapter. On the whole, in spite of an over-emphasis on the individualist approach, this is a valuable contribution to the discussion of public debt theory.

P L 480: An Appraisal

Narindar Singh

IT is important to distinguish between the two purposes of receiving external assistance in the form of foreign farm surpluses: (a) to meet conditions of acute food shortage, and (b) to use this type of assistance as a source of finance for long-term economic development of a densely populated underdeveloped country like India. While there cannot be any dispute about the desirability of accepting such assistance to forestall starvation, the latter aim merits consideration. It is important to note, moreover, that of the total U S authorizations under P L 480 for all countries since the programme was initiated in 1954 (amounting to \$7.6 billion, mid-1954 to December, 1958), only 7 per cent has been utilized for alleviating the conditions of distress. ('International Financial News Survey', February 6, 1959.) In what follows, I shall be concerned only with the second aspect, assuming that in a country like India the primary aim is to have a surplus-generating domestic agriculture to feed a programme of industrialization, and in turn be fed by it at a rising level. Relevance of P L 480 in such a programme is a matter of great interest.

I

A great merit claimed for P L 480 assistance is its capacity to fill the wage-goods gap in the simplified Nurksian model of capital formation for a densely populated underdeveloped country. (Ragnar Nurkse, 'Problems of Capital Formation in Underdeveloped Countries', Pp 32-47.) Nurkse was concerned with the increased consumption of those who remain on land, so that it is not possible to fully mobilize the concealed saving potential and turn the capital construction project into a self-financing one. Those who have left for such projects may have to be fed from outside the system; and one such outside agency is P L 480 assistance. The question whether it can be so used on any considerable scale depends entirely on the tenability of the Nurksian premise that surplus manpower can in fact be withdrawn in substantial numbers, in the way he suggests. This raises the question of the nature

of the manpower surplus in agriculture. Is it what may be called an absolute surplus, in the sense that agricultural production will not decline if this surplus is withdrawn leaving the organizational set-up and techniques in agriculture basically the same? Or is it of a type which has first to be transformed into another type, and then be withdrawn from agriculture? This is a vital issue which is at present being ignored.

This surplus, owing to the extreme seasonality of agricultural operations enforced by nature, exists mainly in the form of seasonal underemployment. As a result of petty holdings, most of the agricultural working force is kept semi-idle during the slack season. This practically universal underemployment during slack seasons cannot be converted into a substantial source of capital formation. By way of illustration, take a community of 100 cultivators (and their families) having one acre each, which is not enough to keep them busy during the slack season. If it be thought that 20 cultivators (with given techniques) are able to look after the land during the slack season, the surplus 80 cannot be withdrawn without in some way making the other 20 responsible for the land and other resources owned by those who are to be withdrawn. This responsibility they can either purchase (if they can) or assume as a social obligation, and till the land of the 80, say, after forming a cooperative. In case the 80 are withdrawn without transferring the responsibility, their land will go fallow and production will fall. In other words seasonal underemployment for all has to be converted into seasonal unemployment for some (in agriculture)* in order to mobilize the concealed saving potential.

The problem of labour shortage during the busy season can be solved by gradually introducing relatively simple mechanical devices and bringing back some of the manpower from the relatively simple capital construction projects (minor irrigation works etc). Other-

* I am indebted to Dr K S Gill for this clarification.

wise, "withdrawal of portions of the labour force may be expected to reduce total output (in the sense that insufficient ploughing, inadequate planting, and untimely harvesting will diminish the size of the final crop)". (Harry T Oshima, "Underemployment in Backward Economies: An Empirical Comment", 'The Journal of Political Economy', June 1958, p 261.) Organization and planning are basic to what has been said above, and the problem becomes rather easy with a phased programme of transforming agriculture into an organized activity, and withdrawing the 80 not at once, but gradually. It will be recognized that in the present Indian conditions such transformation is possible only on cooperative lines. While recognizing that the people who remain on land cannot continue to cultivate it in quite the old way, Nurkse allowed for "changes in the manner and organization of work, including possibly a consolidation of scattered strips and plots of land." Any one familiar with the history of the consolidation of holdings in India will agree that, apart from several other weaknesses, this process does not reduce the number of holdings but only brings scattered strips together. So long as the problem (from the point of view of withdrawing surplus manpower) is basically one of the large number of petty holdings, consolidation will be of no avail: it will not transform the basic nature of agriculture in a country like India, the essence of which is individual small-scale farming.

The above example is rather over-simplified, but it does not distort reality, as is clear from N S S-8th Round data. Of all the rural households (this includes non-agricultural rural households) numbering 65-66 million, a little over 20 per cent did not own any land; and 25 per cent owned plots under one acre each. The share of a little less than half the rural households in the total area owned was a little over 1 per cent. About 75 per cent of all rural households had either no land or held less than 5 acres each, their share in the total being about 16.6 per cent. At the upper end about 12 per cent of rural

households owned more than 10 acres each, their share in the total being about 66 per cent of the whole area; and about 1 per cent of the households owned more than 40 acres each, their share being 20 per cent of the total. (The National Sample Survey, Eighth Round: July 1954-March 1955; 'First Report on Land Holdings', Rural Sector. Government of India, 1958) What may be called the Nurksian Withdrawal Effect does not apply even to those who are recorded as having no land, since many of them are attached to their handicraft enterprises and shops etc. In any case they cannot be included in the surplus agricultural manpower. The pressure on the landless during the peak season makes their substantial withdrawal impossible.

What is crucial is the genuine, voluntary and gradual cooperativisation of agriculture (after land redistribution) as a condition precedent for withdrawing substantial portion of manpower surplus. In the light of this premise, the irrelevance of P L 480 is brought out very clearly. Firstly, there is every possibility of local food production being considerably stepped up as a result of increasing doses of cooperativisation, as has been seen in China. Food will thus be available for workers who leave the land. Secondly, even if due to some frictions and rigidities, food production does not respond to cooperativisation immediately, P L 480 assistance cannot be expected, on any considerable scale, because of the political considerations. (It should be remembered that P L 480 assistance to Poland in 1956 was strictly of a marginal nature, given in the face of an emergency, and, most important of all, for the then paramount political considerations.) Thus P L 480 is rendered economically unnecessary and politically impossible.

II

This leaves what, in my view, are relatively less important aspects of P L 480. It is obvious that when foreign farm surpluses are received on any considerable scale and over a long period (as in the case of India) either a state of perpetual emergency or a sense of permanent resignation is created, both of which are undesirable and require radical solutions. Local effort at self-sufficiency is dampened. Except when received in the face of an

emergency, it is likely to push down prices in the local market, thus acting as a disincentive for greater production, given the present set-up. Such assistance assumes a deficit economy in the recipient country.

There seems to be an irreconcilable dichotomy between self-sufficiency and such assistance. As it is, P L 480 is sometimes taken to be an answer to a prayer, since it relieves food shortages in a country like India, and also helps the U S Government to reduce a part of its excessive agricultural surpluses. In a recent Presidential message to the U S Congress it was pointed out that even if not a single bushel of the forthcoming crop is harvested, the accumulated stocks will be enough to meet the needs of U S and her commitments abroad as well as the necessary carryover for the next year. Farm support is costing the U S Administration \$ 6 billion annually. Whatever its utility to U S A, P L 480 numbs local effort in the recipient country. Paradoxically, the price of receiving the bulk of U S aid (over 56 per cent of U S aid authorized for India is in the form of farm surpluses, if one includes the 1951 wheat loan) is by no means negligible. Indeed, some of the objectives of P L 480, indicated in Section 104, are "To develop new markets for United States agricultural commodities on a mutually beneficial basis; To purchase or contract to purchase strategic or critical materials within the applicable terms of the Strategic and Critical Materials Stockpile Act." An example of the latter is the recent barter deal exchanging U S farm surpluses for Indian manganese.

III

The accumulation and use of the counterpart funds also need to be studied. As soon as a U S ship (since it must be a U S ship) touches port, the Government of India 'pays' for the entire consignment by handing over the rupee amount involved to the U S Embassy account with the State Bank of India. Later, with the release of foodgrain stocks to the State Governments and of cotton to the mills, the Central Government balances are recouped. These accumulating counterpart funds in the U S Embassy account are re-lent to India according to specific allocations. In view of the considerable delay

between the accumulation of the counterpart funds and their allocations, the interest accruals to the U S Embassy account during the intervening period may be said to constitute perverse external assistance.

Moreover, according to the Cooley amendment to Section 104, a quarter of the counterpart funds shall be loaned to U S firms or foreign affiliates of such firms, which undertake projects approved by the Export-Import Bank and to foreign firms "for the establishment of facilities for aiding the utilization, distribution or otherwise encouraging the consumption of, and markets for, United States Agricultural Commodities," subject to the proviso "that no such loans shall be made for the manufacturing of any products produced in the United States or for the manufacture of any commodity to be marketed in competition with United States agricultural commodities or products thereof." What degree of industrial development such a programme will encourage even in the private sector remains to be seen.

IV

A well-known F A O pilot study in India ('Uses of Agricultural Surpluses to Finance Economic Development in Underdeveloped Countries'), which starts with the assumption of the usability of farm surpluses for projects of economic development in the sense of filling the wage-goods gap, points out the several practical difficulties in the way of effective utilization of such surpluses. Abstracting from all that has been said above, these difficulties alone render P L 480 assistance of doubtful value. It is pointed out, for example, that if a country is doing all that it possibly can, "there is nothing that surplus products could do to help speed the progress or to increase the levels of consumption and of production" (Emphasis added). It is clear that, given the present institutional framework with dissipated and unorganised economic units in agriculture and industry, a country like India in fact cannot 'do' any more than what she is doing. P L 480 assistance is, therefore, redundant even in the present conditions. But since a transformation of the institutional framework is a condition precedent for 'doing' more, such assistance will either not be needed or not be given.

The F A O study points out, further, that the additional consumption resulting from additional projects must be as large as quantities added by farm surplus assistance. If it is not so, either the incomes of domestic farmers will decline or food exports will have to be resorted to, thus nullifying the avowed

purpose of such assistance. Further, in a big country like India, this condition must be fulfilled not only for the country as a whole, but in each local market area. Considering the degree of efficiency with which the administrative machinery in an underdeveloped country is generally credited, the feasibility

of such an accomplishment can well be questioned.

In conclusion, I may say that, since P L 480 assistance adds to a country's debt liabilities without in any way stimulating her industry or agriculture, dependence on such assistance should be of a strictly marginal and cautious nature.

Fall in Raw Material Prices in World Markets

Adam Szeworski

I

At the beginning of 1958 there was a general tendency of decreasing raw material prices in world markets. After a short interval in the second half of 1956, when prices of certain raw materials rose slightly during the Suez Canal conflict, the downward trend continued, so that the general price index of raw materials reached its lowest level in 7 years.

This was the third drop in raw material prices in the postwar period. The two former drops which had taken place in 1948-1949 and 1951-1953, were merely fluctuations—a normal reaction to the soaring prices of the respective preceding periods. In these two instances, the lowest point of decline of the latter was above the lowest point of decline of the former, so that the general line showed an upward trend in raw material prices in world markets.

The latest overall price decline occurred early in 1956, after nearly two years of a relatively stable market. Notwithstanding the temporary rise in the second half of 1956 which compensated the initial fall, in the second quarter of 1957 the general price level fell below the lowest point of the 1953 decline, and toward the end of 1957, it dropped even below the level which had preceded the raw material boom of 1950-51 brought about by the Korean War. It is for these reasons that the present decline in world prices of raw materials is generally interpreted as a break in the steady upward tendency of the postwar period, and as the beginning of a new downward trend comparable to the one experienced between the two world wars.

The purpose of the present study is to ascertain the causes, the sources,

and the character of the present decline in world prices of raw materials. As will be seen below, this decline is due, on the one hand, to a shrinking demand for raw materials brought about by cyclical and extra-cyclical factors and, on the other, to a growing supply of many basic raw materials which is a direct result of an increase in production stimulated by large capital investments undertaken in the preceding periods.

Before going any further, we must remember that changes in market demand are a decisive factor affecting raw material prices over short periods of time. This is due to a certain lack of flexibility in production of raw materials which makes it difficult to adjust the supply of raw materials to the changing market demand.

As a rule, it takes a relatively long time to increase the production of raw materials. In agriculture, results depend on weather conditions, on the process of ripening of the crop, conditional upon the season and upon the time-lag required for fertilizers to produce their full effect. Similarly, the mining industry cannot closely follow the ups and downs of the market, for it takes capital investment well in advance to increase production. For these reasons an increase in the demand causes the available stocks of raw materials to shrink, and this in turn leads to higher prices. On the other hand, as world commodity prices are listed on the stock exchanges, a price rise usually calls forth additional demand of a speculative nature, which brings about a further boost and which at the same time makes it more difficult for production to readjust itself to demand within a short period of time.

Moreover, as the production of raw materials is usually carried on at full capacity, it is rather difficult to reduce it to match falling demand. In the case of agricultural commodities it is due, among others, to two factors of considerable importance, namely, competition and the dependence of the yield on proper fertilization. The important factors in mining are the expenses involved in the maintenance and safety of idle mines. Under these conditions a decline in the demand leads first to an accumulation of stocks of these commodities in the hands of the producers, and then to a fall in prices, accelerated further by speculative sales made by the buyers to get rid of stocks on hand.

II

Up to 1955 the postwar period was characterised by a strong and steadily rising demand for raw materials in the world market. This was primarily due to the boom which prevailed in the leading capitalist countries, interrupted only by relatively slight recessions which did not take place in all countries simultaneously and did not, therefore, cause any important breakdown in demand on a world scale. Thus, the increased demand was a result of the postwar boom of 1946-1948 when the vast 'back-log' of orders was being filled; of the 1950-1953 armaments boom in the United States; of a vigorous activity in the field of capital investment in west European countries in 1953-1955; and of a short period of similar activity in the United States, in 1955.

A very important factor of an extra-cyclic nature, which influenced the commodities market was the stock-piling of strategic raw materials by the imperialist countries,

particularly since 1950. It began on a big scale in connection with the Korean War and played a significant part in the tremendous growth of world demand in 1950-1951, side by side with 'private' speculative stock-piling. This policy continued after the cessation of hostilities in Korea and was an important factor in the stabilisation of the demand for raw materials during the 1953-1954 recession in the United States.

Initially, the amount of raw materials offered did not keep pace with this vigorous, and, in the long run, steadily growing demand, with the result that prices of practically all raw materials showed an upward trend in the first postwar years. In 1951 the situation began to change, but at first it affected only foodstuffs and some agricultural raw materials.

As may be seen from the data in Table I, the production of foodstuffs and agricultural raw materials showed on the whole a steady increase during the postwar period, with occasional set-backs due to unfavourable weather conditions. Production of a number of these articles rose considerably in 1950-1952 owing to postwar rehabilitation of agriculture in Europe and in the Far East which was facilitated by exceptionally favourable weather conditions. This coincided with the shrinking demand in the world market after the 1950-1951 boom in raw materials. In this way the gap between supply and demand relating to this group of commodities (with the exception of rubber) was filled, and in the following years, at a time when demand was relatively stabil-

ized, a further increase in production led to an accumulation of surpluses in the exporting countries. Due to these changes the majority of agricultural products began to show since 1951 either a downward price tendency or an increase in producers' stocks brought about by an interventionist policy.

In the case of the majority of mining commodities, supplies lagged behind the growing demand almost up to the end of 1955 because of the slow increase in mining production. Up to the end of 1955, therefore, the price index for this category of commodities showed an upward tendency. As may be seen from the data in Table II, only the production of iron, steel, oil and aluminium increased speedily enough during the postwar period. The quantities available were on the whole sufficient to meet the demand, so that prices rose only moderately.

An essential factor in the general upward trend in the mining commodities index was the price increase of most of the non-ferrous metals. Here the relatively small increase in production was due to the depletion of existing deposits and to a slow, gradual building-up of production facilities in this branch of industry. The considerable increase in demand in 1950-1951, due largely to stock-piling of strategic reserves, which was followed by long-term state contracts made possible by the 1954 revision of the American policy of stock-piling, went to promote capital investment in this branch of mining. By the end of 1955, such investments helped to

expand production at a faster rate and to fill the gap which had existed between supply and demand in this industry as well. This, as will be noted, had a bearing on the change in the upward trend of the general price index of mining commodities.

The shortage of certain raw materials and the resulting high price level contributed, at that time, to some rather drastic changes in the nature of the market demand. These changes consisted in using either substitute natural raw materials or synthetic products made available by a particularly fast expanding chemical industry.

The rapid development of synthetic products was due in part to economic factors, e.g. to the inadequate supply of the necessary raw materials. It was a result of technical progress, dictated partly by financial considerations, but due, above all, to momentous achievements in science and technology. This was particularly true of the production of synthetic fibres whose unprecedented development cut the demand for natural raw materials in the world textile market.

This change-over of demand to other channels affected the price level of a number of raw materials; it prevented a further rise in the price of nonferrous metals and of natural rubber, and contributed to lower rates in the case of certain other commodities, e.g. wool.

III

At the beginning of 1956 demand and supply underwent fundamental changes causing a general down-

ward trend in the prices of raw materials in the world market.

In the first place, there was a general lull in business activity at that time, reflected in a correspondingly lower demand for raw materials. It was an aftermath of the short-lived investment boom in the United States which had ended in 1955, and coincided with the beginning of a deflationary policy in some of the west European countries. A further weakening of the raw materials market was caused by intensification and expansion of this policy in 1956, and by the economic recession which took place in the United States in 1957. To some extent the shrinking demand was due to the higher rate of interest and to credit restrictions introduced as deflationary measures. The immediate effect of this was a reduction in the stock-piling of raw materials.

There was yet another factor of an extra-cyclical nature which had a bearing upon the weakening of the demand for raw materials, namely, revision of programmes of

strategic stock-piling by the imperialist countries. In view of the considerable amounts of raw materials accumulated by 1955, Great Britain stopped all further buying, while the United States Government reduced the volume of purchases. The following year the United States limited its purchases still further, and in certain instances even stopped buying altogether, while Great Britain disposed of a part of her raw material stocks.

The demand declined in particular with regard to industrial raw materials. This coincided with a considerable increase in the mining of raw materials due to former capital investments. In 1957 the critical situation in the raw materials market slowed down the tempo of the production increase of mining raw materials. But the production of agricultural raw materials for industrial purposes, and of foodstuffs continued to increase though at a slightly reduced rate owing to weather conditions and limitations introduced in certain countries.

As a result of the above factors,

the upward trend in prices of mining raw materials changed abruptly at the beginning of 1956 into a sharp downward trend which marked the beginning of a general fall of the price index of raw materials. The price fluctuations as regard the principal raw materials listed at the leading stock exchanges, are shown in Table III.

Table III shows the price fluctuations described above, for the period beginning at the end of 1953 when prices hit about the lowest point after the Korean boom, up to the end of 1955, when the general downward trend became apparent. The table further shows that the weakening world demand (beginning of 1956 to middle of 1958) affected most strongly the prices of non-ferrous metals, most of which fell considerably below the 1955 level. This sharp decline in prices, was due the unfavourable market conditions especially in the automobile industry, as well as to the change in requirements referred to above, and to the changed strategic reserves programmes. Most affected were copper, and (in 1957) zinc and lead.

Among mineral products, oil alone went up. The upward trend began at the time of the Suez Canal conflict, when the American monopolies took advantage of a temporary shortage of oil products in Europe and raised their prices to compensate for the increase in the cost of production which had taken place since the last rise in crude oil prices during the Korean boom.

From the beginning of 1956 to the middle of 1958, the prices of agricultural produce and foodstuffs were rather irregular, showing sharp fluctuations in some cases (sugar),

TABLE I

World Production of Selected Food and Agricultural Raw Materials* (1953 = 100)

	Average 1934-38	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Wheat	80	82	80	90	86	89	88	99	100	94	98	98	99
Maize	71	83	75	96	88	86	85	95	100	97	103	105	108
Sugar	78†	57	71	75	82	86	97	102	100	107	107	108	112
Coffee	97	84	82	87	88	86	93	98	100	96	114	105	—
Cocoa†	91	86	77	78	98	102	95	87	100	95	93	99	—
Cotton	81	58	69	78	88	73	93	96	100	97	118	105	100
Rubber	53†	49	73	88	86	108	109	104	100	105	111	109	111
Wool	89†	90	90	88	90	92	92	92	100	101	103	106	111
General index of agricultural production	77	—	—	(..	88**	..)	—	96	100	101	101	104	108

* USSR excluded

† Year 1938

‡ World export

** Average for 1948-1950

Source: U N 'Statistical Yearbook 1957', 'Monthly Bulletin of Statistics', June 1958.

TABLE II

World Production of Principal Mining Commodities* (1953 = 100)

	1937	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Coal	93	99	91	99	103	101	100	96	104	108	108
Iron Ore	64	71	71	82	91	91	100	91	112	116	122
Steel	64	70	70	83	92	90	100	92	114	118	121
Crude Oil	41	72	71	80	91	95	100	104	116	125	129
Copper	90	85	83	92	96	97	100	100	110	122	122
Zinc	73	74	81	87	93	96	100	101	112	117	119
Lead	96	78	86	93	89	98	100	106	105	111	114
Tin	111	87	93	96	92	93	100	102	98	98	93
Aluminium	21	52	52	60	73	83	100	113	124	134	133
General index of mining production	66	82	80	88	95	97	100	101	109	116	119

* USSR excluded.

Source: 'Monthly Bulletin of Statistics'.

TABLE III
Prices of Selected Raw Materials
(End of 1953 = 100)

(End of 1955 - 1957)												
Bourse	1955	1956				1957				1958		
	IV	I	II	III	IV	I	II	III	IV	I	II	
Wheat	Chicago	99	109	99	111	115	104	107	106	102	91	88
Maize	"	84	90	95	88	88	86	81	79	73	75	84
Sugar	N York	101	103	105	101	153	190	192	144	120	109	106
Coffee	"	81	82	91	91	92	89	85	81	84	82	75
Cocoa	London	70	51	59	62	54	51	65	73	84	94	100
Cotton	N York	100	99	97	101	101	104	104	101	106	107	107
Wool	London	62	62	74	77	79	83	83	75	60	59	60
Rubber	"	218	156	148	160	187	156	158	145	142	134	134
Petroleum	N York	100	100	100	100	100	109	109	109	109	109	109
Copper	London	170	169	117	124	114	103	93	81	77	76	76
Zinc	"	135	132	125	128	137	131	100	94	82	85	85
Lead	"	135	134	126	131	131	125	102	99	81	83	81
Tin	"	127	119	113	120	119	116	113	113	112	112	112

Source: 'Neue Zürcher Zeitung'.

and increase in others (cotton). But on the whole it was a clearcut downward tendency due mainly to changing market conditions and decreased demand. It must be mentioned that during that period the prices of certain raw materials were influenced by additional temporary factors of a non-economic character, namely bad weather conditions in Europe in 1955-1956 and the Suez Canal conflict in the second half of 1956.

The exceptionally cold winter of 1955-1956 caused serious damages in European agriculture and made necessary increased imports of food-stuff. Food prices went up, but only moderately mainly because government control of imports of food-stuffs in the countries concerned prevented speculation, and also because by the middle of 1956 the United States had started to dispose of its reserves carrying out its Foreign Aid Programme.

The political crisis in Near East, involving the nationalisation of the Suez Canal, and the subsequent Franco-British attack on Egypt temporarily increased certain raw

material prices (middle of 1956 and beginning of 1957). As state reserves of strategic raw materials were quite voluminous, speculative stockpiling usually rampant in times of political tension, remained limited in scope. Thus political events caused a relatively unimportant rise in prices of a few raw materials only. Exceptions were rubber and wool, prices of which went up considerably because the Suez Canal blockade cut off markets from their sources of supply.

As a result of price fluctuations which took place in the period beginning in early 1956 and also in the period immediately preceding that year, the prices of most raw materials were much lower at the end of 1957 than they had been in 1953 (see Table III). The general downward trend prevailed in 1958. In the second quarter of 1958 falling raw material prices stiffened temporarily because of a depletion of stocks and a further limitation of the supply. However, after the Near Eastern conflict with the occupation of the Lebanon and Jordan by American and British forces respectively

had been settled in the summer of that year, there was a further drop in the price index of raw materials.

V

Summing up what has been said about the sources and character of the present fall in the world prices of raw materials, we come to the conclusion that the lower demand at the root of this price decline was the result of market conditions, of the disappearance of temporary extra-cyclical factors, i.e. government purchases for war purposes, and, finally, of the structural changes in demand.

On the other hand, expanding production facilities, especially in the mining industry, greatly influenced the supply. Notwithstanding various attempts at limiting production, the supply of certain raw materials greatly exceeded demand. These changes in demand and supply indicate that the present, relatively low price level of raw materials, particularly of 'heavy' raw materials, may be maintained for some time to come, enhanced by lower freight rates, which are an outcome of lower demand.

Around Bombay Markets

Dalal Street under Brake

Thursday, Morning

TRENDS are like a dead-end street. You start by not knowing in advance how far. You keep travelling until you reach a sign which reads 'Stop—the end'. Indeed Dalal Street looked so gay on May 20 that one could not have easily imagined that it would take a complete right-about-turn the very next day. But the market weather changed all too suddenly. An avalanche of selling swept across the market on May 21 and equities fell. Quite a good many counters lost in a single session a major portion of the gains accumulated over the past few weeks.

Century fell from Rs 551 to Rs 533.50, Bombay Dyeing from Rs 64.50 to Rs 63, Kohinoor from Rs 293.50 to Rs 272.50, Svadeshi from Rs 240.50 to Rs 224, Bombay Burmah from Rs 566.50 to Rs 535.50, Premier Construction from Rs 340 to Rs 318, National Rayon from Rs 316 to 304, Tata Locomotive from Rs 214 to Rs 204, Scindia from Rs 18.64 to Rs 17.92, Tata Steel from Rs 196 to Rs 191, Indian Iron from Rs 25 to Rs 24.28 and Hindustan Motor from Rs 9 to Rs 8.24.

Many observers have attributed Thursday's panicky selling to the economic experts' suggestions about additional taxation of the order of Rs 2,000 crores in the Third Five Year Plan. Seems rather naive. For, stock market men cannot be unaware that the Second Plan has still two years to go. The real cause lay in the weakness of the market itself. It had grown weary of moving uphill for a long time. Numerous small fry had got into the market in the hope of quick profit. How little did they bother to realise that equities had already risen by between 30 and 40 per cent since the turn of the year. The weakness in cash shares also did not attract much notice when the market was in a good mood.

The rise from the January low levels had indeed been spectacular. To mention a few instances, Bombay Burmah had risen from Rs 460 to Rs 566.50, Premier Construction from Rs 228 to Rs 343, National Rayon from Rs 231.50 to 316.50, Tata Locomotive from Rs

155.25 to Rs 214, Century from Rs 414.50 to Rs 554, Bombay Dyeing from Rs 55 to Rs 64.50, Svadeshi from Rs 202 to Rs 247.50, Tata Steel from Rs 171 to Rs 196 and Indian Iron from Rs 24.94 x r to Rs 25 x r (Right amounting to Rs 4.25).

To highlight the steep rise since the beginning of the year is not to suggest that it had been engineered by some powerful professional speculators. Far from it, the uptrend in equities broadly reflected the improving economic prospect in the country. But the future seems to have been discounted a little too optimistically and too soon. The rise appeared to contain an error of optimism which, of course, is a normal phenomenon in forward markets.

The technical position of the market had become increasingly suspect recently. A reaction was due. It could have come at any time. Now that it has come, it is most welcome. For, a technical reaction is the most effective check against unhealthy speculation.

Nature of Reaction

Thursday's shake-out had been very violent and the steep decline in prices attracted not only short covering but also considerable bargain hunting and renewed selective support. Naturally bulls, who had been dominating the scene for several months, would not let the market alone so easily. Short covering and selective support produced a sizable recovery, with Tata Locomotive, Bombay Dyeing and Podar Mills hitting new highs. The smart recovery in prices led many observers to think that the market had probably resumed its upward journey after a brief but good shake-up.

Besides the recovery being good, corporate news was favourable. The incentive scheme for cloth exports had been made more liberal. This was followed by reports that New Delhi was likely to allow Telco, Hindustan Motors and Texmaco to manufacture diesel engines. Then came Podar's very generous distribution of an eight-rupee bonus in addition to the normal ten-rupee dividend.

But this recovery took hardly an hour to fizzle out. Early in Wednesday's session (May 27) Tata Steel had been bid up to Rs 193.50 but they declined to Rs 189.75 by the close and still further to Rs 188.50 in kerb. Indian Iron declined from Rs 24.44 to Rs 24.12, Bombay Dyeing from Rs 64.70 to Rs 63.70, Century from Rs 550 to Rs 538, Bombay Burmah from Rs 548 to Rs 534.50 and Tata Locomotive from Rs 216 to Rs 207.50.

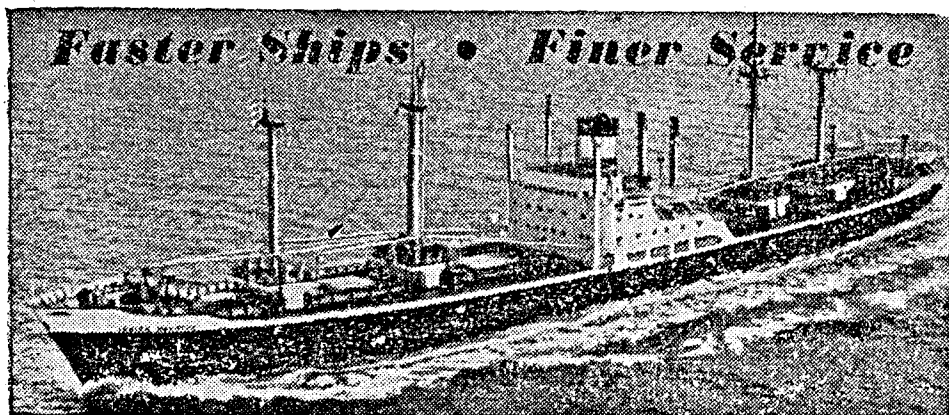
Several rumours went round to explain the renewed setback in prices. Some talked of a lower dividend by the Tata Steel Company, others, of a tightening of margin rules and still others, of the forthcoming discussions at Ootacamund on the Third Plan. Market men also recalled the possible implications of the amendments to the Companies Act, particularly in regard to the payment of dividends. Under the new scheme, no dividend can be paid for any financial year except out of the profits for that year reckoned after providing for normal depreciation. Nor can dividends be paid out of past reserves if there remain arrears of depreciation. But all this had been known to the market even when it was scaling new peaks. But then the market was in a different mood. And the mood counts.

To cut the story short, the upward trend in equities has been halted. For how long, it is very difficult to say. The process of technical adjustment could be of a minor nature. But it could also be of a secondary type. For, the major bull phase has been in progress for about four months and equities have risen by 30 to 40 per cent from the previous intermediate bottoms recorded in January. It is too early to pronounce a verdict on the nature of the technical correction that has now set in.

Oilseeds

Oil, Cakes Exports

THE reactionary trend in oilseeds went further last week. Castor September were marked down to Rs 166.25, groundnut August to Rs 197, linseed September to Rs 34.06



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(per cwt) and cottonseed September to Rs 135.25. Compare them with the recent record highs of Rs 177.62 for castor, Rs 208 for groundnut, Rs 35.62 for linseed and Rs 140 for cottonseed. Last week's lows were touched on May 24. Thereafter, prices steadied and moved irregularly up with castor up at Rs 169.75, groundnut at Rs 198, linseed at Rs 34.44 and cottonseed at Rs 137.75.

The recent up-and-down movements in castor futures reflect more the speculative character of the market than changes in the exporters' assessment of the outlook for castor oil, which continues to be encouraging. America was reported to have bought another 2,000 tons of castor oil, Commercial, up to 14.15 cents per pound which raises its share this season to around 7,500 tons. No less significant than its recent large purchases is its anxiety to secure supplies from here even up to September-end. Apparently, the Brazilian crop is not progressing well. Probably it has been seriously damaged by the recent heavy floods there.

It should be possible for India to bargain better once the market is relieved of some of the burden of floating supplies, estimated around 5,500 tons of oil. Against an exportable surplus of about 28,000 tons, outstanding sales are put at 3,500 tons to the U K, 5,500 tons to the Communist bloc and 7,500 tons to the U S, which add up to 16,500 tons. The Communist bloc has still to take 4,500 tons to make its normal quota. Another 5,000 tons will easily go to the U K.

Prospects of any material decline in castor prices from the current levels can be discounted. How the market will be able to push its way up is the only question. Naturally a good deal will depend on how business develops in the near future. Price, demand and supply are interdependent.

Overseas demand for Indian groundnut extractions continues to be very keen. Fairly good business is being put through almost every week, and the prices realised are also on the high side. Both the U K and the Continent were reported to be keen buyers last week of extractions 50 per cent, for deliveries ranging up to October. And prices were mentioned at £ 31-15 per ton for June and £ 34 for October. Expellers 54

per cent were generally quoted about 10 shillings higher. Sustained foreign demand not only from our traditional customers but also from some of the Iron Curtain countries has contributed to the growing strength in the domestic market.

Groundnut Oil Outlook

The recent setback in groundnut oil prices here and abroad is deemed to have greatly improved prospects for the export of oil. The only bottleneck seems to be uncertainty about the extension of the incentive scheme which is due to expire at the end of this month. New Delhi's decision on the issue is awaited with interest. Meanwhile Government has already let it be known that expeller quotas earned under the oil incentive scheme can be shipped up to the end of August. In view of the pressing need of earning foreign exchange, all uncertainties about official policy should be set at rest without delay.

The recent improvement in the groundnut oil in the U K and Continental markets is attributable to the marked decline in offerings by South Africa and the Argentine. Supplies from the Argentine have been affected by the heavy floods there. Currency instability is mentioned as another factor. But traditional buyers apart, informed sources expect fairly large business in groundnut oil with the Communist bloc under some barter agreements. Rumania and Poland are said to be already in the market.

Australian inquiry for 500 tons of linseed oil last week imparted some steadiness to linseeds and linseed oil. Business is expected to materialise at about £ 113 per ton. The improved tendency in linseed oil abroad, due to meagre supplies from the Argentine, has raised hopes of selling Indian oil in the U K and the Continent. With this season's crop much better than the previous year's, a section of the trade favours the idea of bringing linseed oil also under the export incentive scheme. Surely the case of linseed oil is stronger than that of groundnut oil. Export houses mentioned some business in linseed cake at between £ 33-2½ and £ 33-5 per ton. Cottonseeds continued to be a dull market but the general tone was firm because of the tight supply.

Tenders issued upto May 27 against the May contracts consist of 5,100 candelies of castor, 1,700

candelies of groundnuts and 500 tons of linseeds. No tenders have been issued in cottonseeds.

Cotton

Keen Overseas Demand

THE spot cotton market continues to hold remarkably firm, unaffected by the recent large import quota; and business is said to be limited only by the volume of offerings which are particularly scarce in the superior styles. A recent development is the revival of keen overseas demand for Indian cottons, particularly Bengals. Business for nearly 20,000 bales is said to have been put through in the past two weeks. This is not yet reflected in the sales registered which continue to be on the low side. The figures up to May 20 are: Bengal Deshi 37,527 bales; 3/4" cotton 17,652 bales; and below 3/4" cotton 7,791 bales. The quantities passed for shipment are 15,822, 4,037 and 1,730 bales respectively.

With the spot material fetching fancy premiums, it is scarcely surprising that the Jarilla May contract, which was quoted at Rs 698.50 on May 20, should have gone off the Board on May 25 at Rs 730. For, at least on the due date, the maturing contract has to bear a closer relationship to the spot material, no matter how defective the hedge contract.

Starting at Rs 676.50 on February 6, the May contract declined to Rs 650.75 on February 26, recovered to Rs 684.50 on March 13, reacted to Rs 668.75 on March 19, rose to its best of Rs 706 on May 22 and ended its career at Rs 702 with the invoicing back rate fixed at Rs 730. Tenders issued against it totalled 4,750 bales, comprising 4,400 bales of Laxmi, 300 bales of Cambodia and 50 bales of Jaydhar.

Trading in the August contract continues to be dull, with fluctuations proving very irregular. Last week this contract was marked down from Rs 708 to Rs 702, but it rallied again to Rs 708.25; and the closing rate of Rs 707.25 on May 27 showed a net decline of Rs 1.75 per candy over the week. With the supply position tight, bears are in no mood to be aggressive but enthusiasm to follow the rise is somehow lacking.

The textile industry is pleased with the liberalisation of concessions under the cloth export incen-

tive scheme. Exporting mills can now retain 20 per cent, instead of 10 per cent, of the cotton imported under the scheme, and they can dispose of the unutilised portion of cotton out of this retained quota at a profit of 20 per cent instead of the previous 10 per cent. It is being argued that since this will tend to push up the price of cotton made available to the non-exporting mills, which number nearly 450, larger imports are unlikely to have any depressing effect on domestic prices.

The trade is no longer very optimistic about large imports of Egyptian cottons under the new quota. This is because Egypt is said to have very little left of the top grade Karnak and Menoufi. To help exporters fulfil their outstanding commitments Government has had to put on the free market their stocks of higher and medium Menoufi grades; and sales on this account are said to total about 35,000 bales. The price factor apart, the difficulty of supplies alone will stand in the way of imports from Egypt.

Bullion

Gold Firm Again

GOLD is in the limelight again because of the recent impressive recovery. The quotation for Jeth delivery, which had been marked down to Rs 115-2 on May 14, touched the high of Rs 120 on May 27. Against its all-time high of Rs 125-11 touched on May 4 gold ready was up again at Rs 123-12 on May 27. The week-end spurt is attributed to influential and informed buying.

The market is once again thick with rumours that New Delhi may soon announce some measures which will tend to push up bullion prices, particularly of gold. Of course the basic reason for the strength in gold is the marked decline in the flow of smuggled material. Smuggling is the only source of supply. In the absence of fresh supplies, normal demand, no matter how small, will help maintain the price of gold on the high side. The continued exorbitant backwardation charges indicate the peculiar distortion in the relationship between speculative interest and physical supplies.

Silver appeared to steady up mainly in sympathy with the yellow metal. Although offerings general-

ly tended to dry up at lower levels, there was not much enthusiasm to follow the rise in face of the slack season ahead. Jeth delivery, which had been marked down to Rs 189-13 early in the week, improved to Rs 192-5 and wound up the week on May 27 at Rs 191-12. High backwardation charges exceeding a rupee led to the imposition of heavier margins in both the metals.

Money

Money Less Tight

FOR the first time in several weeks, the 91 days' treasury bill rate came down, although slightly, from 2.80 per cent to 2.79 per cent. The amount offered, however, was only Rs 15 lakhs more than the tender figure of Rs 2 crores. Although nominal, the decline in the treasury bill rate seems to suggest a steady improvement in conditions in the short-term money market.

Money is still not easy but it has certainly become much less tight. Funds are now flowing back from the interior but the pace is still very slow. Business in the inter-bank call money section is limited mainly by the availability of funds, but the exchange and bigger Indian banks are now no longer willing to pay more than 3½ per cent. Banking returns indicate a steady decline in the scheduled banks' borrowings from the Reserve Bank.

The gilt-edged market, which had been extremely inactive for many weeks, is now beginning to pick up. Inquiries have been broadening, but business still remains small because of the poor offerings. Prices have hardened by 5 nP to 15 nP over the past week or so.

Company Note

Investment Corporation

THE Investment Corporation of India, a subsidiary of Tata Sons Private Limited, continues to expand its investment portfolio. At the end of June 1958, its investments aggregated to Rs 3.52 crores against Rs 3.41 crores the year before, despite net capital depreciation of Rs 25 lakhs during the year. The Corporation is the largest investment trust in the country. Its leading position has been strengthened still further by its taking over of Oriental Life. Unlike most other concerns of its type, the Corporation does not confine its investments to companies within the same group. It is, nevertheless, difficult

to find out from its balance sheet the proportion of its funds that have been invested in one form or another within the Tata group and outside it.

At the close of the accounting year, 63 per cent of its investments were in marketable securities against 58 per cent last year; investments in unquoted securities totalled 37 per cent against 42 per cent, of which 15 per cent against 14 per cent were in private companies. The Corporation has put in only a little more than Rs 1 lakh in Government securities; most of the investments are in ordinary shares. It earned during the year 5.04 per cent after tax on its investments, against 6.32 per cent in the previous year.

Absorption of Oriental Life has increased its share capital from Rs 1.51 crores to Rs 2.26 crores. Reserves stand at Rs 83 lakhs against Rs 79 lakhs, of which capital reserve alone is Rs 75 lakhs against Rs 72 lakhs. The Corporation's loan liability of Rs 1.28 crores is covered nearly twice over by its liquid assets.

It is rather surprising that out of the loans of Rs 50 lakhs advanced by it to other companies, as much as Rs 34 lakhs are free of interest. Moreover, loans to the tune of Rs 24 lakhs are considered doubtful and have been written off. Last year, too, the Corporation has written off nearly Rs 29 lakhs under this head. While the Corporation's capital loss in the value of its investments is understandable, it is difficult to appreciate that, given its size and the quality of Tata management, it should have entered into commitments which have now compelled it to write off loans to the extent of Rs 53 lakhs out of Rs 99 lakhs advanced in the course of 2 years.

The Corporation's subsidiary, Indian Standard Metal, has at last emerged out of the woods and has started paying arrears of preference dividends. It earned a profit after tax of Rs 2 lakhs during the year, against a slightly larger amount last year. Accumulated losses, which stood at Rs 1.85 lakhs last year, have now been wiped out. Arrears of depreciation, however, total nearly Rs 9 lakhs, and liability for payment of cumulative preference dividends for 9 years from 1949 to 1957 amounts to Rs 2.70 lakhs.

From the Chair

The Shivrajpur Syndicate Limited

Speech of the Chairman, Mr A N Haksar

THE following is the speech delivered by the Chairman, Mr A N Haksar, at the 55th Annual General Meeting of the Share Holders of the Shivrajpur Syndicate Ltd, held in Bombay on the 27th May, 1959:—

Gentlemen,

You will have seen from the Report that the total output during the year under review amounted to 91,626 tons as against 92,748 tons in the previous year; while shipments and sales totalled 91,462 tons as compared with 114,337 tons in 1956/57. The depression in the Manganese Ore trade continued throughout the year and there was practically no demand for low grade ore. Consequently with a view to reducing expenditure steps were taken to practice economy wherever possible certain labour also being retrenched in August 1958.

Brazilian Competition

While the immediate cause of the general decline in exports may have been due to the recession in the U.S. Steel Industry, subsequent events have proved that the intrinsic cause for the poor demand for Indian ores is the tremendous headway which Brazilian Manganese Ore has made in that country in recent years. Brazil has more than gained at India's expense, increasing her share of total American Exports from about 8% just three years ago to something like 56% at present.

Some of the major factors that have contributed to this change are the competitive prices of Brazilian ore, low sea freight rates, and the Export subsidy offered by the Brazilian Government in the form of Bonus payments in local currency on Dollar earnings of Exporters. This competition has seriously affected the Indian trade, and while the Government recognising the need to step up exports rather belatedly abolished Export Duty on all grades of Manganese Ore with effect from 24th November 1958, it has failed so far to afford other relief measures. For example, it has been suggested that the enhanced Railway freight rates brought into force

from 1st October 1958, as well as the present Royalty rates should be reduced forthwith, but despite assurances by the Authorities of some expected relief in this connection, no official announcement has yet been made. Further, it is essential that Government should ease all burdens on production, such as allowing liberal import of essential machinery and spares, which would avoid the present long delays and procedural difficulties. I feel they should permit manganese exporters to retain some portion of their foreign exchange earnings for this purpose.

From the Accounts, you will see that the net profit of Rs. 8,69,932 is lower by Rs. 2,63,106 than in 1957. A sum of Rs. 2,75,000 has been debited this year to Profit and Loss Account and credited to Development Rebate Reserve as required under the Indian Income-Tax Act. The debit balance of Rs. 2,72,590 in Development Account appearing in the Balance Sheet since 1956 has been written off after withdrawing an equivalent amount from Mine Development and Prospecting Reserve, and a sum of Rs 3,00,000/- has been set aside to Equalisation of Dividends Reserve. After effecting the above appropriations, your Directors have recommended a Dividend of Rs. 5/- per share and a Bonus of Rs. 3/- per share, both free of Income-Tax, for the year.

Future Prospects

Owing to the various hurdles with which the Industry is at present confronted, it is difficult to assess the future prospects with any degree of accuracy. Over the last few months American Steel production has been steadily rising and is currently running at approximately 90% of its present capacity; but despite this sharply improved steel output there is virtually no demand for ore in the USA, due mainly to the fact that there are large accumulated stocks of Manganese Ore as well as Ferro-Manganese. There is also good reason to believe that consumers are reluctant to pile up further stocks due to the threatened Steel Strike in the States in the coming autumn. Moreover, the

Trade is deeply concerned over a possible set back 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 A consumers in large quantities of both manganese and ferro-manganese. Russia has also delivered substantially into Japan, thus jeopardising another traditional market. As I stated last year it should always be appreciated that the fortunes of the trade are largely dependent upon the World Steel Industry, which accounts for the consumption of about 95% of the manganese ore output, mainly in the production of ordinary carbon steel. It may interest you to know that if by 1970 steel production reaches the levels forecast, Western demand for manganese ore for metallurgical use could grow to 9.3 million long tons of an average 46% as now being used, as compared with 6 million long tons estimated to have been consumed in 1957.

Export Policy

Although Government's Notification dated 29th January 1959 liberalising the Export Policy for Manganese Ore raised genuine hope that the Trade would be permitted to secure bulk business on a long term basis, the subsequent clarification issued by the Joint Chief Controller of Imports & Exports, Bombay, on the 17th March 1959, has considerably altered this view. While in the earlier Notification Exporters were advised to proceed with their plans for contracting bulk orders with Foreign Buyers on a long term basis regardless of Government's future export policy, the latest Notice now seeks to restrict the trade, in so far that before firm price commitments are made, the approval of the Export Trade Controller must be sought; who, in turn, must obtain clearance from the headquarters of the State Trading Corporation. It is, therefore, felt that the recent Notification is tantamount to a blanket control on the Export of Manganese Ore. As has been stated in

the Press to subject an exportable commodity like Manganese, which is facing keen foreign competition, to a rigorous control on price, movements and delivery, and this at a time when the need for augmenting foreign exchange earning is most urgent, is to put it mildly, most unwise. This move appears illogical and amounts to a creation of a monopoly, for which I can see no good reason. Apart from disrupting the existing trade channels, the Government's latest Notification is bound to affect exports adversely, which as I have just stated is all the more regrettable at a time when the country is facing a severe foreign exchange shortage. Nevertheless, an encouraging factor is the growing realisation on the part of the Authorities, that the trade has genuine local difficulties to contend with, but even so, as in the case of the removal of Export Duty, there is always a tendency on the part of Government to treat all representations in a dilatory manner, which is most unfortunate.

Indo-U.S Barter Agreement

As you are probably aware after considerable delay, agreement on the much discussed Indian Manganese/U.S. Wheat Barter Deal was finally reached at the beginning of March 1959, although little is known at present about the detailed conditions agreed upon by the respective Governments. This deal, although welcome, has not had any significant effect so far on the country's Manganese Ore Export Trade. On the other hand, this is a method of trade, which I feel is likely to increase in future years and thus should prove beneficial to the Manganese Industry as a whole. Your Company have concluded Contracts with their regular Overseas Buyers to the extent of 17,500 tons in relation to Barter Deals, which we hope may be the forerunner of increased business. However, the present position cannot be viewed with any degree of complacency, conditions being what they are, and for this reason, as already reported, certain steps have been taken by the Company to ensure maximum economies in the workings of the Mines, which I hope will begin to show results shortly. Finally, on the facts known to me, I feel I must warn you that the current year cannot possibly be as good as the year under review.

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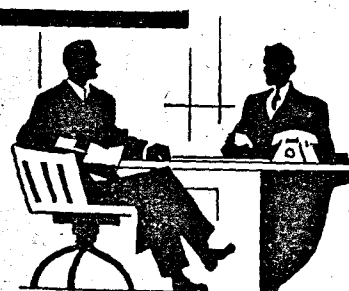
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S. P. Jain
Chairman

A. M. Walker
General Manager

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CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	Rs Crores Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1752.95	1765.98	1751.46	1592.69
2. Rupee Coin	129.63	129.40	132.80	130.11
3. Deposits				
Central				
Government's	54.40	52.97	53.63	76.06
Other				
Governments'	17.79	9.73	32.97	16.49
Banks'	89.40	72.32	91.60	73.14
Others'	118.83	118.72	117.94	112.59
4. Foreign Securities	178.01	178.01	178.01	209.68
5. Balances held abroad	21.31	21.61	30.68	38.40
6. Rupee Securities	1345.77	1360.77	1351.04	1167.62
7. Investments	239.17	241.83	275.51	241.64
8. Loans and advances to Governments	32.42	43.52	43.95	60.83
9. Other loans and advances	66.95	74.79	73.44	69.52
Scheduled Banks				
1. Demand liabilities (net)	714.0	710.59	753.63	726.10
2. Time Liabilities (net)	974.71	971.61	929.86	769.24
3. Cash	112.20	109.14	117.92	107.36
4. Borrowings from Reserve Bank of which against Usance Bills	26.37	40.54	33.10	31.86
5. Advances & Bills (inland & foreign) discounted of which State Bank's	1121.23	1037.76	1023.44	941.87
8. Invst. in Govt.-Sec. of which State Bank's	231.68	291.20	208.01	201.17
8. Invst. in Govt.-Sec. of which State Bank's	303.59	311.62	291.89	171.04
Cheque Clearance	157.51	166.64	181.59	146.61

For Reserve Bank and Cheque Clearance week ended 22-5-59. Scheduled Banks week ended 15-5-59.

Bombay Money Rates

(per cent per annum)

	15-5-59	8-5-59	17-4-59	15-5-58
Call Money				
From banks	3½-3¾	3½-3¾	3½-3¾	3-3½
From public	3-3½	2¾-3¾	2¾-3¾	—
Three Months	2¾-4	3-4	3-4	3-4½
Six Months	2-4	2-4	2-4	2-4½

Bombay Bullion	(In Rupees and nP)	27-5-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)					
Spot		123.19	120.75	123.91	108.47
Forward		119.44	121.56	122.53	108.34
Silver (per 100 tolas)					
Spot		196.00	195.19	201.56	183.75
Forward		191.75	195.69	199.31	183.69

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

Group and Sub-Group	WEEK	ENDED	9-5-59	2-5-59	11-4-59	10-5-58
Food Articles						
Cereals	115.4	113.3	114.1	106.4		
Pulses	97.8	97.5	100.3	98.4		
Fruits & Veg.	92.3	90.2	99.1	81.2		
Milk and Ghee	126.6	126.1	123.3	111.6		
Edible Oils	118.1	114.4	115.8	107.9		
Fish, Eggs & Meat	130.6	128.9	125.0	120.3		
Sugar & Gur	104.0	104.5	108.4	104.2		
Others	142.0	132.1	128.1	115.8		
Liquor and Tobacco	156.6	156.5	150.9	132.1		
Tobacco	99.0	98.1	97.5	92.1		
Fuel, Power, Light & Lubricants						
Industrial Raw Materials	97.4	96.5	96.8	90.3		
Fibres	115.6	115.5	115.5	114.2		
Oilseeds	119.0	118.1	115.7	113.2		
Minerals	108.9	109.0	108.3	110.7		
Others	133.3	130.8	126.0	117.8		
Manufactures	100.6	100.6	101.4	107.3		
Intermediate Products	112.7	112.8	111.3	109.8		
Finished Products	108.0	108.1	108.1	107.7		
Textiles	107.8	108.2	108.5	108.4		
Cotton	108.0	108.0	108.1	107.5		
Jute	102.3	102.3	102.3	104.6		
Woolen	110.6	110.6	110.9	113.4		
Silk & Rayon	84.3	84.2	83.4	87.8		
Metal Products	104.2	104.2	104.2	104.9		
Chemicals	95.5	95.5	95.7	92.4		
Oilcakes	143.3	143.3	143.3	143.0		
Machinery and Trans Equipment	110.4	110.4	110.6	99.4		
Others	138.8	138.3	139.3	119.3		
All Commodities	106.1	106.1	106.1	102.8		
	112.9	112.9	112.8	114.8		
	113.5	112.3	112.3	107.8		

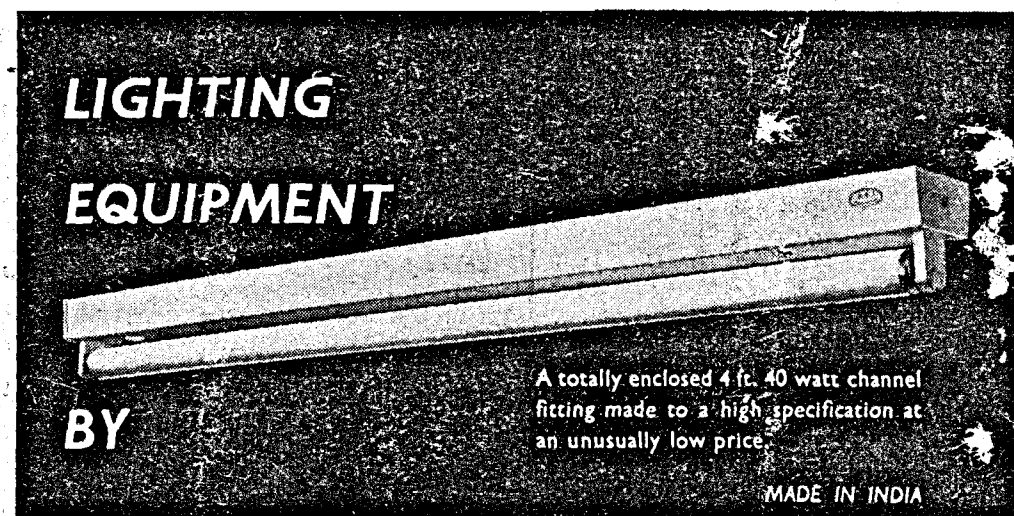
FOREIGN TRADE OF INDIA

(Merchandise Value, Rs lakhs)

Year/Month	Imports	Exports*	+ or -
1956	808.73	613.46	-195.27
1957	1,025.82	642.85	-382.97
1958	797.62	587.18	-210.43
1957 Mar	79.41	53.94	-25.47
Apr	89.40	47.85	-41.55
May	85.38	52.83	-32.55
June	86.23	48.34	-37.89
July	81.13	55.79	-25.34
Aug	80.98	60.25	-20.73
Sept	83.29	61.55	-21.74
Oct	73.07	53.64	-19.43
Nov	78.18	59.02	-19.16
Dec	66.58	54.59	-11.99
1958 Jan	66.05	55.27	-10.78
Feb	66.21	54.44	-11.77
Mar	70.56	46.73	-23.83
Apr	60.00	41.73	-18.27
May	63.24	44.71	-18.53
June	63.93	28.12	-35.81
July	66.79	54.31	-12.48
Aug	55.92	49.91	-6.01
Sept	58.60	59.02	+ 42
Oct	56.99	56.10	- 89
Nov	68.65	49.57	-19.08
Dec	85.75	52.40	-33.35
1959 Jan	66.58	45.34	-21.24
Feb	59.79	42.90	-16.89
Mar	65.61	47.22	-18.39

* Including re-exports

Source : D C I S, Calcutta



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Discussion to Order?

WHEN people gather together in a seminar their job is principally to experiment with ideas; whether something useful to the rest of the world emerges as a consequence is, strictly speaking, not their concern. Since Pandit Nehru and others were participating in a seminar at Ootacamund, it would apparently not be fair to judge the value of the deliberations in terms of concrete recommendations on policy for the Third Plan. But one cannot help looking at the Ootacamund seminar in a manner somewhat different from that applicable to the general run of seminars. After all, the select group that met there had as its objective the development of ideas for the effective implementation of programmes and policies. Pandit Nehru emphasized in his opening address that there was one hundred per cent agreement on what should be done. The question before the seminar was how it was to be done. He wanted discussions to be focussed on the steps necessary to bridge the gap between the advising, exhorting apparatus and the functioning apparatus. It is, of course, too early to ask what ultimately has emerged at Ootacamund: we have to wait until the organizers of the seminar publish a summary of the proceedings. If the eminent administrators and economists assembled there have formulated a set of recommendations, it should be of immense importance to the country since these recommendations will influence policy-makers both at New Delhi and the State capitals.

On some or all of the issues involved in bridging the gap mentioned by Pandit Nehru, it is possible that the seminar has something constructive to say. But one cannot help feeling a bit mystified by the Prime Minister's statement that what needed to be done was no longer a subject for discussion. True enough, it is generally agreed that economic development in India should be accelerated. But if one goes a step further and asks what is meant by accelerating the rate of growth, it is surely not correct to say that everybody in the country will have the same answer. And when we go on to the next step of deciding whether in order to raise national income by a certain percentage every year we should put more effort into agriculture or into the manufacturing industry, there is still less justification for assuming the existence of a unanimity of views in the country. As a matter of fact, it is doubtful if even the organizers of the seminar agree with the Prime Minister that it is unnecessary to discuss what the objectives ought to be—since one of the topics set down for discussion is the implications of the socialist pattern of society, that is to say, a clarification of what can only be described as a very general objective.

This is in a way unfortunate. But it is also possible that by keeping the problem of objective aside, the seminar will have given itself more time to discuss what Shri Dhebar calls the practical aspects. Moreover, it is in the nature of planning that neither the means nor the objectives can be studied in isolation; irrespective of where they started, the participants in the seminar will therefore have been obliged to sort out the aims and seek to arrange them in some order of importance. One hopes that they have given thought to this and have not been carried away by the Prime Minister's assurance of general agreement. Otherwise the decisions they arrive at on instruments for achieving

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the objectives will have very little value.

The Prime Minister also called upon the seminar to bear in mind the Nagpur resolutions of the Congress. These resolutions were to be considered as laying down the broad lines of approach to the problem. In other words the Prime Minister indicated that the setting up of service co-operatives, leading ultimately to joint farming as a means of promoting development, was not a matter for debate. What had to be settled was the policy to be adopted in establishing and encouraging such co-operatives. Pandit Nehru has been asserting for some time that what India needs for her development is a vast network of co-operatives and that this idea has the enthusiastic support of the people. He apparently dismisses any criticism of the co-operative idea as reactionary; he thinks that service co-operatives are not only a better way of organisation and a more

equitable way but also one that will finally yield the best results in terms of production.

But the plain fact is that, apart from the name, very little is known about the co-operative structure that is to be built up. The record of the co-operative movement in India is not a particularly notable one; and even to get the idea across to the millions who need to be brought into its fold a colossal effort will have to be made over a considerable period of time. Of course, anything that we might plan today to step up development would need the investment of a colossal amount of effort, and this is not in itself an argument against the co-operative idea. But the trouble is that the task of making it simple and clear enough for appreciation by the masses still remains to be done. This apparently the Prime Minister expects the seminar to do. But he does not want them to come to a judgment as to whether co-oper-

atives are a suitable instrument for raising the tempo of development in the country.

The seminar at Ootacamund, in other words, has had its terms of reference defined. It was not asked to separate shibboleths from facts or to entertain different views on social organisation suitable for a developing economy. Perhaps it could not have been so instructed in view of the fact that the seminar was organised by the Congress. But then why the attempt to make it look like a non-party conference with experts and all? The association of experts from the academic world with the seminar will not in itself give a non-party flavour to the deliberations at Ootacamund. It will perhaps add a touch of sophistication to the exhortations of Congressmen. And in the process, the gap, to which the Prime Minister referred, will, in all likelihood, become even wider.

Swatantra Party

SHRI C RAJAGOPALACHARI, the elder statesman, is evidently not inclined to rest. It was not so long ago that he declared that he would abstain from making controversial statements which were supposed to cause confusion in the public mind. But now he has taken an almost headlong plunge into active politics by launching a new political party. According to earlier intention, the party was to be known as the Conservative Party, and it was to act as a 'brake' on the Congress. However, on second thoughts, it has come to be labelled as the 'Swatantra Party.' 'A group of peasant leaders', sitting in a hotel at Madras, are reported to have decided on the new name while drawing up a manifesto for the party. Why there should have been so sudden a change of label is not clear particularly when Shri Rajagopalachari is reported to have said at the meeting that the original name of 'Conservative Party' had endeared itself all the more to him because Pandit Nehru had not liked it. "If he abhors the word conservative, I abhor his socialist slogans," the sponsor of the new party is said to have snapped. But if still the old name was dropped, it can only mean that his supporters, if not he himself, have had doubts about its possible appeal to

the people. Pandit Nehru too, referring to the new party, had expressed a similar doubt. As a democrat, he could have no objection to another opposition party emerging. What he essentially felt was whether a conservative creed could attract people in a period of dynamic change. If that is the fear that has actuated a change of name without any basic change in the proposed policy of the new party, it would amount to no more than a piece of political camouflage.

This initial hesitation and wobbling, this anxiety perhaps not to sound so conservative, while wanting to be conservative enough, bodes no good to the party. There is no lack of political groupings in the country to play the futile game of hunting with the hounds and running with the hare. They only add to the bewilderment of the masses and the strength of single-minded extremists. The garb of a seemingly progressive outlook has become the established vogue of the country, covering leftists and rightists alike and spreading scepticism and exasperation among the people. The only alternative to Congress rule today is either one of a drastic break with the past and with the formative years of our freedom or one of slight nuances of accent. Not set-

ting much store by the second alternative, those who are dissatisfied with Congress rule or are disgruntled in other ways are apt now to rush into the camp of extremism in a fit of pique or perversity, no matter how differently inclined they may be in political outlook. One of the chief reasons for this is the want of a non-communal, non-sectarian, liberal-minded camp of the Right, unapologetically and frankly itself, and as keen on providing a clear, confident alternative to the Congress, no matter what indifference, ridicule and even hostility it may have to face in the early years. Whether in the present era of rapid, almost cataclysmic change, such a party could ever hope to achieve power in the sense of forming an alternative government is beside the point. It may succeed in this or may not. After all, it is not given to every party to attain power in that sense. Parties come into being because there are enough people of a particular way of thinking who wish to band themselves together to propagate their views and win more adherents. Whether they attract enough supporters to form a government or merely to influence the policies of the prevailing regime, they nevertheless do perform a useful function at least in educating and organising public opinion on

clear-cut lines. Such a crystallisation of opinion in unambiguous and unvacillating terms would any day be preferable to the perplexity and confusion that prevail largely now.

Astute as Shri Rajagopalachari is, he must have realised, and pondered on this need for long. But in trying to meet it, he has evidently been shaken at least for the time being by followers who still have no clear ideas or, having them, are in two minds about making the final choice. The episode of the change of name, though seemingly trivial, is not without its significance. If

the new party is meant to be conservative and if, as is evident so far, it is to stand for conservative values squarely and courageously, then there seems to be no reason why it should have hauled at a name that is honest and self-revelatory and gone in for one that is vague and colourless. If, however, the initial hesitation is not only in respect of the name, but also in respect of the creed of the party and if this party too would not mind making the best of both the worlds, trying to be both here and there, then the resulting venture would be

another essay in futility. It is not that our country is in want of parties and groups as such. Indeed, it suffers from a plethora of them. What it would benefit from is an earnest attempt on the part of these parties to sort themselves out not so much in terms of personalities labels or isms as in proposing practical alternative solutions to problems facing the country. That makes for clarity in politics; that makes also for easier judgment by the people.

The choice before the new party is obvious.

Prospects of Foreign Aid

SPECULATION about the amount of foreign aid that will be available for the Third Plan continues to be a regular feature in the daily press. From time to time, we are treated to various estimates of the amount of such aid that is likely to be forthcoming from various countries. Such discussions are bedevilled, however, by uncertainties of the American political situation, since the major portion of this aid must ultimately come from that country. It is true, no doubt, that the United Kingdom, Canada, West Germany and Japan will also play a large part in financing the foreign exchange component of the Plan, and the World Bank too is to contribute substantially for specific schemes included in the Plan. It is the amount of aid that can be made available by the United States which will, however, be the determining factor in relation to our ability to implement the Plan successfully.

It is reported that the aid atmosphere in the United States has improved considerably in recent months and that a substantial volume of opinion is being built up in favour of strong support for our Third Plan. In spite of the work of our economic envoys at Washington which has had some success in explaining our needs to the American public, opposition to large-scale aid for this country's development programmes is still quite strong. The ultimate amount of aid that India will be able to obtain is, therefore, still difficult to predict.

Our main hope of substantial American assistance is the Development Loan Fund. So far, allocations to this Fund have been on an annual basis so that even the U S

Administration could not know in advance what amount was available for sanction to various countries in any particular year. There has, of course, never been any basis for making any long-term commitments of assistance to any particular country. The Fulbright Amendment, now under consideration, seeks to make a 7.5 billion dollar allocation to this fund for a five year period. If this Amendment is carried, it will be possible at least to know what amount is available for allocation to various countries over this period, even though no specific commitment may be made by the U S authorities. The fact that a Presidential election in 1961 may bring about a radical change in the U S Administration makes it impossible for the present Administration to make any commitment for the period covering our Third Plan.

The relationship between the scheme for the settlement of the Indus Waters Dispute and the foreign assistance that India can expect for the implementation of her plans of economic development has been commented upon in these columns. Details of this scheme have not been officially announced yet. Newspaper reports suggest, however, that there is an understanding that the long-term loans that will be made available by the United States for the implementation of the billion dollar Indus Waters project will not come from the Development Loan Fund and will thus not affect the programme of U S economic aid to this country. Whether the 70 million dollars, which the Commonwealth countries including U K, Australia and Canada, are expect-

ed provide in the form of grants for the Indus project will be without prejudice to assistance from these countries for India's development plans is not yet known. Whatever may be stated officially in this connection, it appears very likely that in practice, direct assistance to this country is bound to be affected by the aid given for the Indus project since none of the Commonwealth countries has unlimited resources.

In the meantime, the proposed amendment to the Mutual Security Act, aimed at restricting the scope of military assistance and increasing that of economic aid, is undoubtedly welcome to this country. Under this amendment, the President is authorised to switch over as much as thirty per cent of military aid funds to non-military uses. It may well be that some of the U S assistance to the Indus project will come from such funds, which can be used for economic purposes if the amendment is approved. The amendment has one clause which is likely to be of considerable significance to this country, particularly in connection with its relations with Pakistan. In giving military aid under the Mutual Security Act, the clause requires the President to consider the effect of military aid on the relations of the recipient country with its non-Communist neighbours. If this proposal results in some diminution of military assistance to Pakistan and thus makes it possible for India to reduce still further her defence budget, it will help considerably in releasing resources for the implementation of the Third Plan.

Weekly Notes

Basis for Progress

THE Wage Committee, appointed by the Union Government to fix rates of wages for journalists, has at last made its recommendations; and Government has accepted them with certain minor modifications and passed orders. These are to come into force with retrospective effect from June 1, 1958 in the case of the higher categories of dailies, and from the date of publication of the orders in the case of other publications and journalistic enterprises. Thus, at last, the protracted dispute in the newspaper industry has been brought at least to a temporary conclusion; and there is no reason why the stage now reached should not lead to final accord and settlement through friendly discussion and negotiation between employers and employees. The Committee itself, striking a similar note, has given expression to the hope that 'an era of peace and co-operation will dawn on this industry which is so important to the life of the nation'.

The Committee's task was by no means easy. It had to start work at the point where the decisions of the Wage Board, which had gone into the question of wage rates for journalists earlier, were invalidated by the Supreme Court. The Court's verdict was based largely on the ground that the Board, in making its recommendations, had not taken into account the capacity of the newspaper industry to pay the new wage rates proposed. With journalists on the one hand insisting that the industry could well bear the burden and quite a number of newspaper proprietors on the other pleading utter inability, the Committee was in none too enviable a position. However, with the earlier recommendations of the Wage Board before it, the Committee had a certain convenient basis to go upon. The chief and the most ticklish problem was to modify those recommendations in such a manner that journalists got a fair deal without appearing to cripple or even hurt the industry. Proceeding in this spirit, the Committee has made its own recommendations which, it feels, are fair to journalists while being in no

way burdensome to the newspaper industry. After an 'intensive study' of 41 establishments and examination of others, not excluding borderline and doubtful cases, the Committee feels that the proportion of newspaper enterprises that can pay the new wage rates is sufficiently high.

In trying thus to arrive at a compromise between the demands of journalists and the remonstrances of newspaper proprietors, it was to be expected that the Committee's recommendations would come in for criticism from both sides. Journalist bodies and individual spokesmen of journalists have already had unsavoury things to say about the basis on which the Committee assessed the capacity of the industry to pay and about the recommendations themselves, which are naturally less attractive than those made by the Wage Board earlier. Newspaper proprietors on their part may well be expected to have their own say soon. Such differences in approach and reaction are bound to continue between the two sections. What is of importance is that the new recommendations, whether completely acceptable or not to the two sections, do provide something of a basis for introducing that element of order and system in classifying journalists and fixing wages which has been totally lacking in the majority of newspaper enterprises. With the new wage rates to be paid, it is also likely that there will be some improvement in the working of newspaper establishments, less of mismanagement and also less of indifference to talent and quality in the selection of men for journalistic jobs, now that they have to be paid wage rates that are statutorily fixed.

Collective Bargaining

WITH this for a start, the prospects of further progress are quite bright, provided, of course, journalists begin to rely on their own united strength and capacity for effective negotiation rather than on the intervention of official agencies. In the present unorganised, obscure state of the industry and the lack of cohesion among the highly individualistic practitioners

of the profession, such outside intervention was perhaps unavoidable. But with the ground gained now and the status at last achieved, journalists would be less than fair to themselves, to their position and to their capacity for responsible thought and action if they did not start depending on themselves for further progress. Despite the growing solidarity of newspapermen, functioning on trade union lines for the past ten years and more, the principle of collective bargaining through direct negotiations with proprietors on a national, regional or even office-to-office basis has had very little play.

In fact, the two parties, newspaper employees and employers, save in a few rare cases, are yet to come face to face by their own volition and sit round a table to thrash out their problems in a constructive spirit. They have been operating so far through outside agencies with all that such a procedure means in terms of circuitous approach, lack of understanding and even a certain measure of suspicion and hostility. Indeed, whatever shortcomings the Wage Committee's recommendations suffer from, must be attributed to this lack of direct negotiations between the two parties rather than to any conscious failing on the part of the outside agency which admittedly had a difficult duty to perform. That such negotiations or attempts at collective bargaining were unthinkable in the circumstances prevailing so far does not vitiate the sad conclusion. In any case, it would be unwise to cling to the same argument or continue to shape action on its basis in the new order that promises to emerge in the newspaper world.

Commendable Achievement

WHAT are the criteria by which the success of any industrial enterprise in the country should be judged? Achievement of production targets, increasing domestic manufacture of components, progressive reduction in prices, improvement in labour conditions, increase in the earnings of labour, and larger surpluses for the enterprise itself, these are things which one would look for. The sixth annual report

of the Hindustan Machine Tools Limited, which has just been issued, shows that by these criteria, it must be considered an eminently successful enterprise. Production and sales of this public sector enterprise for the year ending March 31, 1959 increased by forty per cent over the previous year, while the net profit was fifty per cent higher. The indigenous manufacture of components increased to 95 per cent in less than three years of the commencement of each new product. Sale prices have been reduced twice in the last two years so as to bring down the price of the standard lathe to 25 per cent below the landed cost of imported machines of equivalent quality. A number of steps have been taken to improve the conditions of employees, and two successive wage increases in the last two years have more than doubled the minimum earnings of the lowest paid employees.

This is indeed a creditable record. It justifies the inclusion of this organisation in the list of successful public enterprises mentioned by the Prime Minister in his spirited defence of the public sector some weeks ago. ('Role of Public Enterprises,' Weekly Notes, May 16, 1959). That the financial results of the enterprise should have been so favourable in spite of the progressively higher prices of iron and steel and the inadequate supply of quality castings, which constitute the main raw material for machine building, is a further tribute to the management, which had also to contend with lower prices for the product and higher wages mentioned above. Note must also be taken in this connection of the diversification of production in Hindustan Machine Tools. Within a 2-year period, the HMT has shifted from the production of just one size of lathe to the manufacture of 74 different types and sizes of machine. While this diversification of production is no doubt desirable from the angle of satisfying domestic needs, it could hardly have made the achievement of satisfactory financial results any the easier. The Company is now making fourteen types of high precision lathes, six types of milling machines, ten types of radial drills and forty-four types of lathes.

As the absence of a foundry of its own has proved to be a considerable handicap to the concern

especially in relation to new production lines, the Company has been pressing ahead with the completion of the Grey Iron Foundry, which was part of the originally sanctioned project but which had been held up so far for lack of foreign exchange. The Foundry Project has now been approved by the Government of India, and it is intended to commence work on it as soon as the final clearance for foreign exchange is obtained. The capital of the Company, which was Rs 3.9 crores at the commencement of the year, was raised to Rs 4.75 crores by the conversion to share capital of advances received from the Government of India in the past, and it is proposed to increase it further to Rs 5.31 crores by obtaining Rs 56 lakhs of additional capital from Government to finance the Foundry Project. Like many other enterprises in the public sector, therefore, Hindustan Machine Tools appears to have a bright future before it.

International Private Capital

IT is generally assumed that the international flow of private capital has been dwindling slowly since the turn of the century and that, in spite of efforts made in recent years by some countries to attract private foreign capital, this trend has not been reversed. A study by the United Nations released this week shows clearly that this assumption is contrary to facts. During the four years 1955-58, the total outflow from the main capital-exporting countries (including retained profits of foreign branches and subsidiaries) exceeded \$ 17 billion, which compares with a total outflow of approximately \$ 5 billion during the five years 1924-28. These figures indicate that even allowing for the decline in the purchasing power of the dollar since then, the outflow of private capital is now considerably higher.

The outflow of long-term private capital to low-income, underdeveloped countries appears to have averaged \$ 2 billion a year during the four years 1955-58, thus absorbing a little less than half of the total outflow. The geographical pattern of its distribution is, however, very uneven. While the need for such capital is particularly great in Africa and Asia, the flow to these areas has been particularly small. Private investors favour Latin Ame-

rica, but even here they contribute little to countries having the lowest income in that region. What is happening, therefore, is that the countries and areas, which most need substantial inflows of private foreign capital, do not succeed in obtaining it, this in spite of the multiplication of legislative measures designed to attract more foreign investment, to which the report draws attention.

'The most significant development of recent years', according to the report, is the fact that western European countries are again becoming important suppliers of private capital to other countries, though they themselves remain important recipients of a substantial proportion of the total international flow of private capital. Nearly one-fifth of the total outstanding United States direct investments at the end of 1957 were in Europe, concentrated in the United Kingdom, France and the Federal Republic of Germany. These investments 'practically doubled in value between 1952 and 1957'. While a substantial proportion of U S private investment thus found its way to the advanced countries of Western Europe, in Asia it was Japan which proved attractive to U S investors. Private U S investment in Japan has increased nearly ten-fold since 1950 when it was only \$ 19 million.

The U N study, entitled 'The International Flow of Private Capital, 1956-58' throws much light on the regional and industrial pattern of the investment of such capital and provides a mass of information on this subject for the interested reader.

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Test for Neighbours

IN your editorial on the Indus Waters Dispute (May 23, 1959), you speculated on the possibility of establishing a supra-national agency to handle the replacement works project on the lines of the organisation set up for the clearance of the Suez Canal. For reasons which are not quite clear, you have found such a supra-national agency unacceptable. The Governments of India and Pakistan evidently think differently for, according to a Delhi despatch to 'The Hindu' (May 22, 1959), the setting up of an Indus Basin Development Commission was one of the important proposals of the World Bank which both countries had already accepted when the editorial was written.

According to the despatch in 'The Hindu,' the Commission will consist of representatives of the two Governments and of the World Bank, and its task will be to supervise implementation of whatever agreement is reached between the two countries. The Commission's main task will be to draw up a programme of construction work for each year, frame the annual budget and ensure that work progresses strictly according to the time schedule agreed upon. It will also have to regulate the supplies of water to Pakistan and withdrawals by India during the transitional period. It is reported that the amounts obtained in the form of loans and grants for the project will be placed at the disposal of the Commission.

The setting up of such a Commission appears to be in the interests of this country. Apart from the fact that India will be contributing a substantial sum of money, the spending of which ought to be subject to some supervision by her representatives, India is undoubtedly interested in ensuring strict adherence to the agreed time schedules and will gain from independent supervision over withdrawals of water supplies during the interim period.

If such a Commission works successfully, it will also be an object lesson to the rest of the world, which India, with her talk of the Panch Shila, should be eager to provide. It is difficult to see what objections you can have to such a

body, particularly as Pakistan is willing to accept it.

Kamal Sinha

136, Chamarbaug Road,
Bombay 12.

May 28.
[We plead guilty to not having noticed the Indus Basin Development Commission. But we were in happy company. Bombay apparently got the news from Delhi via Madras!]

As regards the supra-national body, our point was that an agency responsible, say, to the UN would be unsuitable for this particular project. It was all right for the

Suez canal because all members of the UN were interested in clearing it of obstructions, and the contributions each had to make were small. Solving the Indus Waters Dispute is vital to us and our neighbour; for the rest of the world, the cost is real, but the benefit indirect and perhaps intangible. Hence the doubts about a supra-national agency. But we did not rule out an Indo-Pakistan arrangement. In fact, that is what we pleaded for in the last paragraph. Perhaps we should have dwelt at some length on the theme. But where is the space? —Ed.]

Utilisation of Industrial Capacity

A Comment

THE article by Shri Kuldip S Gulati on 'Engineering Industries in India—Their Capacity Utilisation' in the issue of May 9, 1959 raises some fundamental issues about the estimation of industrial capacity and the extent to which it is being utilised. Shri Gulati appears to be rather excessively pre-occupied with the calculation of simple arithmetic ratios between output and capacity, without taking into account the difficulties involved in the concept of capacity and the normal time-lag between installation of capacity and its utilisation. Though he claims to use the terms under-utilisation and over-utilisation 'in an amoral context', there is little doubt that he considers a utilisation ratio of 100 per cent as ideal. This is clear from his remarks in the first columns of pages 638 and 639.

According to the Directorate of Industrial Statistics, installed capacity in the textile machinery industry is computed on the basis of two shifts and 300 working days per year. In 'other industries', which presumably includes all the engineering industries Shri Gulati deals with, the basis is one shift and 300 working days. Moreover, the installed capacity in every case refers to the close of the period. It is not surprising, therefore, that industries like ball bearings, sewing machines, diesel engines (stationery), electric motors and bicycles, should have been produced more than their officially estimated capacity.

city. Shri Gulati does not seem to have taken this basis of computation into account, when he deplores that capacity of these industries has not expanded at the same rate as output. Why capacity in sewing machines, electric motors and bicycles should necessarily be calculated on one-shift basis has never been explained by the Directorate of Industrial Statistics, nor does it seem to have influenced Shri Gulati's judgment on their capacity utilisation.

So far as the numerous instances of under-utilisation are concerned, I would agree with Shri Gulati that, in a number of cases, capacity has been allowed to expand without adequate attention to availability of foreign exchange and raw materials, minimum economic size of plant operation, and ability of the unit to market its products. Apart from the well known case of the automobile industry, an excessively liberal licensing policy for refrigerators, air conditioners and electric motors, has created difficulties of marketing, plant utilisation and securing of components, for nearly all units. Without glossing over the importance of these factors, it is, however, still difficult to appreciate Shri Gulati's devastating conclusion that capacity should have been cut in some industries or, that it should not have been allowed to expand in several others.

Shri Gulati does not allow for the fact that, in some cases like the

automobile industry, expansion of capacity may take place due to installation of what may be described as balancing equipment which improves the flow of production or which reduces dependence on imports. Shri Gulati himself must no doubt be aware that expansion of equipment in many cases has to be on a relatively large scale due to technical indivisibilities, even though demand at the prevalent price may not be sufficient to enable satisfac-

tory utilisation. Moreover, since installed capacity is officially estimated as at the end of the year, while figures of production relate to the year as a whole, some lag is to be expected in the expansion of output.

It may also be added here that, in many cases, figures of capacity are deliberately inflated by industrial units in order to persuade Government to curtail imports. How far this is responsible for what ap-

pears, at first sight, serious under-utilisation of capacity in a large portion of the industrial sector, is naturally difficult to estimate, but those who are in one way or another customers for the products of some of these industries believe that the boosting is substantial in many instances!

R K Hazari

St Xavier's College,
Bombay.
May 20.

Resources for the Third Plan

(From a Delhi Correspondent)

CLOSE on the heels of Dr V K R V Rao's plea for reconsideration of the basis of price policy for public enterprises (discussed in these columns in the issue of May 23) have come a number of suggestions for mobilising resources for the Third Five Year Plan. It is now fairly well known that in view of the magnitude of investment contemplated in the Third Plan, official circles envisage fresh taxation of the order of Rs 2,000 crores over the five years. This figure is to be set against Rs 900 crores expected to be the aggregate yield from additional taxes during the Second Plan. Nevertheless, the authorities are confident that our economy can bear this burden with a not-too-unreasonable tightening of the belt. It is admitted, however, that prevalence of stable prices for articles of essential consumption like foodgrains and clothing is a crucial factor which will condition the success of the additional tax effort.

Now, there is nothing wrong in expecting a growing economy to bear additional taxation. The investment target, currently suggested for the Third Plan, appears to be around Rs 10,000 crores. If this materialises, it is argued, our national income should go up by about Rs 4,000 crores by 1966. Given this rate of growth, it is further argued, an additional tax effort of Rs 2,000 crores over five years should certainly not be beyond the range of practical politics. After all, the contribution of taxation towards the volume of investment must naturally expand with the stepping up of the rate of economic growth.

A glib statement like this, while by itself unimpeachable, raises more questions than it answers. It begins by assuming that the productive

capacity of the economy will actually grow at a rate that will make possible the given magnitude of tax effort. But it is, surely, commonplace that there is no unique relation between the volume of investment and the growth of productive capacity. This latter is a function, among other things, not only of the magnitude of investment but equally of the form that this investment takes. The almost complete neglect of the pattern of investment envisaged has been a deplorable lacuna in contemporary discussions on the shape of the Third Plan. While nice, round figures like Rs 8,000 crores, Rs 10,000 crores or Rs 11,000 crores are being bandied about with enviable facility, no effort has been made to spell out how these crores are to be split up among the different sectors and sub-sectors of the economy. But more of that later.

To return to suggestions for additional taxation, it appears to be generally accepted that while some additional revenues will come from marginal changes in direct taxation, fresh taxation will have to be mainly of an indirect character. Shri C D Deshmukh, in one of his rare statements on economic affairs since abdicating the office of Finance Minister, has advocated indirect taxation on a scale that will facilitate the financing of a big Third Plan. Another suggestion made in recent discussions is the replacement of State sales tax by Central excise duties in respect of a number of commodities like cotton and tobacco. The argument for a change along these lines is that sales tax offers considerable scope for evasion and that the substitution of excise duties will help plug these leakages.

A betterment levy on urban land and imposition of taxes on urban immovable property are among a number of suggestions put forth in a note prepared for discussion at the Ooty Planning Seminar. Another suggestion made in this note concerns the nationalisation or regulation of scheduled banks. This point has been raised in the light of the Reserve Bank's Annual Report on Trend and Progress of Banking in 1958 which draws attention to a particularly 'large accretion' of the deposit resources of banks 'in relation to the credit extended by them.' Thus the Report shows that whereas the net deposits of banks increased by Rs 215.2 crores in 1958 to raise their aggregate deposits to a peak of Rs 1,361.3 crores, the credit advanced by them showed an increase of only Rs 11.1 crores. The comparable increase in advances in 1957 and 1958 were Rs 74.6 crores and Rs 151.3 crores respectively.

A proposal for the nationalisation of scheduled banks or, at least, for a tight regulation of their investment activities is, therefore, likely to be mooted with a view to enabling Government to make use of the surfeit of funds lying with the banks. The outlook for such a move, however, appears to be singularly bleak from all indications. While private financial interests will naturally oppose it tooth and nail, even certain influential groups in Government are reported to be dead set against any move to nationalise private banking ('We don't want another LIC!'). The proposal thus appears to stand a more than a fair chance of being nipped in the bud.

Taxation of the agricultural sector has received particular attention

10 JUN 1959

In recent discussions on the problem of resources. A note, believed to be currently under discussion in the Planning Commission, suggests the imposition of a cess on cash crops together with the introduction of a more progressive system of land revenue. It will be recalled that Professor K N Raj, writing in the last Annual Number of the 'Economic Weekly,' had recommended measures of rural taxation along these lines. He had also suggested a tax on agricultural rent, the incidence of which would fall on rent-receivers. However, it must be remembered that the prospects of direct taxation of agricultural incomes and holdings must necessarily appear to be limited if we take into account the consequences of agrarian reforms, especially of the introduction of ceilings on land-holdings. Moreover, as the drive to organise co-operative farming is stepped up, the need will actually be for more and more fiscal concessions to farmers who agree to join the co-operatives.

This suggests that a very important part of the rural contribution to tax revenue will have to come through the levy of charges on services rendered to the farmers like the supply of irrigation water, and through commodity taxation—i.e., by taxing the commodities that the rural sector may be expected to consume in greater quantities as rural incomes rise.

This brings us back to the point, referred to earlier, that we cannot make any meaningful estimates of the availability of resources (be it through taxation, loans or otherwise) without some kind of an idea of the nature and magnitude of the development effort envisaged. This should be obvious in the case of revenue from direct taxes. Even in the case of indirect taxation, the relationship is no less important. If we assume (not unreasonably) that capital goods cannot be taxed as much as consumer goods, then the returns from indirect taxation will depend largely on the extent to which these goods are produced and consumed. This, in turn, is essentially a matter of the pattern of resource-utilisation that we envisage. The problem of resources and the pattern of investment are inter-linked. Much of the current 'search' for resources for the Third Plan is likely to be barren of practical utility unless we also make explicit at the

same time the pattern of investment that we have in mind.

Without Comment

Indian Socialism

"REPORTER DRISCOLL: Mr Mehta, you are speaking as a socialist, you are the leader of the Socialist Party in India, and Mr Johnston just a few moments ago talked about private enterprise and how it could help India. Now does that mean that capitalism is helping socialism?

"Mr. Asoka Mehta: Then I would say that one of India's foremost capitalists, Mr G D Birla, made a very pregnant observation. He said that in India capitalism can survive and grow under socialism. The meaning is obvious. In an under-developed country where people have such raw wants to be satisfied, I think democracy can try to do a little better. Socialism is an appeal towards greater opportunities for all. It is to embody into the whole productive processes a social consciousness. It is an effort to make everyone realise that out of increasing production, for which practically everyone will be invited to contribute his blood, sweat and tears, whatever is achieved will be distributed in a manner that will help the under-privileged more than the privileged.

"Mr Eric Johnston: I would like to add this, just to say that last evening Mr Harriman—Governor Harriman—spoke, and said that he had asked a number of prominent Indians of the Socialist Party and others what socialism meant and he got slightly different answers from them. But I believe that socialism in India, as I have seen it, is quite different than the connotation of socialism in America. Socialism in America means to most Americans the government ownership of all the means of production. This is not true in India. The means of production are largely held by private hands. But socialism there I think, broadly means, that the people step in and do those things for the people which private enterprise cannot do or is unable to do. I know it has quite a different connotation, and if we in the United States would understand what socialism in India really means, I think we would have a different point of view regarding it.

"Reporter Driscoll: That is a good

explanation, Mr Johnston. Yes, Mr Ambassador, go ahead.

"Mr B K Nehru: I would like to comment on what Mr Johnston said. He is very right. Actually if this is a question, it's been answered. I have been in and out of the United States for years, and therefore have been, I think, aware of what socialism means here, and I think I do really understand what socialism means in India, though Mr Harriman said last night no two people can agree what it means. My own personal explanation of socialism, and I think, Mr Mehta who is a great socialist will accept it too; I believe socialism means in India the provision of equality of opportunity, a reduction in the inequality of income which in India has been very glaring. This is sort of one aspect of Indian socialism. The other aspect of Indian socialism is that we have no theology about private enterprise or about state enterprise."

—Excerpt from the transcript of the Voice of America round-table (May 12) on the recently concluded Conference, 'India and the United States, 1959'.

D V C POWER

THE Panchet power station of the Damodar Valley Corporation will be commissioned in August, 1959. Having an installed capacity of 40,000 kw, the power house will increase the total generating capacity of the D V C power system to 254,000 kw.

Work is also in progress for installation of another generating unit at Bokaro with a capacity of 75,000 kw. In addition, a power station at Durgapur, with a capacity of 150,000 kw, and another at Chandrapura of 125,000 kw—the latter for meeting the needs of railway electrification—are in hand. These additions would increase the total generating capacity of the DVC network to 604,000 kw.

At present, three DVC power stations are functioning—a thermal station at Bokaro and two hydel stations, one each at Tilaiya and Majhth. The installed capacity of the thermal station is 150,000 kw, and of Tilaiya and Majhth 4,000 kw and 60,000 kw respectively. The bulk of the power being produced by these thermal and hydel stations, averaging over 148,000 kw, is being used for industrial purposes, and annual revenue derived from sales of power amounts Rs 450 lakhs.

Our American Letter

DEATH comes swiftly in the end.

The malignant nature of the disease John Foster Dulles was suffering from was discovered only in the second week of February. It took a bare hundred days for the man to die. The last few weeks, with Dulles in acute pain and in full knowledge of the fact that he was dying, lent an almost unbearable poignancy to the drama of death. Eisenhower walking into the hospital room and swearing in the slowly sinking man as special consultant in the State Department, Eisenhower returning with Winston Churchill who wanted to bid an affectionate farewell to the architect of post-Fulton Western diplomacy, Eisenhower awarding the legion of merit—the highest honour of the nation—to the man who was already in a coma, the tacit agreement—leaked out at the beginning of the week—that the Geneva conference would adjourn for a few days to let Herter attend the funeral of his ex-boss in case Dulles should die over the week-end—as he did—all this added a certain eerie touch to the actions of the visitors despite the fact that each of the gestures was sincere, heart-felt and intended as a mark of gratitude for Dulles's outstanding services rendered to the Western cause.

But maybe to a Dulles devotee there is true irony still in store, and it may come with the same swiftness with which death overtook the Secretary of State. For, signs are now apparent that his death has synchronised with an as-yet-unadmitted, yet clear, shift in American foreign policy. The freeze is giving place to the thaw. Despite the homage American—and Western—leaders are paying to the departed Secretary of State, the week of his death would seem also to record the repudiation, by his former associates, of the vision he propagated, the fixed idea of people and nations he nurtured, the irreversibility in political behaviour he so assiduously preached.

With the death of Dulles, the Calvinist phase in American foreign policy has ended. There will be no more blanket denunciation of 'atheistic' Communism, no more of highly-charged moral fervours ringing out from the texts of State De-

partment press releases. Diplomacy will cease to be linked with the ethical code. Good old commonplace notions such as national self-interest, protection of American lifelines, conservation of areas of influence etc will continue to hold sway, but they will no longer be paraded under the billing, 'American foreign policy: a morality play'. This change was of course already slowly coming. Dulles's resignation, followed by death, has now tremendously accelerated the pace of change.

In a way, this was inevitable. The trouble about striking ethical attitudes in the field of diplomacy is that, unless one is prepared to go the whole hog and match each spurt of moral indignation with some concrete action, one may appear a bit foolish after an interval of time. If Communism represents Satan and hell, and the burden of one's diplomacy is to try to combat it remorselessly, this combat ought to be then pursued on a more or less permanent footing, and there cannot be any relief or rest until the enemy is completely crushed and exterminated. This would even mean that one must give battle to the enemy inside the latter's own territory: there must be a policy of infiltration and intervention, a continuous state of frenzy backed by vigorous military action, in short, a total war.

This, of course, conflicts with almost everything the paraphernalia of the United Nations were intended to represent, and cuts across Dumbarton Oaks, Potsdam and Yalta. To be logical, the empirical correlates of Dulles's philosophy of massive retaliation should have, besides covering NATO, SEATO, Baghdad Pact and non-recognition of the People's Republic of China, led on to the rupture of diplomatic relations with each and every Communist country, marching of troops into Hungary in 1956, stoppage of economic aid to countries trading with the Soviet bloc, and all the rest.

The dilemma was obvious right from the beginning of the Eisenhower administration. The Americans were wholeheartedly with Dulles in keeping up the attitude of total contempt for Communism and Communists, but their abhorrence stopped short of desiring a war.

One of Ike's major election promises was to stop the war in Korea—not to enlarge it. Whatever the Soviet Union might say, to most American minds the NATO and the rest of the Western alliances were merely for checkmating the enemy, not for overrunning it. Dulles, in his heart of hearts, might have had other notions, but he had to confess that he could venture only to the 'brink' of war.

It was thus apparent from the beginning that Dulles's bark was worse than his bite. The theoretical elements of his statecraft were directly derived from his notions of good and bad and of the immorality of compromising with evil, but in practice he was bound hand and foot by the dictates of internal political expediency. Between the intent and execution, between the essence and the actuality, there fell the shadow. Dulles was compelled to build a half-way house of diplomacy which could accommodate his ethics only so far as it provided for the realities of the situation too. Apart from the formation of a series of defensive tiers, he was reduced to a succession of negative postures—don't recognise China, don't sign the agreement on Indo-China, merely denounce the Soviet Union over Hungary, don't allow your allies to trade with Communists, don't let East Germany have the same status as West Germany in the diplomatic field etc.

Also, since the bites were out, all Dulles could recommend to the United States and its allies were stray scratchings with the paw. The trade embargo list, Matsu and Quemoy, the affair of Guatemala, the manoeuvres of the Seventh Fleet—these were Dulles's little triumphs, which helped him assuage his moral ego. He made almost a habit of these pinpricks and little irritations—the blunt withdrawal of the offer to finance Aswan Dam when he thought Nasser was not behaving, calling Goa a province of Portugal in order to snub India, egging Chiang Kai-shek to veto Outer Mongolia's admission to the United Nations when a gentleman's agreement had already been worked out among the powers, and so on.

Such irritations did not, and could not, alter the overall balance of

Men and Oil . . . 8

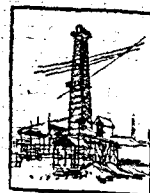
The Fire Officer

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power: they did not lead to any positive accretion of strength to the Western cause, but the fuss Dulles used to make over these issues showed how much he relied upon such a claptrap. When he was prevented from going after the substance of victory, he was only too happy to grab at shadows.

But the trouble is that, beyond a point, these petty gymnastics impress nobody, not even one's allies nor one's countrymen. The British and the French learned, to their cost at the time of Suez, that Dulles was reluctant not only to bite on his own, but even to allow any of America's partners to go ahead and bite on their own responsibility. If Nasser was coddling the Communists, he certainly deserved to be liquidated; so why wouldn't he allow them to finish the job, if he himself were that squeamish? However, with Khrushchev thundering, Dulles developed cold feet.

It was thus almost inevitable that sooner or later, despite his lofty ethical pronouncements—quite likely, precisely because of them—Dulles's authority would start to decline among the Western allies. Western diplomacy had reached a stagnant point. So long as the Soviet Union stuck to its own rigidity, it was quite all right with everybody. The rivals knew thoroughly in advance of each other's possible moves and counter-moves, and could therefore sit pretty. Khrushchev, however, was a different proposition; platitudes in attitudes proved to be wholly inadequate pitted against his bounce and bustle.

There were, meanwhile, other stirrings. Nobody can really ignore the deep disquiet in Britain since the start of West German rearmament. If British resentment against the house that Adenauer re-built has become shrill only this year, it is because of the discovery that industrial production in West Germany now outstrips Britain's. The traditional enemy is riding high while Her Majesty's United Kingdom languishes; and it languishes because its market has been artificially restricted—all because of Dulles. If the Soviet bloc was only too willing to purchase engineering goods and chemicals from Britain, why not cease being a victim of the folly of immobilism, which was actually helping to raise Deutschland uber alles? And what was the compulsion of obeying the dictum of Dulles, who

had left Britain in the lurch in 1956?

No doubt the general feeling of ennui and frustration in Western Europe has also been strongly influenced by deep apprehension over the hydrogen bomb and the sudden revelation through sputniks and through other evidences of the Soviet Union's spectacular advances—material, military and scientific—over a wide front, that, despite Dulles and all his alliances, victory in any tussle with the Communists is a debatable proposition. What cannot be cured has to be endured. Since in any case one is disinclined to fight, why keep up the militant posture? Why not lower the tension and try for a rapprochement with the Soviet bloc?

Even within the United States, the voices of dissent have grown since the 1956 Presidential elections. Where does one go from here? Because of Dulles's strong sense of morality, the Americans have alienated, perhaps permanently, 600 million odd Chinese. Because of Dulles they have had to put up with corrupt regimes such as Chiang Kai-shek's and Rhee's. Because of Dulles, they have had to put all their bets on a single individual; and when that individual perishes, as in Iraq, they are left without a foothold in the country and have to write off all past investments. Dulles notwithstanding, they were impotent to do anything in the case of Hun-

gary or of Tibet; and after all the money spent on defence, and for bolstering friends of all hues, the infernal Communists look and sound and are, in fact, as threatening as ever. Why not then try something else? Moral indignation is all very well, but since by itself it has been unable either to release the American people from fear and tension or contain the Soviet advance, what harm could there be in agreeing to some fresh experimentation in foreign policy?

The opportunity for such explorations has been created by the old warrior's death. The Western Plan on Germany, presented this week in Geneva, in providing for some sort of representation for the East Germans on the proposed electoral commission, represents a leap forward. It is a big shift from the manoeuvres of the past ten years or so, and betokens the end of the Dulles era. For whether or not the Soviet bloc ultimately agrees to the specific proposals and whether or not negotiations continue indefinitely until a common approach is possible, there can now be no turning back: the age of rigidity and moral attitude-inizing is over with American foreign policy.

It was a week thus of two deaths. Poor man Dulles, they have had Andrei Gromyko flying out from Geneva to attend his funeral. He would have demurred were he alive.

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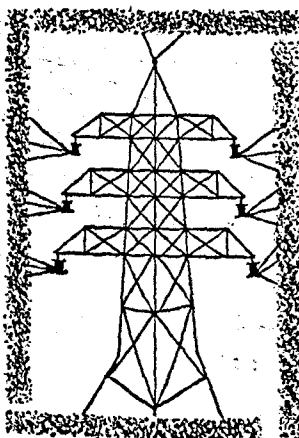
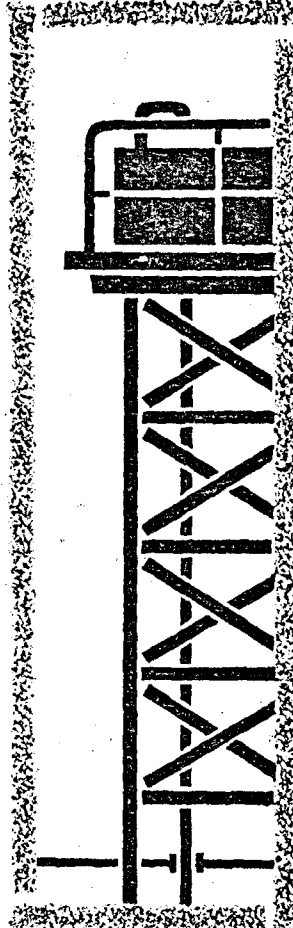
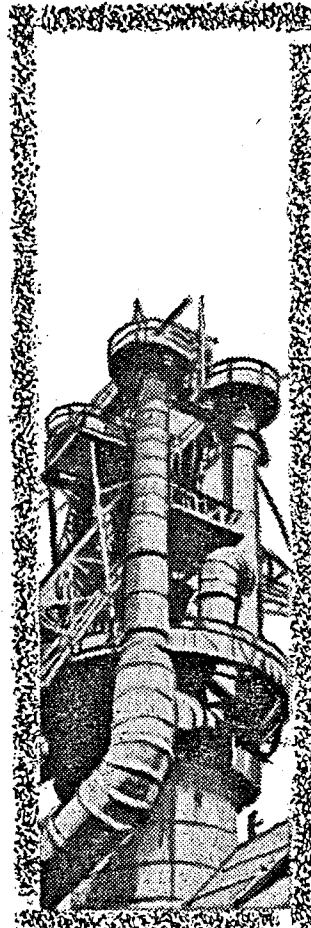
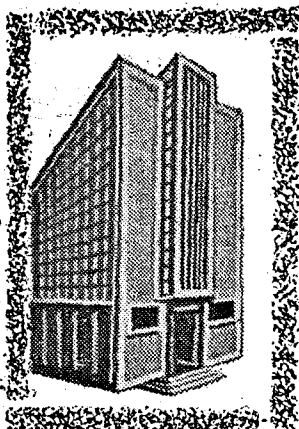
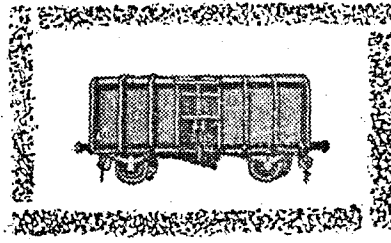
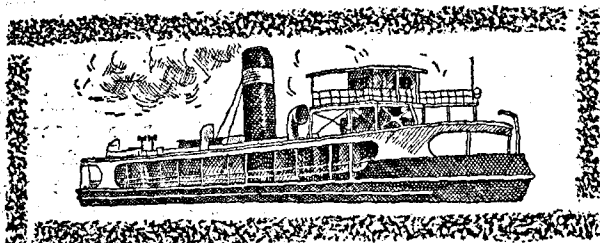
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From the London End

Liberalising Dollar Imports

THE removal of quantitative import controls over a wide range of consumer goods from the dollar area, to be effective from June 8, follows a series of intensive economic discussions which have taken place in recent weeks, particularly with the Commonwealth countries and at the current session of GATT. With certain minor exceptions all the items of import which have now been removed from control can already be freely imported from Western Europe. In this way the U K has withdrawn the preferential treatment that had been accorded to Continental Europe in the application of quota controls.

'Unparalleled Obstructions'

It is only logical that the coming into operation of the European Common Market and the discriminatory application of import controls against the U K by the Common Market countries should force Britain to abandon the preferences which it has hitherto accorded to the Common Market countries and which were discriminatory against the U S and Canadian goods. What appears rather surprising is the failure of the apparent Commonwealth plea that Britain's import quota controls against U S goods should be made a matter of discussion with the Americans at the current session of GATT, with a view to obtaining the withdrawal of many of America's recent restrictive trade policies towards Commonwealth export products.

It is well-known that the Australians have expressed considerable misgivings and anxieties about the trade policies of the U S. The U S practice of disposing of their farm products surpluses on the world market through the acceptance of low competitive bid prices and payment in non-dollar currencies have raised what the Australians term 'unparalleled obstructions' to Australia's ability to sell its primary products. Something like 70 per cent of Australia's earnings from exports come from the export of five commodities, wheat, wool, meat, dairy products, lead and zinc. In each case U S policies had obstructed Australia's exports and marketing. New Zealand too appears to

have been a victim of America's restrictive import policies and both these countries have reportedly called upon the U K to employ the question of further liberalisations of dollar imports as a possible bargaining weapon in discussions through GATT for a favourable modification of America's restrictive trade policies. It now turns out that much of these Australasian pleas have fallen on deaf British ears.

Trade with Commonwealth

The U K's foreign trade policy is however dictated by other considerations. The dollar scarcity is now almost a forgotten phenomenon. Over the last few years the uses to which sterling may be put have been progressively freed, and in December 1958 non-resident sterling was made fully convertible. This being so, the next step in the direction of trade liberalisation was to remove the quantitative controls which still make it difficult for U K importers to choose the source of their imports.

At Montreal, in the summer of 1958, the first steps, towards the abolition of quantitative restrictions on dollar goods were taken. The timing of that move was somewhat unfortunate—the overseas sterling area countries were then facing considerable exchange difficulties following the sharp deterioration in their terms of trade and in the international demand for their exports. Since then, however, the situation has improved somewhat and in so far as the Commonwealth countries are concerned the present British step does not impinge to any extent on the size of the U K market for their exports.

No Rise in Imports Expected

The present decontrol of imports is difficult to estimate in quantitative terms. The British Board of Trade has indicated that the current measures to remove discrimination against dollar imports may make no significant addition to the total import bill. Since all the goods to be liberalised may be imported without restriction from Europe, the effect of the current measures is to give Canada and the U S an opportunity to compete with these other overseas suppliers, the assumption

being that the U K import demand is likely to be about unchanged.

What may take place is merely a switch in the pattern of U K imports rather than any gross increase in the volume or value of imports. Having regard to the virtually uncompetitive character of U S export goods in recent years, there can be little doubt that even in the matter of the pattern of trade very little change can be expected in the immediate future.

Canada and United States

From the point of view of the U K, the current measures are regarded as a further step towards abolishing those discriminatory restrictions which have created an economic division between Canada and the rest of the Commonwealth. Thus from the trade and economic point of view the current step is seen as another attempt to re-introduce Canada into the Commonwealth system. Canada, it is to be noted, does not impose restrictions on imports from the U K. With regard to the U S there is the view that while there may exist special barriers on individual imports, these barriers have been isolated exceptions to what can be generally described as a liberal trade policy.

The United States does not impose any quantitative restrictions on imports from the U K, although for some 20 years U S goods have either been refused admission into Britain or have been severely restricted by an extensive system of import controls. Thus, for example, Britain has exported to the U S 150,000 cars in 1958 and imported only 200 American cars. Britain's exports to the dollar area as a whole have increased 6½ times since the end of the war and the U S is now its most important single importer.

Logical Follow-up

For the first time since 1865 Britain has a favourable balance of trade with the U S. The logic of this situation must necessarily direct the British authorities towards the removal of quantitative trade barriers on American goods in the U K. Indeed, this is a logical follow-up of the sterling convertibility operation of December last.

Eradication of Prostitution

S D Puneekar

The Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others: Report prepared by the Secretariat of the United Nations Economic and Social Council (E/CN S/558—26th March 1959).

PROSTITUTION is perhaps the oldest profession in the world. Curiously, its origin appears to be in our 'civilization'. References to prostitution abound in our ancient literature—the Vedas and the Puranas—which show that prostitution was an organised and well-established profession even in those remote times. For centuries it has been tolerated either as a necessary evil or as an amorous sport. Its discussion has been taboo, and the subject is still avoided by not a few. With the development of social sciences, however, economists, sociologists, psychologists, psychiatrists and criminologists have taken interest in the problem of prostitution, with the result that increasing literature is being made available on the subject.

U N Convention of 1950

International action in the field commenced with the International Agreement for the Suppression of White Slave Traffic (18 May 1904), which was followed by similar Conventions of 1910, 1921 and 1933 and culminated in the Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others (1950). India ratified this Convention on 9th January 1953, and as such is a party to the implementation of the provisions embodied therein. The Convention consolidates the earlier instruments and advocates the abolition of any form of the regulation of prostitution, the repression of the third party profiteers, the prevention of prostitution and the rehabilitation of its victims. The Social Commission of the United Nations has listed the implementation of this policy among projects of high priority in the programme of work for 1957-1959 and for that purpose its Secretariat has prepared this report which covers:

- (i) a programme of action to combat the traffic in persons and the exploitation of the prostitution of others; and
- (ii) measures pre-requisite to and in conjunction with the suppression of the regulation of prostitution.

As India has decided to follow the path chalked out by the United Nations, this report is valuable to her not only to understand the extent and nature of the problem but also to follow the programme of action.

The U N Convention of 1950 declares that prostitution and the accompanying evil of the traffic in persons for the purpose of prostitution are incompatible with the dignity and worth of the human person and endanger the welfare of the individual, the family and the community. For this purpose, it recommends the punishment of any person who, to gratify the passions of another: (i) procures, entices or leads away for purposes of prostitution, another person, even with the consent of that person; or (ii) exploits the prostitution of another person, even with the consent of that person. It also urges the punishment of persons, who keep or manage, or knowingly finance or take part in the financing of a brothel; or knowingly let or rent a building or other place or any part thereof for the purpose of the prostitution of others. By the enactment of the Suppression of the Immoral Traffic Act, 1956, India has embodied these provisions in her legislation.

In Favour of Abolitionist Policy

The approaches to the problem of prostitution have crystallised into three distinct systems:

- (i) The regulationist system, which legalises prostitution and the existence of licensed houses and thus offers a lawful market to prostitution and to the traffic in persons;
- (ii) the prohibitionist system, which makes prostitution per se a criminal offence and thus creates among persons engaged in prostitution a collective as well as individual antagonistic attitude, hampering their rehabilitation; this system also leads to organized clandestine prostitution, on the same lines as prohibition has led to the or-

ganised illicit liquor trade; and

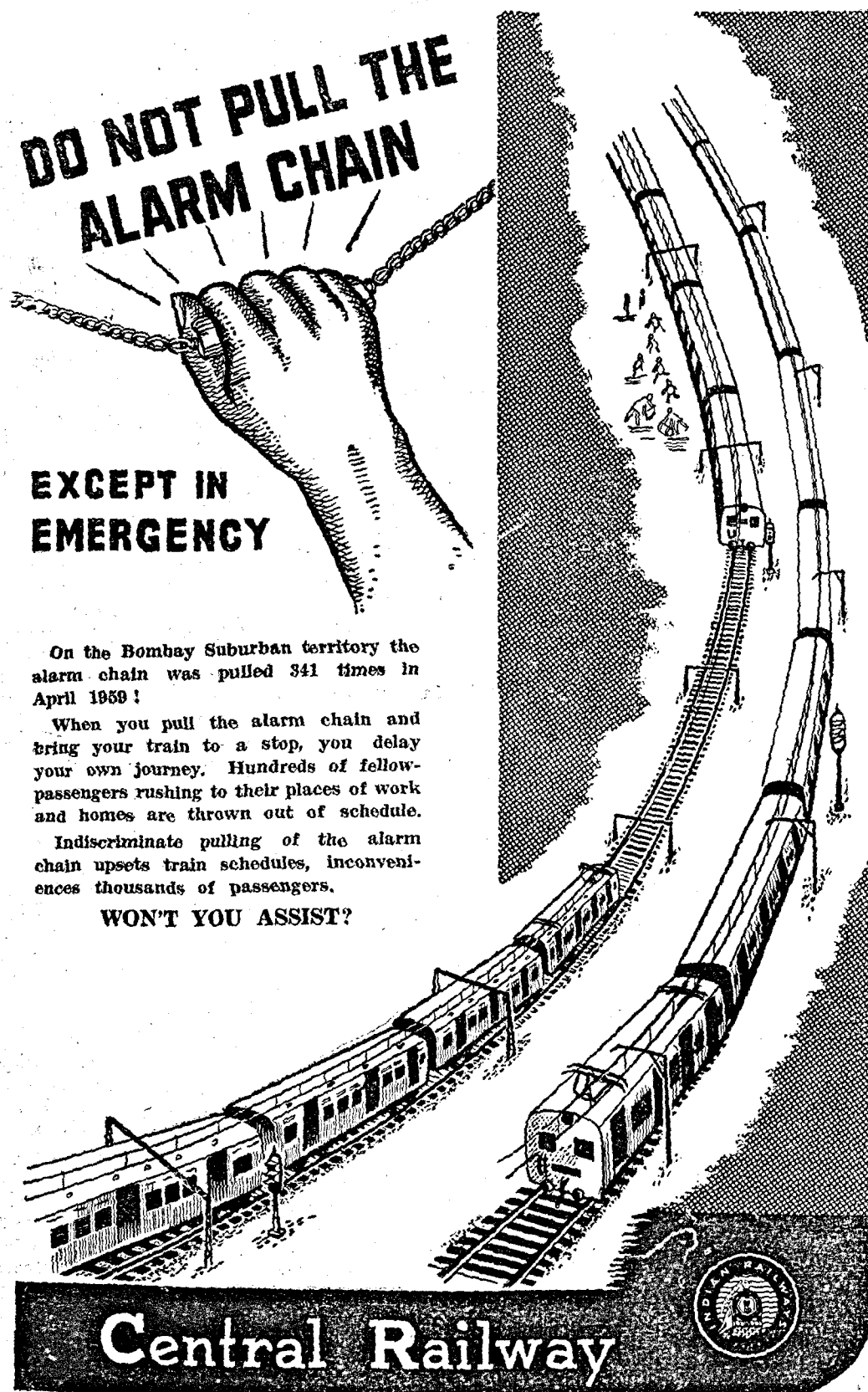
- (iii) the abolitionist system, which recommends the abolition of any form of regulation of prostitution, such as special registration, licensing, possession of a special document or any exceptional requirements for supervision or notification.

The U N Convention has thrown its weight in favour of the third system, because "only the abolitionist system can be considered a necessary pre-requisite to any programme of action to combat the traffic in persons and commercialized prostitution."

The abolitionist policy makes it unnecessary to define 'prostitution', because it does not consider prostitution itself as a punishable offence nor does it recommend the punishment of persons who are engaged in prostitution; loitering and soliciting for the purpose of prostitution constitute public nuisances and are to be proscribed to safeguard public order and decency. A legalistic definition of prostitution is difficult: if it is wide, it may entail unwarranted interference in private life; if it is narrow, it may be difficult to establish the charge against the culprit. Between prostitution and other sexual relations outside wedlock there is only a difference of degree and hence it may be unjust to single out prostitution from all other moral sins and to subject it to penal law. Besides, experience has taught us that prostitution cannot be eliminated by mere enactments and that making prostitution a criminal offence generally leads to clandestine prostitution and to a ruthless underworld organization for the exploitation of the prostitution of others.

Para-Commercial Occupation

Prostitution, like any other social problem, is the cumulative effect of a variety of factors. The preventive measures can strike at the two sides of demand and supply of prostitution. The supply



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factors' may be individual and social. Intensive research has now thrown much light on individual factors. Women become prostitutes through inclination, need or persuasion. It has been found that prostitutes have generally slight mental and physical abnormalities (instability, abnormal lack of emotion, excitability, pronounced nervousness) and that a great number of them suffer from a psycho-sexual immaturity, very often due to arrested development caused by early childhood frustrations. Such a diagnosis emphasises the importance of moral and social hygiene, sex education, early detection and treatment of abnormalities, mental health, and special treatment of juvenile delinquents.

Among the factors leading to prostitution, there may be social or economic causes, such as broken homes, childhood frustrations, poverty, etc. Often, as in Asian countries, prostitution is carried on as an occupation of a para-commercial nature, based on the economic principle of the purchase and sale of sexual relations; in such circumstances women's poor living conditions, economic hardship and unemployment lead to prostitution. For example, the Lady Rama Rao Committee pointed out that amongst women found in brothels were many who had come from poor but respectable families and who had been driven to prostitution by economic necessity, often due to unemployment. Social customs and practices of the country also contribute to the system of prostitution. For example, in our country, under the Devadasi system girls are trained in music and dancing and dedicated to temples to carry on prostitution under the protection of religion.

As for the demand side of prostitution, it may be said that men go to prostitutes because they have insufficient sexual outlets in other directions; or because prostitution provides types of activity not so readily available elsewhere. Some go to prostitutes because of physical deformity such that only a prostitute can have intercourse with them; others because they can pay for sexual relations and forget other responsibilities or because it is cheaper to have relations with prostitutes than to court a girl for a long period.

India is on the path of economic development and it is now conceded

that the problem of prostitution is likely to be aggravated under conditions of rapid economic development. In spite of this threat, India has decided to eradicate prostitution, after investigating the causes leading to this social problem. The UN report gives in detail a programme of action and clears many

misunderstandings, such as, for example, the unwarranted blame attributed to prostitutes in the spread of venereal diseases. The U N Report is thus a valuable document for a socially advancing country like India, which has embarked on the path of social and economic development.

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Cost Structure of I A C

Hannan Ezekiel

UNDERTAKINGS in the public sector, quite apart from various other functions, they are expected to perform, have an important role to play as mobilisers of resources for economic development in under-developed countries. That is why even if they provide smooth and efficient service and maintain a beneficent labour policy, there would be cause for comment if they suffer large losses continuously. Unsatisfactory financial conditions in any undertaking in the public sector need to be thoroughly investigated. Such an investigation may take two different forms. On the one hand, the prices charged by the concern might be investigated, and on the other the cost structure of the organisation might be subjected to detailed examination. Ordinarily, one would expect the second type of investigation to come first because the extent to which an increase in prices can provide a solution to a problem of this kind depends primarily on the extent to which there is scope for reducing costs. In the case of the Indian Airlines Corporation, however, investigation into the cost structure has been made subsequent to a review of its fares and freight rates.

The Air Transport Council, in its report on the Indian Airlines Corporation's fares and freight rates,* had pointed out the need of investigating the Corporation's cost structure. Such an examination was also necessary for determining the standard costs in terms of which the losses of the Corporation could be subsidised by the Government of India. Government appointed a committee under the chairmanship of Mr Stephen Wheatcroft to examine I A C's system of planning, operation and cost con-

*See "Air Fares in India" by the present author in 'The Economic Weekly' of May 17, 1958.

†Report of the Committee appointed by the Government of India to examine the I A C's system of Planning, Operation and Cost Control (Chairman: Stephen Wheatcroft). Ministry of Transport & Communications, Government of India, New Delhi, March 1959.

trol. The report of this committee was submitted to the Government of India in March this year.† Apart from examining the efficiency of the Corporation's system of planning, operation and cost control, the Committee was also requested to determine the formula for working out 'standard costs' of operation on the basis of which the losses of the Corporation could be subsidised.

Very Satisfactory System

In its general observations at the very commencement of the report, the Committee has stressed that the internal air services are efficiently operated and that the 'quality' of the transport offered to the public is very good, particularly when the low average level of fares is borne in mind. "This report must, therefore, be read," the Committee says, "in the context that we believe I A C provides a very satisfactory system of domestic air services in India." The report consists, therefore, not of criticisms of the I A C management but of a series of suggestions to it. The implementation of these suggestions will, in the opinion of the Committee, improve the position of the Corporation substantially. "We hope," says the Committee, "that it will be possible for the I A C Management to approach this report as though it had been prepared by consultants working directly on their behalf."

A reading of this report leaves the impression that the Committee has done a very good job. One is led to the conclusion that every one of the undertakings in the public sector could gain from the type of examination that this Committee gave to the working of the Indian Airlines Corporation. While it is natural to consider the appointment of a committee of this type only in the context of undertakings which have been suffering losses, there is no reason why such an investigation should not be carried out even in respect of those undertakings which are in a more favourable financial position. The mere fact that they are not suffering losses or even that they are earning large profits does not mean that there is no scope for reductions in costs at particular points which

would benefit the undertaking by enabling it to earn still larger profits or reduce the prices of its products.

Lack of Cost Consciousness

While the Committee has expressed the hope that 'this report will not be taken as censures of I A C efficiency', its conclusions on various aspects of the Corporation's planning and control of expenditure are startling. The Committee points out that there is a general lack of cost consciousness throughout the organisation, that budgetary planning is inadequate, that budgetary control is ineffective and that the cost accounting system is not properly used as a tool of management. This is a very serious matter, and in an organisation of the size of the Indian Airlines Corporation, it can make quite a substantial difference to the ultimate financial picture of the Corporation. The consequences of these weaknesses in the I A C's planning and control of expenditure are to be clearly seen in almost every aspect of the Corporation's working.

That the Committee's very simple and obvious analysis of the working results of various groups and classes of routes and aircraft has yielded such startling evidence is itself a commentary on the absence of planning and control. Consider, for instance, the Committee's very obvious classification of various services under twelve groups. When the results of these different groups are presented side by side, it is apparent immediately that in 1957-58 the Night Air Mail Services and charters and non-scheduled operations made useful profits, while a small profit was also made on the NEFA Contract. All other groups of routes, including the trunk routes, showed substantial losses. When the financial position of different groups of routes is considered in terms of the operating ratio (revenue ÷ expenditure × 100), which is more significant than the figure of absolute loss on any group of routes, it is found that the trunk routes are very close to the break-even point with an operating ratio of 96, that most of the Dakota operated groups had operating ratios of between 75 and 85, but that this ratio for the Bombay-

Saurashtra group was only 59. The Heron services had an operating ratio of only 22!

These figures immediately indicate the direction in which further analysis is called for though the Committee itself does not follow it up in full. The report makes a detailed examination of Dakota services only. The losses on these

services amount to Rs 110 to Rs 125 lakhs a year, while the total deficit of the Corporation is around Rs 100 lakhs a year. No substantial reduction in the I A C deficit can be achieved unless the Dakota-route losses can be greatly reduced. "It is for this reason," says the Committee, "that the primary concern of our study has been to see what

economies are possible in present Dakota operating costs. We have also directed our attention to the question of the Dakota replacement with the same objective." It also deals, however, with Viscount and Skymaster direct operating costs, and with traffic and sales costs, general and administrative costs and interest charges.

Given the limited time at its disposal, the Committee was right, of course, in restricting its detailed study to the sector in which the heaviest losses were noticed. The Corporation cannot, however, rest satisfied with this restricted study. The report shows clearly the need for a detailed examination of the costs of each of the groups separately, and the results presented for the Dakota operated services indicate the scope probably existing for a reduction in costs in various directions in other sectors also. The Corporation ought to carry similar studies on its own for the groups not covered in detail by the present report since every little improvement should prove helpful in strengthening the overall financial position of the Corporation.

Labour Relations

Before examining the detailed study of Dakota service costs carried out by the Committee, it is necessary to say a word about labour relations in the Corporation. "We are left with the impression at I A C engineering bases," says the Committee, "that neither the local management nor indeed the central management had any control over labour costs." While expressing full sympathy for the workers' aspirations for higher living standards, the Committee stresses the importance of the Corporation's responsibility towards consumers. "Unless the workers can be persuaded to recognise the need for a great improvement in the present level of productivity, there is not much hope that major reductions can be made in the level of operating costs."

However, even if there is an improvement of productivity on the part of the workers, no immediate improvement in the costs of the Corporation is likely to result because of the Corporation's commitment to a policy of no retrenchment, which the Committee has treated as a basic assumption throughout the report. The effect of the 'no retrenchment' policy is that even if the various recommendations of the Committee are implemented successfully, there will be no actual fall in the costs of the Corporation. The impact of these recommendations on the cost structure will be seen only after a period of time as the Corporation's activity increases steadily, provided there is no increase in the staff at the same time. In this connection,

the Committee has made a recommendation of paramount importance for the ultimate realisation of the potential economies that exist in the present situation. It suggests that "the Corporation should negotiate with the Unions, particularly those concerned with maintenance and overhaul work, to establish that, in return for a binding undertaking that there will be no redundancy of existing staff, the excess capacity at all bases will be clearly recognised and recorded as idle time."

Operating Costs of Dakotas

In examining the direct operating costs of Dakotas, the Committee has considered them under the following heads:

- (i) Aircraft standing charges (depreciation, insurance, housing and parking charges),
- (ii) Fuel and oil,
- (iii) Maintenance and overhaul,
- (iv) Aircrew salaries and expenses (including training costs and travelling costs and travelling expenses, but excluding cabin staff costs), and
- (v) Landing charges.

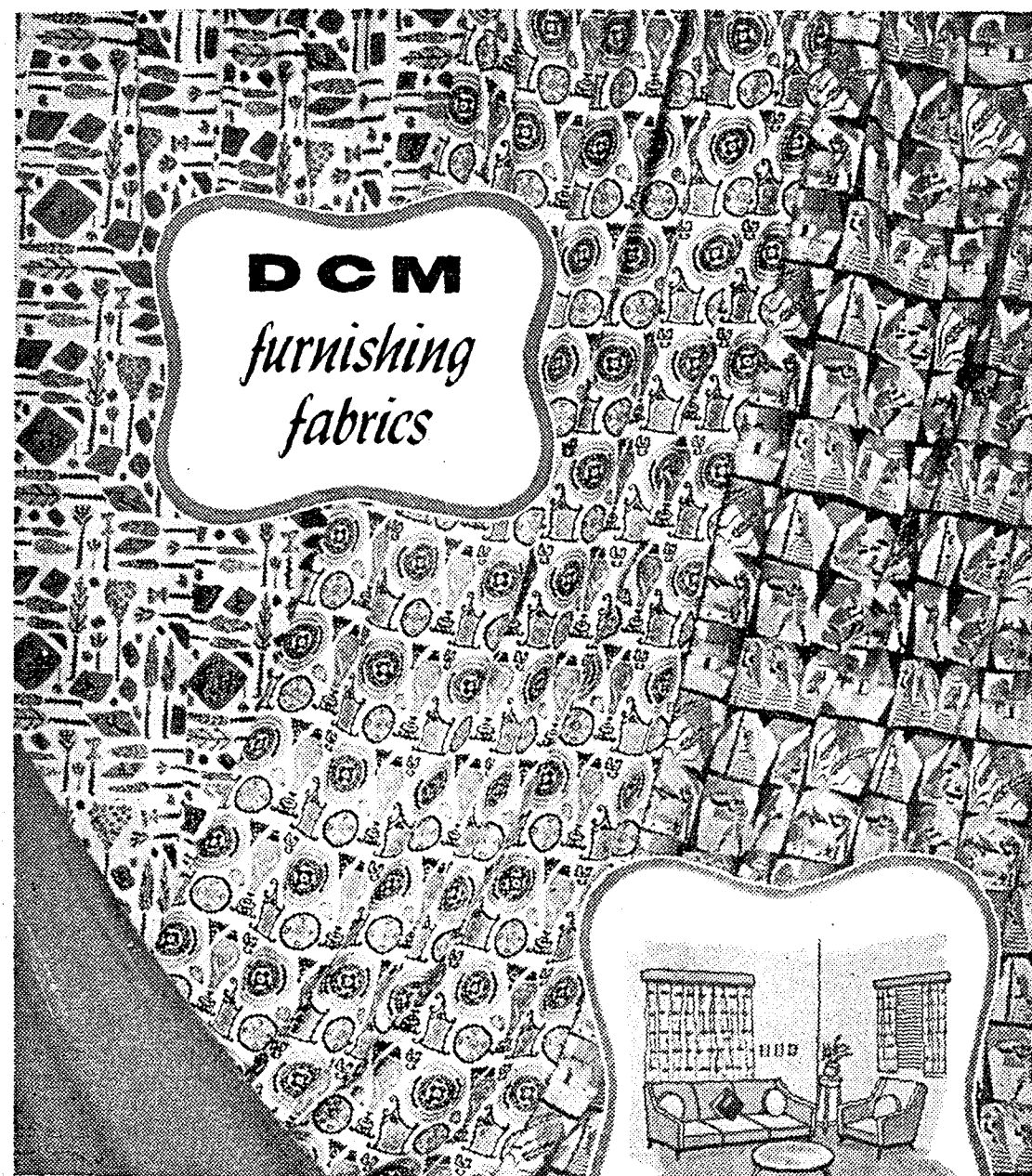
The report contains a tabular statement of cost per hour under these heads separately for passenger aircraft and freighter aircraft. A glance at this table is enough to show a large discrepancy between the fuel costs for passenger and freighter aircraft, which the Committee subjects to detailed examination. In any case, the Committee points out that there is scope for a reduction of costs under this head and recommends that stricter control should be exercised over fuel consumption on each flight, that the fuel used in maintenance should be substantially reduced through various measures recommended by it and that aircraft surplus to operational requirements should be taken out of service. According to the Committee, the measures recommended by it would result in a saving of approximately Rs 10 lakhs per year.

With regard to the standing charges, the Committee has expressed its belief that these are unduly inflated by the fact that there is a surplus of active aircraft to the extent of six or more Dakotas. The Committee has recommended that these should be stored and the major repair work being done on the six additional Dakotas should be

stayed. One need not go into a detailed examination of the Committee's analysis of maintenance and overhaul costs. What the Committee has done is to prepare breakdowns of overall figures and to analyse these detailed breakdowns, comparing the figures wherever possible for different centres. The same applies to flying staff costs, where particularly the Committee draws attention to the item 'other costs' in the operational 'on costs' of flying staff. The Committee has also made recommendations for improving the utilisation of payload through control of basic weight, removal of unused equipment, conversion to 28 seat configuration, reduction of fuel requirements where feasible and improvement in reservation procedures.

In connection with the Skymaster night air mail services, the Committee has not made a detailed analysis along these lines, but has attempted a comparison of the actual results for 1957-58 with those estimated for 1959-60. The Committee has thus been able to draw attention to certain estimated increases for 1959-60 over 1957-58 which it considers to be not justified. Presumably, the Committee did not have before it similar detailed 1959-60 estimates for Dakotas. An examination of 1959-60 estimates for Dakotas and a detailed analysis of the actual results of 1957-58 for the Skymasters would both repay study.

As has been indicated earlier, the Committee was also asked to recommend a formula for working out 'standard' costs of operation on the basis of which the losses of the Corporation might be subsidised. The Committee's recommendations on this question are based on the earlier part of its report and can hardly be examined in a review of this type. The Committee's conclusions on the cost structure and deficit of the Corporation are, however, interesting. Although the deficit of the Corporation is over a crore of rupees, 'the difference between revenue and expenditure is only 10 per cent'. Considering the various factors likely to affect the financial situation of the Corporation and assuming that most of its recommendations would be implemented, the Committee comes to the conclusion that 'it should be possible for the deficit to be entirely eliminated within the next few years'.



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The Tata Iron and Steel Company, Limited

Notice

AN EXTRA-ORDINARY GENERAL MEETING OF THE TATA IRON AND STEEL COMPANY, LIMITED, will be held on Thursday, the 25th June, 1959, at 4-30 p.m. (S.T.) at the Registered Office of the Company, Bombay House, 24, Bruce Street, Fort, Bombay, to transact the following business:—

To consider and, if thought fit, to pass the following resolutions as Special Resolutions:—

I. "The capital of the Company be increased from Rs. 30,86,22,100 divided into 50,000 6% cumulative Preference Shares of Rs. 150/- each, 700,000 7½% cumulative Second Preference Shares of Rs. 100/- each and 3,081,628 Ordinary Shares of Rs. 75/- each to Rs. 39,25,00,000 divided into 50,000 6% cumulative Preference Shares of Rs. 150/- each, 700,000 7½% cumulative Second Preference Shares of Rs. 100/- each, 375,000 7½% cumulative "A" Second Preference Shares of Rs. 100/- each and 3,700,000 Ordinary Shares of Rs. 75/- each by the creation of 375,000 7½% cumulative "A" Second Preference Shares of Rs. 100/- each and 618,372 new Ordinary Shares of Rs. 75/- each, and that the conditions of the Memorandum of Association of the Company shall be altered accordingly."

II. "Subject to the consent of the Controller of Capital Issues being obtained and the conditions that may be prescribed by the terms of such consent the said new Ordinary Shares of Rs. 75/- each and the said "A" Second Preference Shares of Rs. 100/- each shall be issued upon the following terms and conditions and subject to the following rights:—

(a) 613,933 new Ordinary Shares shall be issued and offered in the first instance to the holders of the existing Ordinary Shares on the Register of Members of the Company on such date as may be fixed by the Directors (with the right to renounce in favour of a person or persons approved by the Directors) in the ratio of one new Ordinary Share for every five existing Ordinary Shares held by such holders respectively.

(b) 371,909 "A" Second Preference Shares shall be issued and offered in the first instance to the holders of the existing Preference and Second Preference Shares on the Register of Members of the Company on such date as may be fixed by the Directors (with the right to renounce in favour of a person or persons approved by the Directors) in the ratio of one "A" Second Preference Share for every two Preference or two Second Preference Shares or one Preference Share and one Second Preference Share held by such holders respectively.

(c) The offer of the said new Ordinary Shares and "A" Second Preference Shares shall be made by notice specifying the number of shares, which each holder of existing Ordinary and/or Preference and/or Second Preference Shares shall be entitled to apply for and take up, wholly or in part, and limiting a time within which the offer if not accepted will be deemed to have been declined, with liberty to the Directors from time to time to extend the time for acceptance as aforesaid either generally or in respect of any particular holder or holders.

(d) In the event of any holder of existing Ordinary Shares holding less than five Ordinary Shares or a number which is not a multiple of five on the aforesaid date, one coupon each for one-fifth of a new Ordinary Share shall be issued to him for each existing Ordinary Share comprised in a holding of less than five shares or for each share in excess of a holding of five or a multiple of five shares. Any five of such coupons, if presented not later than a date to be fixed by the Directors which may be extended from time to time at the discretion of the Directors, either generally or in respect of any particular case or cases, together with the application form shown on

the reverse thereof duly filled in and signed and together with the sum of Rs. 75 shall confer the right upon the person presenting the same on making such payment to the allotment of one new Ordinary Share subject to the right of the Directors of the Company in their absolute discretion to reject without assigning any reason such application and to refuse any such allotment to any person (other than a holder of existing Ordinary Shares of the Company) presenting such coupons and application form who is not approved by them. If the coupons are not presented with the necessary application and payment for allotment of new Ordinary Shares on or before the date fixed by the Directors or within such extended date as the Directors may fix, the Directors may dispose of the rights conferred by such coupons or any of them in such manner as the Directors may in their absolute discretion think fit. The coupons will not carry any right to dividend and shall be negotiable by delivery.

(e) In the event of any holder of existing Preference and/or Second Preference Shares holding on the aforesaid date only one Preference or one Second Preference Share, or a number of such shares which in the aggregate is not a multiple of two, one coupon each for one-half of a "A" Second Preference Share shall be issued to him for the odd existing Preference and/or Second Preference Share held by him. Any two of such coupons if presented not later than a date to be fixed by the Directors which may be extended from time to time at the discretion of the Directors, either generally or in respect of any particular case or cases, together with the application form shown on the reverse thereof duly filled in and signed and together with the sum of Rs. 100 shall confer the

right upon the person presenting the same and making such payment to the allotment of one "A" Second Preference Share subject to the right of the Directors of the Company in their absolute discretion to reject without assigning any reason such application and to refuse any such allotment to any person (other than a holder of existing Preference or Second Preference Shares of the Company) presenting such coupons and application form who is not approved by them. If the coupons are not presented with the necessary application and payment for allotment of "A" Second Preference Shares on or before the date fixed by the Directors or within such extended date as the Directors may fix, the Directors may dispose of the rights conferred by such coupons or any of them in such manner as the Directors may in their absolute discretion think fit. The coupons will not carry any right to dividend and shall be negotiable by delivery.

(f) The full amount of Rs. 75/- per each new Ordinary Share and Rs. 100 per each "A" Second Preference Share shall be payable to the Company on application for such new Ordinary and "A" Second Preference Shares as aforesaid respectively.

(g) The new Ordinary Shares shall not confer on the holders thereof the right to any dividend declared at or prior to the Annual General Meeting to be held in the year 1959, but shall entitle such holders to rank as from the date or dates of allotments thereof to all dividends declared after such meeting in proportion to the capital for the time being and from time to time paid up on such shares and such shares shall for all other purposes rank *pari passu* with the existing Ordinary Shares of the Company.

(h) The "A" Second Preference Shares shall confer on the holders thereof the right to a fixed cumulative preferential dividend at the rate of 7½% per annum on the capital for the time being paid up on such

shares and shall rank (save as hereinafter provided) in all respects *pari passu* with the existing Second Preference Shares of the Company without any difference or distinction between the two classes of shares and subject to the right of the holders of the existing Preference Shares of the Company shall rank in a winding up both as regards capital and dividends up to the commencement of the winding up, whether declared or not, in priority to the Ordinary Shares of the Company and shall not confer any further right to participate in profits or surplus assets provided that

(A) The "A" Second Preference Shares shall not confer on the holders thereof the right to vote at any meetings of the Company save to the extent and in the manner provided by Section 87(2) of the Companies Act, 1956, that is to say:—

(a) Subject to the provisions of the Companies Act, 1956 and save as provided in sub-para (b) of this paragraph, every such holder shall in respect of the "A" Second Preference Shares held by him have a right to vote only on resolutions placed before the Company which directly affect the rights attached to his "A" Second Preference Shares.

Explanation: Any resolution for winding up the Company or for the repayment or reduction of its share capital shall be deemed directly to affect the rights attached to the "A" Second Preference Shares within the meaning of this paragraph.

(b) Subject as aforesaid, every such holder shall, in respect of the "A" Second Preference Shares held by him, be entitled to vote on every resolution placed before the Company at any meeting, if the dividend due on such capital or any part of such dividend has remained unpaid

in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting.

Explanation: For the purposes of this sub-paragraph, dividend shall be deemed to be due on "A" Second Preference Shares in respect of any period, whether a dividend has been declared by the Company on such shares for such period or not on the expiry of fifteen days after the date fixed for the Annual General Meeting of the Company in respect of the year to which the dividend relates or on the expiry of nine months after the close of such year whichever is earlier.

(c) Where the holder of any "A" Second Preference Share has a right to vote on any resolution in accordance with the provisions hereof, his voting right on a poll as the holder of such "A" Second Preference Share shall, subject to the provisions of Section 89 and subsection (2) of Section 92 of the Companies Act, 1956, be in the same proportion as the capital paid up in respect of such "A" Second Preference Share bears to the total paid up Ordinary capital of the Company.

(B) The "A" Second Preference Shares shall not confer on the holders thereof the right to any dividend declared at or prior to the Annual General Meeting of the Company to be held in the year 1959, but thereafter shall entitle such holders to rank for dividend as from the date or dates of allotment thereof respectively *pari passu* and rateably with the existing Second Preference Shares of the Company in proportion to the capital, from time to time and for the time being, paid up on such "A" Second Preference Shares.

- (i) The Directors shall be authorised and empowered, subject to the consent of the Controller of Capital Issues being obtained and the conditions that may be prescribed by the terms of such consent, to dispose of and allot any of the new Ordinary Shares and "A" Second Preference Shares remaining undisposed of (including the new Ordinary and "A" Second Preference Shares not taken up by the holders of the existing Ordinary, Preference and Second Preference Shares) out of the 618,372 new Ordinary and 375,000 "A" Second Preference Shares to such persons, whether shareholders of the Company or not, as the Directors may think fit, at a price that shall not be less than the par value in regard to the "A" Second Preference Shares and at such price or prices as the Directors shall consider fair and reasonable in respect of the new Ordinary Shares.
- (j) The certificates in respect of the new Ordinary and "A" Second Preference Shares shall be completed and be ready for delivery within nine months after the last allotment thereof respectively.
- (k) For the purpose of giving effect to this resolution the Directors be and are hereby authorised to prescribe the forms of application and renunciation and other documents in respect of such new Ordinary and "A" Second Preference Shares and to give such other directions as may be necessary or desirable and settle any questions or difficulties whatsoever (including any question or difficulty that may arise in regard to the issue and allotment of the new Ordinary and "A" Second Preference Shares, or in connection with any deceased or insolvent shareholder or any shareholder suffering from any disability) as they may think fit.
- III. "The Articles of Association of the Company be altered in the manner following:—
- (i) The following Article shall be substituted for Article 4 of the Articles of Association of the Company:—

"4. The present capital of the Company is Rs. 39,25,00,000 divided into 50,000 6% cumulative Preference Shares of Rs. 150/- each, 700,000 7½% cumulative Second Preference Shares of Rs. 100/- each, 375,000 7½% cumulative "A" Second Preference Shares of Rs. 100/- each and 3,700,000 Ordinary Shares of Rs. 75/- each."

(ii) The following Article shall be substituted for Article 5 of the Articles of Association:—

"5. The 700,000 Second Preference Shares of Rs. 100 each and 375,000 "A" Second Preference Shares of Rs. 100 each shall rank for dividend and otherwise next after the existing Preference Shares of the Company and confer on the holders thereof as between the two classes *pari passu* and without any difference or distinction, the right to a fixed cumulative preferential dividend at the rate of 7½% per annum on the capital for the time being paid-up on such Second Preference and "A" Second Preference Shares respectively and subject only to the right of the holders of the existing Preference Shares of the Company shall rank in a winding-up, both as regards capital and dividends, up to the commencement of the winding-up, whether declared or not (as between the two classes of shares *pari passu* and without any difference or distinction) in priority to the Ordinary Shares of the Company and shall not confer any further right to participate in profits or surplus assets

Provided that the "A" Second Preference Shares shall not confer on the holders thereof the right to vote at any meetings of the Company save to the extent and in the manner provided by Section 87(2) of the Companies Act, 1956, that is to say:—

(a) Subject to the provisions of the Companies Act, 1956 and save as provided in clause (b) of this sub-clause, every such holder shall in respect of the "A" Second Preference Shares

held by him have a right to vote only on resolutions placed before the Company which directly affect the rights attached to his "A" Second Preference Shares.

Explanation: Any resolution for winding up the Company or for the repayment or reduction of its share capital shall be deemed directly to affect the rights attached to the "A" Second Preference Shares within the meaning of this clause.

(b) Subject as aforesaid, every such holder shall, in respect of the "A" Second Preference Shares held by him, be entitled to vote on every resolution placed before the Company at any meeting, if the dividend due on such capital or any part of such dividend has remained unpaid in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting.

Explanation: For the purpose of this clause, dividend shall be deemed to be due on "A" Second Preference Shares in respect of any period whether a dividend has been declared by the Company on such shares for such period or not, on the expiry of fifteen days after the date fixed for the Annual General Meeting of the Company in respect of the year to which the dividend relates or on the expiry of nine months after the close of such year, whichever is earlier.

(c) Where the holder of any "A" Second Preference Share has a right to vote on any resolution in accordance with the provisions hereof, his voting right on a poll as the holder of such "A" Second Preference Share

shall, subject to the provisions of Section 89 and sub-section (2) of Section 92 of the Companies Act, 1956, be in the same proportion as the capital paid up in respect of such "A" Second Preference Share bears to the total paid up ordinary capital of the Company."

(iii) The following clause shall be added as sub-clause (d) of Clause (2) of Article 99:—

"(d) In respect of every "A" Second Preference Share, his voting right shall be as provided in the proviso to Article 5."

(iv) The following Article shall be substituted for Article 175:—

"175. Subject to the provisions of these Articles and the terms of the Scheme of Arrangement sanctioned by the Court for conversion of the former Deferred Shares of the Company into Ordinary shares, the profits of the Company which it shall, from time to time, be determined to divide in respect of any year or other period shall be applied first in paying the fixed cumulative preferential dividends at the rate of six per cent per annum on the capital paid up on the Preference Shares to the close of such year or other period, and secondly in paying the fixed cumulative preferential dividends at the rate of 7½ per cent per annum of capital paid up on the Second Preference Shares and the "A" Second Preference Shares respectively (as between the two classes of shares *pari passu* and without any difference or distinction) to the close of such year or other period, and the balance of such profits shall be divisible among the holders of Ordinary Shares in proportion to the amount of capital paid up on the shares held by them respectively to the close of such year or other period. Provided always that any capital paid up on a share during the period in respect of which a dividend is declared, shall, unless the terms of issue otherwise provide,

only entitle the holder of such share to an apportioned amount of such dividend proportionate to the capital, from time to time paid up during such period on such share."

IV. "The Company hereby reappoints Tata Industries Private Ltd., as Managing Agents of the Company as and from the 16th day of August 1960 for the period at the remuneration and upon the terms provisions and conditions set out in the draft agreement (with such modification, if any, as may be agreed to at this meeting) proposed to be entered into between the Company of the first part, Tata Industries Private Ltd. of the second part and Tata Sons Private Ltd. (as guarantors for the observance and performance of the terms and conditions of the said agreement by Tata Industries Private Ltd. as Managing Agents) of the third part and which draft agreement is placed before this meeting and for the purpose of identification subscribed by the Chairman thereof, with power to the Directors of the Company, subject to the pro-

visions of the Companies Act, 1956, to vary or alter such of the terms provisions and conditions of the said draft agreement before execution as shall not have the effect of increasing the remuneration of the Managing Agents and as may be agreed to between the Central Government and the Directors of the Company acting on its behalf."

NOTE:—(a) The Relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Resolutions I, II, III, and IV above are annexed hereto.

(b) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in respect of himself and the proxy need not be a member.

By Order of the Directors,
TATA INDUSTRIES PRIVATE LTD,
Managing Agents,
J. D. Choksl,
Director.

Bombay, 29th May, 1959.

The Indian Standard Wagon Company Ltd Notice

NOTICE is hereby given that the Annual General Meeting (being the fortieth Ordinary General Meeting) of the Company will be held at the Registered Office, 12, Mission Row, Calcutta, at 11 a. m. on Friday the 26th June, 1959, for the following purposes:

1. To receive and adopt the Audited Accounts for the year ended 31st March, 1959 and the Directors' and Auditors' Reports thereon.
2. To declare Dividends. The dividends if declared, will be paid to the shareholders whose names appear in the Company's books on the 26th June, 1959 or to their mandatees.
3. To appoint Directors in place of those retiring.
4. To appoint Auditors and fix their remuneration.

The Share Registers and the Transfer Books of the Company will be closed from the 17th June, 1959 to the 26th June, 1959, both days inclusive.

A member entitled to attend and vote at the Meeting is entitled to

appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member.

By Order of the Board
MARTIN BURN LIMITED

F. G. Liversedge,
Managing Director,
Managing Agents.

Calcutta,
1st June, 1959.

The Indian Standard Wagon
Company Limited

NOTICE is hereby given that a General Meeting of the members of the Company will be held at the Company's Registered Office, 12, Mission Row, Calcutta, on Friday the 26th day of June 1959, immediately following the termination of the Annual General Meeting of the Company called for 11 a.m. on that day to consider and if thought fit to pass with or without modification the following resolutions, the first of which will be proposed as an Ordinary resolution and the second as a Special resolution,

Ordinary Resolution:

1. That the proposed re-appointment and the draft agree-

ment (which has for the purpose of identification been subscribed by the Chairman of the Board of Directors) submitted to this Meeting setting forth the terms and conditions on which it is proposed that Martin Burn Limited be re-appointed the Managing Agents of the Company for a period of 10 years from the 15th August 1960, be and is hereby approved and an application to the Central Government for its approval to this proposal under Section 326 of the Companies Act 1956 be and is hereby directed to be made.

Special Resolution:

2. That the Articles of Association of the Company be altered in manner following:—

(1) Articles 131, 132, 133, 134, 135, 136, 137, 138 and 139 shall be deleted and for Article 131 the following shall be substituted—

"131. Subject to the approval of the Central Government Martin Burn Limited shall be the Managing Agents of the Company upon such terms and conditions as may from time to time be agreed upon between the Company and the Managing Agents and embodied in an agreement in writing between the parties."

(ii) The first two sentences in lines 1 to 12 of Article 114 shall be deleted and the following substituted therefor:—

"Unless otherwise determined by the Company in General Meeting each Director shall be paid out of the funds of the Company by way of remuneration for his services in attending meetings of the Directors a fee of Rs. 100 for each meeting attended by him. Each Director shall also be entitled to receive a share of a commission (to be divided among the Directors in such manner as the Directors may determine and in default of such determi-

nation equally) of one per cent of the net profits of the Company computed in the manner referred to in sub-section (1) of Section 198 of the Companies Act 1956 in any financial year in which such net profits shall exceed the sum of Rs. 5,05,050. The commission payable to the Directors shall be payable for a period of five years up to and including the financial year ending on the 31st March 1961, but this provision may be renewed or reviewed from time to time in accordance with the provisions of any statutory enactment from time to time in force and applicable thereto."

By Order of the Board
MARTIN BURN LIMITED

A. G. Gidley,
Secretary,

Managing Agents.

12, Mission Row, Calcutta,
Dated 1st June, 1959.

NOTE: (i) A member entitled to attend and vote at this Meeting is entitled to appoint a Proxy to attend and vote in his stead. A Proxy need not be a member of the Company.

(ii) An Explanatory Statement is annexed to the Convening Notice issued to members of the Company.

MIDDLE EAST OIL

PRODUCTION of crude oil in the Middle East increased by 20.7 per cent in 1958, to a record figure of 215 million metric tons; output was 178 million metric tons in 1957 and 172.5 million tons in 1956. The share of the Middle East in total world production rose from 20.2 per cent in 1957 to 23.7 per cent in 1958.

Iraq and Kuwait were responsible for the largest increase. Iraq increased its production from 21.7 million tons in 1957 to 35.5 million tons last year and its relative share from 12.2 per cent to 16.5 per cent

of total Middle Eastern production. This was due to the complete restoration of pipeline facilities and to the expansion of the southern oil-fields. Production in Kuwait increased from 57.3 million tons to 70.2 million tons representing an increase from 32.2 per cent to 32.7 per cent of total production.

Iran expanded its output from 35.3 million tons to 40.4 million tons, but its relative share dropped from 19.8 per cent to 18.9 per cent.

All Middle Eastern countries outside the Persian Gulf area produced 5.3 million tons, or 2.5 per cent of the total—'International Financial News Survey'.

The Economic Weekly

Available from:

Allahabad:

The Universal Book Company,
20, Mahatma Gandhi Marg.

Allgarh:

The Singhal News Agency,
Parao Dubey.

Aurangabad:

Nootan Agencies.

Bombay:

The International Book House
Private Ltd.,

9, Ash Lane,
Mahatma Gandhi Road.

The People's Book House,
15, Cawasji Patel Street.

Calcutta:

Sree Gopal Grantha Mandir,
41B, Rash Behari Avenue.

W. Newman & Co. Ltd.,
3, Old Court House Street.

Gauhati:

People's Book Forum,
Panbazar.

Imphal:

P. C. Jain & Company.

Jodhpur:

Dwarkadass Rathi.

Mathura:

Rath & Company,
Tilohi Building, Bengali Ghat.

New Delhi:

The Central News Agency,
23/80, Connaught Circus.

Trivandrum:

Prabhat Book House,
Main Road.

Around Bombay Markets

Reactionary Trend Continues

Thursday, Morning

EQUITIES beat a further retreat last week. This was merely a continuation of the reactionary trend which had started in the previous week. Short covering and selective professional support produced occasional rallies but they proved to be very short-lived affairs.

Sentiment was said to have been unsettled by fears of Indian Iron being removed from the official list of the Bombay Stock Exchange because the company had refused to pay heed to the repeated calls made by the authorities for fresh application under the Securities Contracts Regulation Act. But when the news came that the Company had at last decided to abide by the new listing rules, it did not make any material difference to the mood of the market.

That was probably because the thought of the AICC Seminar on Planning at Ootacamund dominated market sentiment. Traders argued that discussions on the Third Plan, particularly on the question of mobilisation of resources, could hardly be expected to cheer the market. This is because Congress leaders cannot easily dissociate politics from economics. Then there was the talk of a decline in Tata Steel output in May to barely 90,000 tons against 93,300 tons in April and 1,00,700 tons in March.

All this sounds quite plausible, but it bears repetition that the recent setback in equities was essentially technical. Indeed, to find an explanation for the daily up and down movements in prices is no more than an amusing pastime. For, the day-to-day market trend often reflects the ebb and flow of emotional reactions to news.

It was about a fortnight ago that the major bull phase, which had been in progress for a little over four months, came to an important halt. The break in equities, which occurred on May 21, was the sharpest for a long time. The recent decline has already brought the market back to around its previous intermediate top recorded in September, and the market has retraced nearly 33 per cent of the total rise recorded during the major bull

phase between January and May. To underline this point, important price variations in the leading speculative counters are given below.

With the Ooty Seminar on Planning in progress and the question of resources for the Third Plan still to be thrashed out, one cannot be too sure how the market will shape itself in the next few days. But since it is back again to an important support area it would be quite reasonable to expect it pause here for a correction of the minor down-trend in evidence since about the third week of May. And it is the progress of this rally—whenever it materialises—which will determine whether the technical reaction is of a minor nature or of a secondary type. While most observers are inclined to the view that a secondary reaction has already set in, the orthodox technical analysts would like to watch the progress of the rally to find a clue to the nature of the reaction.

It is practically impossible to determine with any degree of accuracy the beginning of a secondary reaction. Any daily movement counter to the primary trend may be the beginning of a secondary reaction. A secondary reaction in a bull market is an important decline lasting from three to four weeks to as many months during which period the price movement generally retraces from one-third to two-thirds of the rise recorded during the preceding major bull phase, that is, from the previous intermediate bottom. We had such a correction between September end and mid-January.

Oilseeds

Weather Upsets Bulls

AFTER an early show of strength, oilseeds turned easy again, and closing prices on June 3 were almost around the lowest levels of the week. Groundnut August which had been marked up from Rs 198 to Rs 204 dropped again to Rs 198.50 by the week-end and closed at Rs 199.25. Castor September rallied further from Rs 169.75 to Rs 171.87 but only to touch a new low of Rs 165.50. Cottonseed September showed a net loss of Rs 3.75 per candy over the week, and linseed September which had been bid up to Rs 34.94 were down again to Rs 34.12 per cwt by the week-end.

Early recovery appeared to be merely a continuation of the previous week-end technical rally. It could not be sustained in face of the early onset of the monsoon. Surprisingly enough groundnut futures led the decline during the latter half of the week. Bulls seemed to have been upset by reports of beneficial rains in some of the important producing areas. Weather has brought about a marked change in market psychology. Not surprising. With the onset of the monsoon, market sentiment is likely to be influenced more by ideas of prospective supplies than by the existing stock position.

Groundnuts eased despite fairly encouraging overseas advices. Rumania was said to have bought a large quantity of groundnut oil, estimates vary from 1,500 to 3,000 tons. The price paid was mentioned at around £122-10 per ton f o b, any port. Pros-

Price Variations in Leading Shares

Name of share	January low	May high	Susequent low	(2—3) as % of
	(1)	(2)	(3)	(2—1)
	Rs	Rs	Rs	
Tata Steel	168.75	196	186.50	37
Indian Iron	24.75 C.R.	25 X.R.	23.88	24
Bombay Dyeing	54.10	65	62.90	20
Century	410	554	529	18
Kohinoor	230	293.50	271.50	30
Svadeshi	200	247.50	222	52
Bombay Burmah	459	566.50	516	47
Premier Construction	222.50	343	296	39
National Rayon	227.50	316.50	301	16
Tata Locomotive	151.50	216	197.50	27

The dress of the people...

Costumes, whether they are for occasions or for daily wear vary all over the world. Climatic conditions, natural materials available, religious demands and individual ingenuity are some of the factors that determine the dress of a people.

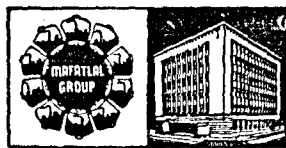
Many varied costumes are worn in India but different costumes need different qualities of cloth. The Mafatlal Group of Mills manufactures a wide range of cloth for everyday use in all parts of the country.



Over her salwar and kameez the beautiful Punjabi women very often wear a heavy Pulkari chaddar, a colourful, richly embroidered home-made garment

SHORROCK, Ahmedabad. NEW SHORROCK, Nadiad. STANDARD, Bombay. NEW CHINA, Bombay. SASSOON, Bombay. NEW UNION, Bombay. SURAT COTTON, Surat and Dewas. MAFATLAL FINE, Navsari. GAGALBHAI JUTE, Calcutta.

MAFATLAL GROUP OF MILLS



CLOTH FOR THE NATION

Mafatlal's other interests include Sugar and Dyestuffs
MAFATLAL HOUSE, BACKBAY RECLAMATION, BOMBAY.

pects of further business with the Communist bloc were considered fair. In oilcakes, too, particularly expellers, inquiries were satisfactory. Expellers 54 per cent fetched up to £33-10 for June-July shipment. The trade is hopeful of selling oilcakes abroad at fairly good prices in the coming months because of the end of the grazing season.

The stock position of groundnuts is tight and the spot material continues to fetch a fancy premium. Business in ready is limited only by the volume of offerings. Oilcakes continue to hold firm, and the export outlook is deemed to be encouraging. Notwithstanding all this, it is doubtful whether bulls will now care to face the monsoon. That is why the Forward Markets Commission's decision to extend the margin concession to exporters of groundnut oil and linseed oil has failed to cheer the market.

Early rally in castor futures petered out because the U S buyers chose to keep off the market and they would not offer more than 14 cents per pound for commercial oil. The heavy discount on spot castor-seed because of the large stocks in Bombay continued to act as a drag. Then came the first monsoon showers which virtually paralysed traffic in the city. Up to now America has been mentioned as a keen buyer of Indian castor oil delivery up to September end, price 14 cents for Commercial. Will America continue to offer that price now that the market here seems to have developed a sagging tendency? The answer to this question will give the clue to the future trend of castor here. With their immediate needs largely satisfied, the U S buyers would perhaps like to bargain. Even so, prospects of any serious break in domestic prices are generally discounted.

Linseeds merely followed the trend in other seeds. Australian buying of 530 tons of linseed oil at £112-10 per ton imparted some steadiness to the market earlier in the week but later prices drifted lower because of the comfortable supply position, particularly of oil. Export houses reported small business now and then in linseed cake at prices varying from £33-5 to £33-10. Cottonseeds were also depressed owing to lack of any fresh support. Sentiment was affected by the setback in cotton futures. Tenders issued against the May contracts consisted of 6,200

candies of castor, 1,900 candies of groundnuts, 300 candies of cottonseeds and 1,150 tons of linseeds.

Shipments of oils and oilcakes from Bombay between January 1 and May 31 are as follows: Groundnut H. P. S. 5,651 tons, groundnut oil 1,148, groundnut oilcakes 71,158, castor oil 6,265, linseed oil 1,495, linseed cake 4,799, nigerseed 237, nigercake 397, sesame seed 130, mowra cake 182 and kardi cake 100 tons.

Cotton

Drifting Lower

COTTON futures reacted sharply after striking a new high earlier in the week. Jarilla August which had been marked up from Rs 707.25 to Rs 712.50 by May 29 declined to Rs 703.50 by June 3. The early rise was brought about by nervous short covering but the subsequent fall was due essentially to bull liquidation induced partly by technical considerations and partly by the early onset of the monsoon. While prices moved up and down, the volume of business remained on the low side. Neither bulls nor bears are inclined to be aggressive and the reasons are fairly obvious. The supply position is against bears but the weather is now against bulls.

Notwithstanding the fluctuating mood of the futures market, spot cotton prices continued to hold firm because of the tight supply, satisfactory spinner inquiry and moderate export interest. Good quality cottons were hard to secure. This made Kalyan, Kalagin and Wagad more popular. Shippers were keen buyers of Bengals and C. P. Deshi, and they paid fancy prices for Bengals.

With the off-take of cloth getting slack because of the seasonal factor and with weather reports encouraging, spot cotton prices which are standing on a very high plateau can now be expected to develop an easier tendency. The announcement of the details of the procedure for the import of one lakh bales of cotton should also help ease pressure on superior indigenous varieties.

Egypt's decision to raise its discount rate further from 32½ to 35 per cent on sales of cotton to India, provided payment was made in rupees under "B" account and shipment was effected before August, has improved chances of importing the bulk of the 60,000-bale quota of 1-3/16" and above from that coun-

try. With larger discount Egyptian cotton becomes cheaper than the Sudanese cotton.

The remaining 40,000 bales are allowed to be imported from any country but it is doubtful whether it will lead to any imports from the dollar area. And since East Africa has hardly any cotton left for sales, odds are that the supplies will come mainly from Tanganyika. The marketing season there starts in July but import licences for the 40,000 bales are valid up to October 15.

Money

Slack Season

CONDITIONS in the short-term money market have now turned distinctly comfortable. Business is limited more by demand than by the supply of funds. Exchange and bigger Indian banks can get all the inter-bank call money they need at 3½ per cent and slightly cheaper. The 91 days' treasury bill rate has eased further to 2.78 per cent, and offerings are also slightly better.

Banking statistics point in the same direction. Active notes have declined appreciably. Bank advances are also declining while deposits are improving. Funds are returning from the interior. Banks have been able not only to reduce their borrowings from the Reserve Bank appreciably but also to increase their cash and balances with the Reserve Bank. The slack season is thus getting into swing.

With money easier, the Gilt-edged market has become a little more lively and prices have hardened further all round. The Reserve Bank has put up its buying rates for certain loans. Institutional investors are now being sounded on the new loans. This is the time for it. The general belief is that this time the Centre will raise only two loans, namely, 3½ per cent 1969 and 3½ per cent 1975. On the basis of the existing pattern, the issue prices will be around Rs 99 and Rs 98.75 respectively.

The 1958-59 Budget provides for a borrowing programme of Rs 225 crores which includes the repayment of the three per cent 1959-61 loan for Rs 113.65 crores. Of this the Reserve Bank is said to be having nearly 75 per cent. The loans will sell as usual. There is very little speculation or excitement about the new issues in the Gilt-edged market. In fact we have hardly any Gilt-edged market worth the name. The

Reserve Bank is by far the biggest dealer. The new loans will sell but the position of banks this year is not as comfortable as in 1958 because they are already carrying a huge investment portfolio. Their investments in Government Securities total nearly 37 per cent of the total deposits against about 29 per cent a year ago.

Bullion

Mixed Showing

BULLION prices made a mixed showing last week. While gold moved irregularly lower, silver showed marked strength. Gold Jeth delivery, which had risen from Rs 117-10 to Rs 119-7 in the previous week, receded to Rs 117-10 to rally later to around Rs 118-6. Silver Jeth on the other hand was marked up during the week from Rs 191-12 to Rs 194-3. Later it eased to Rs 192-10. Backwardation charges in gold eased from Rs 1-6 to 14 annas but rose again to Rs 1-5 near the week-end. The spread between Jeth and Ashad deliveries in silver narrowed from Rs 1-8 to barely 11 annas.

The traditional busy season for precious metals is now almost over. This should check any marked and sustained rise in prices. But with supplies limited, it is doubtful whether prices will suffer any sizable decline.

Company Notes

BUCKINGHAM & CARNATIC

UNLIKE most other textile mills, Binny's Buckingham & Carnatic has faced the difficulties of the last two years fairly well. Its results for the year ended December 31, 1958 would have been even better than they appear to be but for an illegal strike by workers, which resulted in a sales loss of about Rs 75 lakhs. Sales turnover during the year declined slightly from Rs 9.98 crores to Rs 9.88 crores. The gross profit margin went down from 6 per cent to 4.3 per cent, owing largely to a rise in the costs of stores and chemicals, and the rise in the wage bill, consequent on higher dearness allowance and payment of bonus for previous years. Net profit after tax came down from Rs 41 lakhs to Rs 37 lakhs, giving a net earning of Rs 11.30 against Rs 22.10 per ordinary share of Rs 100 after deducting preference dividend. Dividend has been maintained at Rs 10. Reserves have gone up from

Rs 3.01 crores to Rs 3.07 crores, against the paid-up capital of nearly Rs 2 crores; of these, free reserves are Rs 2.29 crores, while the development rebate reserve has an additional Rs 77 lakhs.

Net block, including capital works in progress, now stands at Rs 3.46 crores, and the gross block at Rs 7.64 crores. The fixed debt liability of Rs 68 lakhs is more than five times covered by the net block, and the bank loan liability of Rs 49 lakhs is nearly nine times covered by the book value of inventory. The decline of Rs 40 lakhs in bank overdraft this year is largely accounted for by reduction of an equivalent amount under inventory.

The company exported goods worth Rs 1.85 crores during the year, which will enable it to claim substantial import benefits under the export incentive scheme. The Directors report that "despite the depressed state of the internal piecegoods market and a marked recession in international trade in cotton textiles the Mills' full production was sold, and the year ended with stocks of finished goods at a minimum trading level."

At the current price of Rs 185, Buckingham & Carnatic yields 5.4 per cent, free of income tax.

MYSORE SUGAR

THE accounts of Mysore Sugar, a Government - controlled company, for the year ended June 30, 1958, show a remarkable improvement over the previous year. Sales turnover rose sharply from Rs 2.53 crores to Rs 3.90 crores, and the gross profit margin went up even more impressively from 1.5 per cent to 7.1 per cent. Net profit after taxes came to Rs 12.66 lakhs against Rs 3.83 lakhs. Net earning per ordinary share of Rs 10 has gone up, therefore, from Rs 1.80 to Rs 5.80. Dividend has been raised from Rs 2 to Rs 3. Larger profits have enabled reserves to rise from Rs 88 lakhs to Rs 94 lakhs and have brought down the bank overdraft from Rs 11.50 lakhs to a nominal amount of Rs 72,000. The fixed debt liability of Rs 16 lakhs is nearly four times covered by the value of net fixed assets.

The company's factory at Mandya commenced cane crushing during the year and was largely responsible for the improved performance. Sugar recovery rose from 9.64 per

cent to 10.29 per cent. The distillery produced a record amount of more than 7 lakh gallons of absolute alcohol.

The Auditor-General has made no comments on the report of the statutory auditors.

At the current price of Rs 52.25, Mysore Sugar yields 5.7 per cent, free of income tax.

Cottonseed Oil

GOVERNMENT has accepted the recommendations made by an Ad Hoc Committee that the target of production of cottonseed oil should be 70,000 tons per year. The Committee, set up in October 1957, was asked to examine the problems of the cottonseed oil industry and recommend measures for its speedy development.

The Committee has recommended a plan for the development of the industry in two stages. The first stage envisages the production of 60,000 tons of cottonseed oil by the existing and licensed units, and by establishing nine additional units each with a capacity of 12,000 tons per annum in terms of cottonseeds. Out of these nine units, the Committee has recommended, two should be set up in Madras, two in Madhya Pradesh and four in the Punjab and one in Rajasthan. Five more units of similar capacity—one in Madhya Pradesh and four in the Punjab—will be set up in the second stage to achieve the target of 70,000 tons of oil.

The Committee has expressed the view that in order to increase production, first preference should be given to existing oil mills and vanaspati factories and new units should only be developed if existing units did not take to crushing cottonseeds expeditiously. It has also recommended that while every encouragement might be given to organisation of industry on cooperative lines, existing oil-mills, vanaspati factories and new entrepreneurs should not be prevented from setting up of cottonseed oil mills on modern lines at approved locations.

Import of Tractor

-And off-the-road Tyres

THE quota for import of tractor and off-the-road tyres, tubes and flaps, will be increased from 50 per cent soft and 50 per cent general to 100 per cent soft and 100 per cent general during the current half year. This decision was announced last week.

CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Rs Crores Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1733.65	1752.35	1751.11	1587.78
2. Rupee Coin	129.97	129.63	132.06	130.60
3. Deposits				
Central				
Government's	71.74	54.40	53.28	59.12
Other Governments'	15.96	17.79	22.44	19.98
Banks'	73.35	80.40	83.70	77.80
Others'	119.25	118.83	113.06	113.25
4. Foreign Securities	178.01	178.01	178.01	209.68
5. Balances held abroad	21.00	24.30	25.21	32.75
6. Rupee Securities	1845.77	1845.77	1850.81	1157.62
7. Investments	283.70	289.17	264.93	250.37
8. Loans and advances to Governments	34.10	32.62	39.39	54.07
9. Other loans and advances	61.15	66.85	75.97	56.79
Scheduled Banks				
1. Demand liabilities (net)	722.44	714.00	754.57	724.38
2. Time Liabilities (net)	979.66	974.71	938.23	776.59
3. Cash	119.32	112.20	132.90	107.60
4. Borrowings from Reserve Bank of which against Usance Bills	17.98	26.37	27.20	21.16
5. Advances & Bills (inland & foreign) discounted of which State Bank's	1019.07	1021.28	1020.58	933.78
6. Invest. in Govt. Sec. of which State Bank's	624.91	625.31	615.62	439.84
Cheque Clearance	160.71	170.39	179.07	140.76

For Reserve Bank and Cheque Clearance week ended 29-5-59. Scheduled Banks week ended 22-5-59.

Bombay Money Rates				
(per cent per annum)				
Call Money	22-5-59	16-5-59	24-4-59	23-5-58
From banks	3- $\frac{1}{2}$	3- $\frac{1}{2}$	3- $\frac{1}{2}$	3- $\frac{1}{2}$
From public	3- $\frac{3}{4}$	3- $\frac{3}{4}$	2- $\frac{1}{2}$	—
Three Months	2- $\frac{1}{2}$ -4	2- $\frac{1}{2}$ -4	3-4	3-4- $\frac{1}{2}$
Six Months	2-4	2-4	2-4	2-4- $\frac{1}{2}$

Bombay Bullion				
(In Rupees and nP)				
	3-6-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	119.84	123.19	124.44	108.69
Forward	118.41	119.44	123.50	107.99
Silver (per 100 tolas)				
Spot	194.87	196.00	201.19	184.69
Forward	192.62	191.75	198.44	185.69

INDEX NUMBER OF WHOLESALE PRICES				
(Base : 1952-53=100)				
Group and Sub-Group	WEEK	ENDED		
	16-5-59	9-5-59	18-4-59	17-5-58
Food Articles	117.2	115.4	113.0	106.7
Cereals	99.0	98.0	97.5	99.4
Pulses	96.7	92.4	93.0	82.0
Fruits & Veg.	127.0	125.5	124.2	113.2
Milk and Ghee	116.5	118.1	117.9	106.1
Edible Oils	132.2	130.5	125.6	121.2
Fish, Eggs & Meat	107.0	105.3	107.9	105.0
Sugar & Gur	149.5	142.0	128.8	115.9
Others	159.6	156.1	150.6	132.6
Liquor and Tobacco	99.0	99.0	97.5	92.1
Tobacco	97.4	97.4	95.8	90.3
Fuel, Power, Light & Lubricants	115.8	115.6	115.5	114.1
Industrial Raw Materials	120.2	118.8	116.6	113.3
Fibres	109.2	108.9	108.1	110.5
Oilseeds	135.9	132.6	128.3	117.9
Minerals	103.6	100.6	101.4	107.3
Others	112.7	112.7	111.7	110.2
Manufactures	108.5	108.0	108.1	107.8
Intermediate Products	108.5	107.8	108.6	107.6
Finished Products	108.5	108.0	108.0	107.8
Textiles	108.0	102.3	102.1	104.9
Cotton	111.6	110.6	110.6	113.7
Jute	84.9	84.3	83.7	88.8
Woolen	104.2	104.2	104.2	104.9
Silk & Rayon	95.5	95.5	95.7	92.0
Metal Products	143.3	143.3	143.3	143.0
Chemicals	110.6	110.4	110.5	99.4
Oilcakes	138.9	138.6	140.4	121.1
Machinery and Trans Equipment	106.1	106.1	106.1	102.8
Others	112.9	112.9	113.0	114.5
All Commodities	114.7	113.4	111.9	108.0

Latest All-India Crop Estimates

(Area in 000 acres, Production in 000 tons) † or 1958-59 1957-58* — (%)

First Estimates (area)			
Rabi Pulses	10,380	9,422	+ 10.2
Potato	633	605	+ 4.6
Second Estimates (area)			
Small Millets	10,867	10,461	+ 3.9
Wheat	30,211	29,405	+ 2.7
Barley	8,004	7,638	+ 4.8
Gram	23,502	22,196	+ 5.9
Fourth Estimate (area)			
Cotton	19,350	19,426	— 0.4
Final Estimates			
Rice :			
Area	81,590	79,447	+ 2.7
Production	29,721	24,885	+ 19.4
Bajra :			
Area	27,905	27,236	+ 2.5
Production	3,791	3,522	+ 7.6
Maize :			
Area	10,314	9,819	+ 5.0
Production	2,990	3,036	+ 1.5
Kharif Pulses :			
Area	15,506	15,657	— 1.0
Production	1,542	1,390	+ 10.9
Groundnut :			
Area	14,481	14,876	— 2.7
Production	4,816	4,436	+ 8.6

* Corresponding adjusted estimate.

† Nuts in shell.

Source : Ministry of Food and Agriculture

INDUSTRIAL PRODUCTION
(Monthly Average or Calendar Months)

	Cotton cloth (ma yds)	Woolen & worsted fabrics (ma yds)	Veg oil products (000 tons)	Matches (000 cases)	Soap (000 tons)	Razor blades (lakhs)	Sewing machines (000)	Hurricane lanterns (000)	Elec lamps (nos)	Else fans (000)	Radio receivers (000)	Domestic refrigerators (nos)	Thermos flasks (000 doz)	Type- writers (nos)
1956	442.2	1.4	21.3	51.3	9.2	221.0	10.9	431.6	2.6	28.2	12.6	63	4.0	1,118
1957	443.1	1.3	25.1	48.2	9.3	280.4	13.9	362.1	2.8	43.7	15.9	79	4.5	1,283
1958:														
Apr	407.8	1.4	26.1	47.9	9.3	313.3	17.3	265.6	2.3	52.9	17.4	94	5.0	1,013
May	421.3	1.5	27.9	58.9	9.7	287.8	18.5	330.0	2.7	56.7	15.4	91	6.3	1,351
June	388.3	1.5	24.5	53.0	9.8	166.9	17.0	381.8	2.4	48.4	17.8	106	5.0	1,418
July	419.4	1.3	25.2	58.4	11.7	326.6	18.7	326.7	2.7	55.0	18.1	125	5.6	1,213
Aug	407.9	2.5	20.8	55.5	10.2	361.2	18.5	282.0	2.5	50.1	15.8	379	6.0	1,295
Sept	411.3	2.5	23.4	55.2	10.6	328.5	17.4	296.9	2.5	51.4	16.1	426	6.3	1,143
Oct	421.5	1.5	20.5	48.6	11.9	393.8	10.5	271.4	2.4	38.2	15.3	346	6.1	596
Nov	377.4	1.2	19.8	45.1	10.7	369.9	16.1	246.1	2.5	58.3	15.1	498	6.6	802
Dec	438.5	1.1	26.5	52.2	10.9	409.7	21.5	271.0	2.8	68.0	20.4	542	7.1	1,774
1959:														
Jan	430.1	1.1	27.8	52.0	—	—	—	—	—	58.7	—	428	—	—

	Cement (000 tons)	Asbestos cement sheets (000 tons)	Coal (000 tons)	Jute bags (000 tons)	Cotton Yarn (ma lbs)	Paper & paper board (000 tons)	Paints & varnishes (000 tons)	Sulphuric acid (000 tons)	Soda ash (000 tons)	Caustic Soda (000 tons)	Chlorine liquid (000 tons)	Power alcohol (000 bulk gals)	Rectified spirit (000 bulk gals)	Denatur- ed spirit (000 bulk gals)
1956	410.7	10.0	3,286	91.1	139.3	16.1	3.5	13.8	7.0	3.3	1.3	855.9	350.8	281.9
1957	466.8	13.2	3,625	85.8	148.3	17.5	3.5	16.3	7.7	3.6	1.3	844.8	424.6	289.2
1958:														
Apr	539.5	14.5	3,802	88.0	134.1	19.9	3.9	16.2	7.0	4.4	1.3	746.8	469.0	315.5
May	533.0	15.2	3,884	94.9	136.7	21.7	5.3	19.0	7.3	4.6	1.4	797.8	456.2	374.6
June	499.1	14.7	3,554	82.4	126.0	19.2	4.2	17.6	6.3	4.9	1.5	741.1	386.4	303.7
July	477.7	15.9	3,749	89.8	145.0	21.7	3.8	19.9	4.7	5.2	1.7	607.4	505.5	274.6
Aug	477.4	15.9	3,539	85.2	140.4	21.5	3.5	20.3	5.0	5.2	1.6	534.5	490.3	260.5
Sept.	483.1	16.3	3,848	87.3	143.5	22.0	3.5	20.4	8.9	5.1	1.7	570.9	354.0	333.0
Oct	411.3	16.1	3,747	81.8	147.4	22.5	3.9	18.9	9.1	5.4	2.7	574.5	509.5	309.4
Nov	456.7	14.9	3,689	87.0	134.2	21.9	4.4	19.7	6.6	5.0	1.9	618.9	490.5	352.1
Dec	522.2	16.3	4,149	96.5	156.0	23.1	3.8	20.9	9.1	5.3	2.0	628.0	561.4	385.9
1959:														
Jan	395.8	14.8	4,086	92.1	150.5	22.8	4.6	—	9.4	5.2	1.7	—	—	—

	Bleaching powder (tons)	Bichromates (tons)	Superphos- phates (000 tons)	Ammonium sulphate (000 tons)	Copper sulphate (tons)	Sodium sulphide (tons)	Zinc oxide (tons)	Phenol formalde- hyde moulding powder (000 lbs)	Liver extract (000 lbs)	Liver extract (000 lbs)	Vat dyes (com strength) (000 lbs)	Stabilised Azobis (000 lbs)	Solubilised vats (000 lbs)	Calcium carbide (tons)
1956	388	272	6.8	32.4	165	255	426	183.8	20.47	23.3	70.4	54.9	8.1	241
1957	445	306	11.8	31.6	157	272	454	219.3	23.45	20.6	22.0	46.3	8.7	300
1958:														
Apr	539	304	12.2	31.5	166	239	433	235.2	32.20	24.8	36.1	50.1	11.3	302
May	498	343	14.7	30.2	152	330	509	246.3	29.78	22.9	29.4	45.8	12.4	312
June	304	218	13.8	28.5	149	315	480	234.0	31.43	17.4	36.7	45.0	12.7	296
July	594	315	17.2	30.2	191	365	364	235.0	36.67	22.8	34.9	42.4	10.3	329
Aug	494	296	16.9	30.3	222	337	330	248.6	24.68	20.1	29.9	46.5	11.1	338
Sept	569	320	15.3	30.2	196	350	491	256.0	21.94	11.0	49.0	51.2	12.0	338
Oct	695	274	13.3	31.8	234	416	675	288.9	32.56	—	46.9	51.7	13.8	312
Nov	642	218	12.5	34.1	148	272	683	249.6	17.86	—	36.3	46.3	13.5	295
Dec	680	304	13.3	36.6	193	412	663	279.9	29.83	—	39.9	47.4	13.4	349
1959:														
Jan	539	—	—	—	—	—	—	196.5	—	—	43.3	—	12.6	319

THE ECONOMIC WEEKLY

THE ECONOMIC WEEKLY

June 6, 1959

	Rayon viscose (tons)	Rayon staple fibre (tons)	Rayon acetate yarn (tons)	Naphthols (000 lbs)	Aluminium (virgin) (tons)	Aluminium (sheets & circles) (tons)	Antimony (virgin) (tons)	Copper (virgin) (tons)	Lead (virgin) (tons)	Brass sheets & circles (tons)	Pig iron and metal for castings (000 tons)	Steel ingots for castings (000 tons)	Semi- finished steel (000 tons)	Finished steel (000 tons)
1956	608	659	118	26.9	542	874	49	636	208	1,132	150.6	144.8	123.7	111.5
1957	784	667	134	106.9	649	910	42	654	264	1,482	149.6	142.9	120.0	112.2
1958:														
Apr	993	1,116	156	107.5	663	1,009	36	682	162	1,593	168.4	157.1	125.2	111.2
May	1,087	1,162	155	79.9	711	1,194	54	696	156	1,832	128.7	100.4	85.7	87.8
June	1,168	1,147	145	37.7	662	1,086	56	665	198	1,831	155.0	134.7	117.0	97.2
July	977	1,152	159	49.9	693	1,189	45	692	288	1,830	178.3	157.6	127.8	111.0
Aug	1,197	1,243	173	64.3	707	1,275	54	680	306	1,503	183.6	176.3	142.1	109.2
Sept	1,127	1,199	129	92.6	690	1,153	40	685	362	1,606	170.4	153.1	136.0	109.7
Oct	1,186	1,348	166	83.3	698	1,104	40	700	141	1,539	178.2	151.3	149.6	103.5
Nov	1,169	1,371	175	105.9	666	1,113	40	670	332	1,737	174.3	156.1	154.7	110.2
Dec	1,249	1,456	143	149.9	678	1,288	38	720	418	1,888	191.6	164.7	169.3	118.2
1959:														
Jan	—	—	152	—	—	—	15	587	—	—	168.0	153.6	153.3	120.5

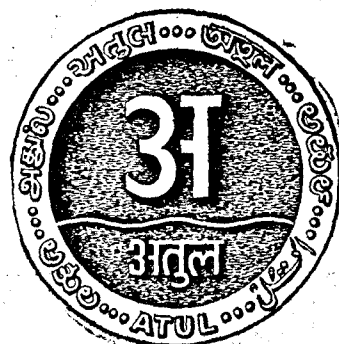
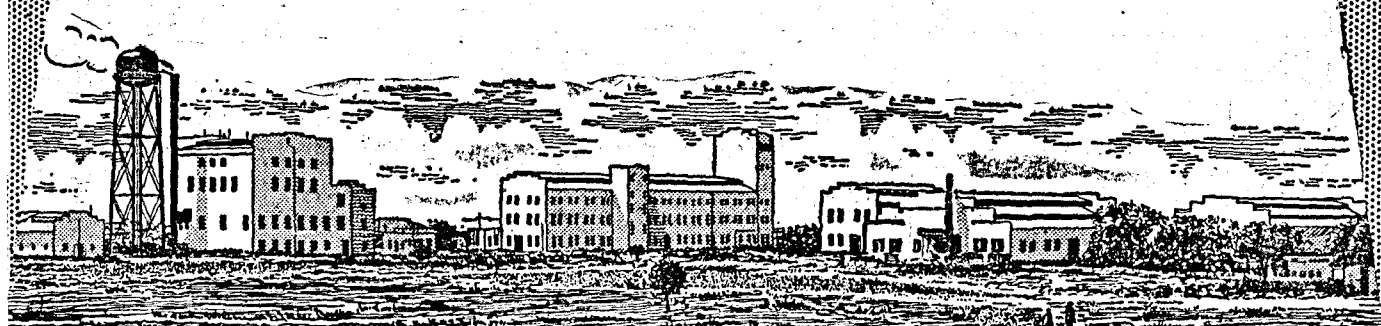
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— = not available

Source: Directorate of Industrial Statistics

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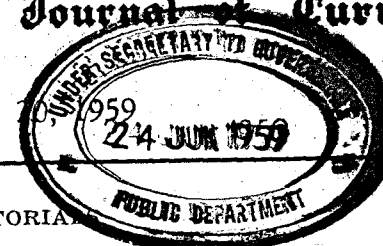
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Misdirected

THE situation in Kerala bristles with difficulties. Here is a government with a two vote majority in the legislature ruling with a determination and purpose, never witnessed in this part of the country after the Independence. More annoying to the Opposition parties is the fact that the Communists came to power with less than 40 per cent of the total votes polled, which reflected the weakness of the Opposition parties at that time. They now claim jointly that the Communists have completely lost the confidence of the people during the last two years of their regime by various acts of omission and commission and that they should resign forthwith and seek re-election. The Communists are not prepared to oblige the Opposition as early as that. On the other hand, they contend that they have the solid support of the masses which will be demonstrated in the normal course at the time of the next general elections. They are supported in their contention by the one bye-election held after the Communists came to power, in a constituency which was known to be a stronghold of the I N T U C.

In our young Republic, there is no precedent of a ruling party resigning at the behest of the Opposition parties. There are also instances of Government continuing in power though the total number of votes polled by them is less than 50 per cent. The P S P went one step further in Kerala when it formed a Government with only 17 members in a House of 109. It has been the policy of Congress so far to avoid President's rule, even if it meant considerable political manoeuvring. The situation that has been created in Kerala is such that the only possible alternative to the Communists' Government is President's rule. From the experience in Kerala at least, it appears that if the ruling party lingers on when it has lost public confidence, its prolongation in office boomerangs on the party when the elections come. It is, therefore, politically unwise for any government to continue in power, without sufficient popular support. This is a matter for the party in power to decide. It is not for the Opposition to resort to unconstitutional methods to oust the constitutionally established Government. What the Opposition parties, including the Congress, are doing in Kerala, therefore, amounts to a direct challenge to the Constitution. They are forcing a situation in which the President will be compelled to act against his better judgment.

Though late, the seriousness of the situation is now being realised outside the State. The Congress High Command has deputed Shri Dhebar and Shri Sadiq Ali, the General Secretary of the Congress, to Kerala, to study the situation first hand and Pandit Nehru is likely to visit the State early next week. It is to be hoped that their inquiries will not be confined merely to the happenings of the last one week. When there is open revolt against a Government, it does not avail to talk of police excesses. What the Congress High Command has to find out is:

- (1) Whether the Congress allegations are true that the actions of the Kerala Government are such that they will destroy the foundations of democracy if left unchecked;
- (2) Are there any constitutional remedies to meet the alleged threat to democracy?; and
- (3) Whether the open revolt started by local Congress is going to help the cause of democracy or to destroy it.

It would also be worth while to investigate the role of the Catholic Church in this agitation. After the Congress accepted socialism as its goal, the ideological differences between the Congress, the PSP and the Communists have narrowed down considerably and it is only the alleged extra-territorial loyalty of the latter which makes them suspect. There is, however, little doubt about the sharp ideological differences between the Catholic Church and the Communists. Under the circumstances, the Opposition parties have to make it clear, whether they are fighting an ideological battle against the Communist Government, or are their grievances only against a bad and oppressive administration?

In this connection, it is significant that the Congress charge-sheet against Government is not yet finalised, though the Deliverance Day was celebrated on the 12th. The outline of the charge-sheet given by

the K P C C President does not contain any item, to which a parallel cannot be found in other States to justify similar agitations. The real trouble in Kerala is that the presence of a strong disciplined party is gradually being felt in many walks of life, and Opposition parties with no comparable party organisation or significant ideological differences are gradually losing ground. This alone seems to be the plausible explanation for this open revolt. It is more of a desperate struggle than a calculated political move.

Paradoxical as it may sound, it is nevertheless true that if the open invitation of the PSP leader for imposing President's rule on Kerala is accepted, the party to gain more will be the Communists. They came to power a little unexpectedly. Their achievements, by and large, have not been spectacular enough so far to enable them to sweep the polls at the next elections. President's rule at this juncture will only help the Com-

munists to avert the inevitable disillusionment of the rank and file and give them the chance to shift the blame for their own short-comings to the Opposition. A short respite from administration would also enable them to review the position and to chalk out a more vigorous campaign for the next elections. Further, once President's rule is established, the opportunist alliance of the various political and communal groups will begin to loosen and by the time the general elections come, even an electoral alliance amongst them may be found to be difficult.

All this must be pretty obvious. How Congress High Command could fail to see the folly of it all, passes understanding. True Pandit Nehru modified his stand after his ill-advised Coimbatore statement but not before much harm had been done. The Congress has now to retrace its steps painfully. It is good to see it doing it rather than wasting time looking for a face-saving device.

West Bengal's Chronic Problem

BETWEEN Kerala where a constitutional Government is sought to be ousted by unconstitutional means and Bombay, where direct action by a handful of suburban passengers proved deadly effective in getting a grievance redressed, there is a wide range of cases where a solution has to be found which is intermediate between throwing out a Government in the elections and getting a wrong redressed by unconstitutional methods. If only because general elections come once in five years and Governments must be assured reasonable continuity if they are to function effectively, some method other than defeat at the polls must be available to the public if normal civic life is to run smoothly. There are accepted means of making Governments more responsive to public opinion than the extreme one of turning it out. There is nothing for a Government to change its policy when such a policy has demonstrably failed. Sometimes it may be incumbent to change the Minister who has been responsible for this wrong policy, if he has been associated with it too long and too intimately. Such a minister cannot be absolved of responsibility on the

ground that all Government decisions are collective and that individual Minister cannot be singled out for blame.

Now, many things in politics are controversial in the sense that on such questions reasonable men may hold different opinions. On questions that relate to economic affairs, there is often another source of uncertainty, inevitably arising from the difficulty of being sure of the facts. But whatever the criterion applied, and however controversial the political views on the subject, there can be no two opinions that food administration in the unhappy state of West Bengal has failed, and failed miserably. And it has failed not only to-day because scarcity in the district adjacent to Calcutta has reached the point where the hungry and the destitutes have started trekking to the city in search of food. Food administration has not functioned successfully in West Bengal at any time during the last three years. That State-wide demonstrations against the food policy of the West Bengal Government have started and a general strike has been declared to protest against the utter failure of that policy when Delhi has just announc-

ed record food production which is an all-time high, merely adds to the poignancy of the situation. It does not create that situation. The situation is long standing, and is the creation of the West Bengal Government or rather of its notorious Food Minister, Shri P C Sen.

It is not West Bengal alone which had to operate a modified system of control in the shape of restrictions on movement of foodgrains, price control, procurement and running of fair price shops. That the Government has been unduly lenient in dealing with hoarders or profiteers, again, is not an accusation which has been levelled against the Government of West Bengal alone. Congress Governments in other States have had to face similar charges and got out of them by taking action under public pressure. It is in West Bengal alone, and in the enlightened City of Calcutta in particular, that the Government can ignore all protests. People demonstrate and march, but food continues to be scarce, imposition of price control is immediately followed by disappearance of food stocks and the poor suffer for days, weeks and months, in good years as in bad.

The failure of the food policy in the State is a fact that cannot be challenged. Why it has failed and why food administration cannot be run with a reasonable measure of success as in other States, however, is a question of some complexity. The State Government has never taken the public into confidence, nor has it agreed to subject the food administration of the State to an open, impartial public inquiry. And as usual, the Centre, knowing full well the misdoings of the Congress Government in West Bengal, has shielded the latter instead of exposing it, condoned all its faults and yielded to its importunities. The complicity of the Food and Agricultural Ministry and of the High Command stand in the way of the public getting to know the basic facts. So all the reports one gets are unofficial and lack the stamp of authority which one is entitled to expect.

Broadly, the situation appears to be that West Bengal has a deficit of 950,000 tons this year and the

Union Government has done its part in supplying the State with adequate allocation to meet this deficit. But the West Bengal Government has failed in procuring from the large producers in the State what it has already accepted as the target, nor has it been able to collect from the rice mills the required amount through levy. The political pressure which large producers who represent landed interests and rice mill owners are able to bring to bear on the Government obviously explains why procurement fails. Such pressure, unfortunately, but inevitably, works through administrative channels which brings the officialdom also into disrepute. That in the circumstances a complete break-down is averted with the help of the Centre, through extra allocations from time to time, involves Delhi in a complicity which does not add to its prestige or good name.

This vicious circle has to be broken and broken at the State-end if the people of West Bengal are not to pass through a worse ordeal. It

More Funds for ICICI

AMONG the two new loans by the World Bank announced this week, there is one to the Industrial Credit and Investment Corporation of India. This is the green light to the ICICI to go ahead and enter upon a new phase of expansion which had been held up so long by certain re-organisations which are not yet fully completed. It will be recalled that the Extraordinary General Meeting in which Shri G L Mehta was appointed as Chairman, also passed a resolution empowering the Board to increase its membership from 10 to 15. The Board has not been expanded yet. But some significant changes have taken place in its membership. Shri K K Birla, the son, has succeeded Shri G D Birla; Shri A D Shroff—may one say?—from the Tatas has been replaced by Shri S Moolgaokar; Shri Biren Mookerjee has left and the ex-Election Commissioner, Shri Sukumar Sen, has been invited to join the Board. One would almost suspect that the ICICI must have a sizable election job to tackle since it is seeking the aid of this election expert who has attained international fame. One could not say that he is to represent Bengal in place of

Shri Biren Mookerjee, since Shri Birla is also from Bengal.

Along with this fresh World Bank loan, the ICICI will get from the Government of India another Rs 10 crores which, unlike the previous loan of Rs 7½ crores from the same source, will not be interest-free. This loan will be made out of the counterpart funds from the sale of surplus American wheat under PL 480. With another 10 million dollars from the World Bank and Rs 10 crores from the Government of India, the ICICI's funds will increase by Rs 14.7 crores, i.e. they will be nearly doubled.

One of the lines of expansion is in the field of Indo-US collaboration in the private sector in which Shri G L Mehta has been keenly interested. To attract more American private capital, the need for an Information Centre to advise prospective American investors has been felt for some time. Mr Howard H Houston, the Director of the US Technical Cooperation Mission in India has often advocated it, and it is possible that ICICI will be actively associated in the establishment and operation of such a Centre. But Delhi, rather than

could be broken at the Delhi end also if Central allocations are made conditional on the cleaning up of the food administration of the State. The lean months are ahead. Shortages and higher prices of foodgrains are inevitable during the monsoon even at the best of times when there is no shortage. With hoarders and profiteers in control and operating successfully through the agency of the Government and the administration of the State, the plight of the people of West Bengal should not be difficult to imagine. Dr Prafulla Ghosh, the ex-Chief Minister of the State, wants the Centre to take over the entire food administration of West Bengal. That could be a solution in an emergency, but it is not an emergency which West Bengal is facing, but a situation which is normal for the State. The least that the Centre can do is to institute an inquiry to bring the facts to light and withdraw its support to the continuation of the present sorry state of affairs.

Vigil

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Weekly Notes

Water and Soil Conservation

THE conservation and maximum utilisation of all water, including rain water and what the Chinese call amelioration of soil are the two features of Chinese agriculture which seem to have impressed most the delegation which recently visited China. It was a delegation of experts consisting of the Irrigation Adviser to the Ministry of Food and Agriculture, Shri Mahavir Prasad, Director of Soil Conservation, D V C, Dr P Sen, and the Additional Development Commissioner to the Government of Bombay, Shri D A Gadkari. But even though composed of technicians, what the team found most impressive was the type of organisation employed for achieving these rather than the use of any new techniques which are being used in China and which are not known or used in India. Of the eight points of the Agricultural Charter which, according to the Chinese, brought about the big leap forward in Chinese agriculture, it is only deep ploughing and close planting which have not been adopted in India. Both have to be tried out on an experimental basis and the validity of the claims made by them tested, says the delegation, before they can be recommended to the cultivators. But utilisation of the knowledge we already possess is the problem. And whether it is utilisation of water or soil amelioration, collective effort on a large scale appears to be the secret of success.

The impounding of rain water in years of heavy rain fall or flood in a large number of ponds and reservoirs for meeting the dry spells is among the measures which greatly increase the efficiency of the irrigation system. Small works are thus the backbone of this system, the large works are merely to supplement them. Construction of field channels on a community basis is another feature of Chinese agriculture which powerfully impressed the delegation. If the agricultural co-operatives take up this work, the delegation says, "the delay caused in the acquisition of land and the winding nature of some of these field channels could be avoided".

The silt from tanks, ponds and irrigation channels are used on

a very large scale rather than fertilisers in any substantial quantity. The use of silt as manure explains what appeared like a puzzle in the earlier reports of the leap forward movement, eg, the one by Professor Bettelheim which appeared in this paper. The figures the author quoted for the quantity of manure used per acre of land looked so absurdly large that it was taken to be a typing error or an error arising from conversion of one measure into another. The explanation, however, came first from Rene Dumont's report which appeared in *Le Monde* and was later translated and published by the *Monthly Review of New York*. It was silt from the bed of rivers, ponds and tanks, Dumont explained, which was transported over a long distance and poured on cultivated fields to improve their fertility. It was not the use of chemical fertilisers or other natural manures in exceptional quantities which accounted for the striking increase in yield. The present delegation has elaborated the point and described the methods adopted for utilisation of silt. Apart from giving valuable manure, it points out, the systematic removal of silt helps the proper maintenance of the irrigation works concerned.

Use of Indigenous Resources

ANOTHER measure which gives higher yield and economises the use of irrigation water is the careful and elaborate preparation of fields before watering. The delegation found that the water used for irrigation is normally lower per acre than that in vogue in India.

Apart from the high out-turn of the work of the Chinese labourer, e g, of earth work and the simple

indigenous devices used for moving earth over long distances, viz, timber tip-wagons, wooden wheel barrows fitted with ball bearings and use of tracks made of wooden rails, it is the scale of operations and collective effort which are of outstanding importance. If the service co-operatives mentioned in the controversial Nagpur Congress Resolution has some of these aims in view, they would not only make sense but they could radically transform our agriculture if they were properly organised and the resolution was implemented.

Incidentally, the delegation has solved the conundrum posed by the Chinese claim of using bamboo and timber as substitutes for other metals in construction. Dr K S Gill writing on 'Surplus manpower as source of capital' had mentioned in the Special Number of July 1958 that "in many cases even the turbines are reported to have been made of wood rather than of metal". This was challenged by an American reader who protested that "A major problem in designing both steam and hydro-turbines is prevention of erosion of blades under the high pressure and velocities required. Wood could not be used even for the casing. Could the Chinese be stretching the classification 'turbines' to include water-wheels?" ('Economics of Chinese Achievement', August 23, 1958.) The press release on the delegation report quotes as follows: "China is attempting to make use of all available falls on its canals and distributaries. Wood turbines are being used even though they cannot arrange a high degree of precision and thus their efficiency is admittedly low. All the same, such turbines are being used for water

Mid-Year Special Number 1959

The mid-year Special Number of *The Economic Weekly* will be out on July 18. It will contain a minimum of 150 pages bound in art cover and will be priced at Rs 2=50.

In view of the above Special Number, there will be no weekly issues on July 11 and 25.

Contributions intended for this Number should reach this office by July 4 at the latest. All advertisement materials for space booked should be handed in by July 6.

Non-subscribers and agents are requested to order their copies in advance in order to avoid disappointment.

Business Manager

power and for hydro-electric generation".

Indian Textiles in Malaya

IT is not true that all export markets for cotton textiles have been contracting. Malaya is one of the markets which does not seem to have been affected by the development of local production of textiles. It is rather an amorphous market consisting as it does of Malaya and Singapore on the one hand and Indonesia, Borneo and certain other territories on the other. For it is a centre of active entrepot trade and does a lot of re-exporting to the latter group of countries. Not only has the market for textiles not been contracting in Malaya, it has actually been expanding. Japan and China have shared expansion between them in the proportion of 4 to 1. India has just been able to hold her own, in the sense of maintaining the value of her exports more or less at the same figure. But she has not been able to maintain her relative position, being unable to get any share of the expansion. British and American textiles have been pushed out, rather priced out, from this market, while others are pushing in, but not India.

The most remarkable development in Indian textile exports to this area, however, is not her inability to share in the expansion—Indian cotton textile exports have been heavily on the decline—but the manner in which she has been able to maintain her total exports of textiles, while suffering a drastic decline in cotton fabrics exported to this area. What India has suffered in cotton, she has just made up in exports of other fabrics, principally rayon presumably. The export potential in rayons that India desires to build up or may develop in the future is a subject that merits closer examination than it has received so far. Of course, prophets are not wanting to suggest that this is only a temporary advantage because China and Japan, specially the former, have not been able to fully exploit the possibilities so far. It is also possible that in view of the higher price for Indian raw cotton, the relative disadvantage of art silk fabrics in export markets in general has been somewhat reduced. This is not to argue, however, that we are yet in a position to develop a trade in synthetic fibres and hold our own in competition.

Bonus announcement

The Life Insurance Corporation has pleasure in announcing the results of the First Valuation of its Assets and Liabilities as at 31st December 1957. The valuation covers all policies issued by the Life Insurance Corporation as well as those issued by the erstwhile insurers whose assets and liabilities have vested in the Corporation. These comprise 56,83,414 policies assuring a sum of Rs. 1472,81,31,684 including bonuses and 11,539 annuities for Rs. 72,80,120 per annum. The valuation discloses a gross profit of Rs. 33.04 crores.

The Life Insurance Corporation Act vests the Corporation with the power to classify policies for the purpose of declaring differential bonuses wherever necessary. The Corporation has formulated a provisional scheme of differential bonus and has grouped the policies issued by the different insurers into 7 Groups for the purpose of declaring differential rates of bonus according to the financial strength of the insurer concerned.

PAYMENT OF BONUS: Pending finalisation of the scheme of differential bonuses, bonus at the rates given in the table below would be payable only in respect of policies becoming claim by death or maturity after the date of valuation and before the final scheme of differential bonus is approved by Government. The Corporation hopes to work out this final scheme of differential bonus shortly and get Government's approval to the same. As soon as the scheme is finalised the Government's approval is obtained, bonus according to that scheme would vest in the policies. It is expected that the rates of differential bonus finally declared would not differ materially from the rates now declared on policies becoming claims by death or maturity.

The rates of bonus applicable to the various Groups are given in the following table:

GROUP	Rates of Bonus per annum per thousand sum Assured:	
	Endowment	Whole Life
	Rs.	Rs.
1. Special Group	16.80	21.00
2. Group I	14.00	17.50
3. Group II	11.20	14.00
4. Group III	8.40	10.50
5. Group IV	5.60	7.00
6. Group V	Nil	Nil

In addition, there is a Miscellaneous Group of policies which will be dealt with in a special manner in view of the different methods of distribution of profits adopted by the old insurers concerned. Detailed information giving names of the insurers included in each Group will appear in Leading Newspapers on June 20th, 22nd and 23rd.



Life Insurance Corporation of India

Tourism at Home

THE number of tourists visiting this country is likely to increase very considerably in the jet age of air travel. Speaking at the annual meeting of the Tourists' Development Council in Mount Abu, the Minister of Transport and Communications Shri Raj Bahadur forecasted a sufficient increase in the number of tourists to raise our foreign exchange earnings from them from Rs 20 crores as at present to Rs 50 crores in five years. At least that was the figure which he expected we should be able to reach. To get more tourists, of course, it is not enough to attract them by publicity and co-ordinated drive through travel agencies abroad; it is necessary to follow up the 'sales' by adequate servicing, so that each visitor to India goes back as a travelling salesman to send out more tourists to India. The services range from prompt issue of visas, quicker clearance of passengers and their luggage at the air ports and docks, less vexation to them in the matter of passing their travel papers, non-harassment for registration of foreigners, good hotels, food and drink of one's own choice and care free travel within the country which is not too expensive.

Shri Raj Bahadur made the point that the new class of tourists to be attracted by quicker travel by jet planes are to be drawn from a lower income group. It is only for the very rich that hotel facilities and facilities for internal travelling in comfort are available in this country, however inadequate they may be. A moment's reflection will show that in order to turn India into a tourists' paradise it is not enough to have many things to offer by way of ancient monuments, scenic beauty or the rich variety of life of the Indian people; it is also necessary to provide a number of services of different sorts which must combine in a smooth whole and not leave vexatious gaps which cause irritation to tired travellers and if all these services are to be made available to people of lower income groups, how much more difficult the task would be. Even in the cities best provided with modern facilities, how many hotels are there for people of moderate means where one can live in reasonable comfort and get the minimum of cleanliness and decency?

Despite its obvious inappropriateness in a developing economy where resources have necessarily to be earmarked for more important uses, one feels nevertheless drawn to Shri Raj Bahadur's persuasive reasoning that if tourism is really to take root and thrive, it must operate from a strong home base, that if travel is to be made attractive and popular, it cannot be made so only for the foreign tourists. People of this country must be encouraged to travel more, so that the facilities needed for travel may grow apace and on a large enough scale. But we want foreign tourists to earn foreign exchange from them. Who would want Indians to travel more just for sight seeing or for developing their cultural interests when we must conserve the limited transport facilities for economic development and have necessarily to be sparing in the use of building materials or fittings that go into the making of good hotels and of road transport, which has to be reserved for goods traffic or essential passenger transport?

While it is undoubtedly true that home tourism "alone could provide the base for building up the entire tourist industry", the Minister was hardly convincing that the contribution which tourism could make to the development of the internal economy would be worth the cost. It was not surprising, therefore, that phrases like "education and endeavour of the common men" or "recreative, educative and cultural aspects of travel" should figure much more prominently in the speeches delivered at this Conference than prosaic matters like the cost of hotel accommodation, supply of alcoholic drinks to tourists and the inadequacy and heavy expenses of arrangements of road travel.

Of course if one is prepared to take a detached, long enough view, one can explain many things. Pilgrimage was and still is a recognised institution in this country and it did not lack in the past the material appurtenances to make it feasible, if not pleasant. Dharamshalas provided accommodation at centres of pilgrimage where travellers could bathe, sleep, and cook their simple meals, ancillary services had developed and these have not yet fallen into decay. The extended family system is now breaking down so accommodation in towns and cities is becoming an increasingly difficult problem for the

THE ECONOMIC WEEKLY

average Indian traveller and yet the modern facilities to take care of them, such as reasonably cheap hotels or cooked food at moderate prices, these have yet to come up to fulfil present day requirements.

The impact of large scale tourism brought forth in the jet age on this transitional situation would be interesting to watch. What is will be, should not, however, be difficult to forecast, unless Government is able to initiate a change and secure the cooperation of hoteliers, restaurateurs, taxi-drivers, bus services, shop keepers and a host of others, not excluding customs and transport officials, travel agents and prohibition authorities, and activate them much more energetically than it has succeeded in doing so far. Add to this the promotion of internal tourism, which the Tourists Development Council decided to include in its programme during its three-day session in Mount Abu—even the subsidised tourism—and the country sets itself a new high in the difference between aspiration and achievement in the coming years. In the Third Plan, the Council recommended, the promotion of tourism, or rather "creation of integrated programme" for it, would be "part of an over-all development of the national economy in various spheres". Happily, the Council does not have to plan the "integrated" development of the national economy nor has it to worry how it is to be achieved.

No Change at Geneva

A CURIOUS situation has developed at Geneva. Clearly, little progress has been made by the Foreign Ministers, but the Russians are anxious to cover this failure with a gloss of optimistic words in the communique, while the Americans do not seem quite sure as to what to do.

Of course, the West has been on the defensive throughout the six weeks of deliberations at Geneva. The Soviets are the only ones who had a definite policy: and this turned on a determination to see that Western troops were withdrawn from Berlin. The policy was backed by an ill-concealed threat that unless the West withdrew its troops within a year, Russia would go ahead with its plan of negotiating a separate peace treaty with East Germany and transferring authority to the East German Government, in the pro-

THE ECONOMIC WEEKLY

cess ignoring all the Western "rights" in Berlin.

There is no doubt that much of the present stalemate is the outcome of Soviet confidence that Moscow was in a position to carry out this threat, if it really came to that. The West on the other hand could do little except go on the defensive again—unless it could threaten to go to war. That extreme possibility has not escaped the Russians and has had the effect, if anything, of making them more determined to get Berlin demilitarised within a year at the utmost. As an East German spokesman pointed out to reporters, his Government did not propose to wait until the Federal Republic had completed its atomic rearmament in 1961 in order to make separate peace with the Eastern bloc.

As against this, the West has had no clear perception of what it wants Geneva to achieve. The Western Foreign Ministers have done almost nothing beyond reiterating the rather monotonous and unimaginative determination to hang on to their "rights" in Berlin. No doubt they do have certain rights, and no doubt they would like to stand up for them to the last. But what is the substance of a "right" which cannot in practice be enforced? It is all right, in the circumstances for the West to complain that Russia is making no concessions, but the real question that arises is: What concessions is the West making in an attempt to give effective weight to some of its "rights"? Nothing has been clearer at Geneva than the complete absence of a concrete Western policy on Berlin. The West's determination to stay put in Berlin is an aim, not a policy; while, on the other hand, the Russians have shown again and again that they not have an aim in the matter of Berlin—that of demilitarising it and uniting it—but a policy with which to back that aim—the policy of threatening that it would go it alone.

But this does not mean that the Russians have been in a uniformly strong position at Geneva. Mr Khrushchev wants a Summit; and Mr Eisenhower is repeating his original threat that a Summit would not be held if the Foreign Ministers' meet produced nothing on which to proceed. This is where the curious nature of Geneva comes in. The Russians, while doing nothing to make Geneva succeed, are anxious

that the final communique of the Foreign Ministers should not be so worded as to make it appear that the conference had completely failed. Mr Gromyko has evidently been instructed to ensure that not only a polite but an optimistic epitaph should be erected on the grave of Geneva.

That is not what the West is particularly keen on. This is one case where Mr Eisenhower would like a spade to be called a spade. Always reluctant to go to the Summit, he now would like the world to know quite plainly that Geneva has failed, and that there is therefore no point in holding a Summit. So it seems that the politenesses of a communique might become the principal wrangle at Geneva!

What about the view that it is precisely because Geneva has failed that the Summit has become absolutely necessary? The Russians, who have always said that nothing but a Summit could resolve the differences between the two blocs, will no doubt say this again. Indeed they can be expected to take the line that they had always said that a meeting of Foreign Ministers could achieve nothing. But it would be a mistake to think that the Russians would be alone in taking that attitude. More privately, Britain too is known to entertain the same feelings on the question. Mr Macmillan is definitely known to hold the view that a Summit might achieve something, even if the Foreign Ministers had achieved nothing. But he is up against the old Eisenhower prejudice against a meeting of the heads of States. The United States President has now openly reiterated that unless the Foreign Ministers produce something which the heads of States could follow up, there would be no sense in holding a Summit. The question now is whether Britain can make America change its mind.

And not only America either. Dr Adenauer's decision to stay on in the West German Chancellery means that Bonn's weight would also be thrown against the Summit.

In short, we are exactly where we were. The West insists it will not "abandon its rights" in Berlin; the Russians maintain their ultimatum; the United States remains reluctant about the Summit; the British still face the task of changing that attitude; and Mr Khrushchev declares as emphatically as

ever that nothing but the Summit would do!

Economic Theology

If This Is Waste, Let Us Cut It

IF it is really obligatory for us all to sacrifice animals every year on the occasion of Eed-ul-Azha, we must respect this institution and continue with it. But if it is not so obligatory, we should put an end to this practice or restrict it. Today, our nation is passing through difficult times, and only austerity in every phase of our life will save us from economic ruin. Faced with such a situation we cannot afford to indulge in a practice which results in carefree slaughter of our precious and fast-dwindling cattle wealth.

"It is obvious that the points we have raised are such that no definite opinion can be given on them without a thorough research into the dictates of our religion about this matter. Let the religious leaders give the lead in this research. Should they arrive at the conclusion that despite the population pressure and the food problem, this animal sacrifice must not be given up, nor should it be restricted, we on our part will respect their stand."

—Editorial in Enterprise, Karachi, June 13, 1959.

Letters to the Editor

Export of Pig Iron

THE Weekly Note on export of pig iron in your last issue overlooks some facts and ignores technical considerations.

Both the steel plants at Rourkela and Bhilai have started production of pig iron regularly since their ceremonial "tapping" by President Dr Rajendra Prasad on 3rd and 4th of February last. A blast furnace each at Rourkela and Bhilai has gone into commission and although it is almost of the same capacity, production of pig at Rourkela has fallen short of expectation while that at Bhilai has been as expected, i.e., a thousand tons a day.

As there is no point in preserving pig iron, it is better to dispose it of to local buyers or to export it, instead of exporting iron ore. Making steel from pig iron will be unnecessarily costly. It is therefore wise to dispose of the stock as it comes out of the pig casting machine. In fact, well planned organisations have pig iron dropped into railway wagons waiting at the end of the casting machine.

You would have been right in asking why pig iron was allowed to accumulate to such an extent. Between Bhilai and Rourkela, about 1600 tons daily are being produced and the market price being in the neighbourhood of Rs 350 per ton, piling up pig does not serve any purpose. It is bad business.

Incidentally, pig iron for sale is included in the production programme of Bhilai and Durgapur Plants, 300,000 tons and 350,000 tons respectively. But that will be when the full plants go into operation. Till then, when each furnace

Our Delhi Letter

Control But Not Interference

THE extreme thinness of the line that divides control and interference renders the problem of Parliamentary control over public enterprises a singularly vexed issue almost incapable of being finally settled. The only aspect of the problem which elicits any degree of unanimity of opinion is that of the desirability of such control. The original purpose of Parliamentary control is that Parliament represents as it were the "shareholders" of any public enterprise. It has therefore to operate like the shareholders with overall control. Again, Parliamentary control is necessary because the operation of a state enterprise has a vital bearing on Government policy. Further, the very fact of the state taking over a particular enterprise indicates a complex of objectives: promoting development, public utility, revenue and so on. Accountability to Parliament thus flows from much more than merely its financial interest. Parliament is justified in expecting that the multiple purposes for which an enterprise is undertaken by the state are fulfilled most efficiently and economically.

From this it follows that the approach to the question of the extent of Parliamentary control has to be essentially pragmatic and practical. This perforce eschews controls for their own sake which would inevitably be self-defeating. Equally, there is no room for an approach sprouting from an ideological basis of minimum control. There can be only one criterion for deciding the extent of control necessary: that of efficient and economic working of the enterprise.

and coke ovens attached to it get going, cast iron will continue to be produced at the stipulated rate—a thousand tons per furnace per day—and Hindustan Steel would be well advised to have ready buyers negotiated for that. A practical business outlook will be a good and welcome change from the proverbial red tape.

Shripad R Tikekar

Saraswat Bank Building,
Bombay 4.
June 14.

UNWARRANTED PROTEST

IF reader George Rosen had been as careful as he is vehement in his "protest" (*Economic Weekly*, June 6, 1959) he would doubtless have noticed that I was not advocating nationalisation of scheduled banks. I was only drawing attention to a proposal that was being mooted in certain circles. And this, as it turns out, was no sensational scoop; a number of newspaper reports have mentioned the proposal.

New Delhi Delhi Correspondent
June 17.

Such an approach is quite consistent with varying degrees of control according to whether the enterprise takes the form of a corporation or a company or a departmental undertaking provided—and this is important—the decision to give any particular enterprise the one form or the other is based on its special nature and purpose.

The effectiveness of Parliamentary control is doubtless bound up with the modes of such control. An unwieldy body of over five hundred members can obviously not be an effective agency of control. The whole House has neither the time nor the expertise to undertake a task which is both specialised in nature and ever-growing in magnitude. Even the Estimates Committee and the Public Accounts Committee can give only a part of their attention to public enterprises. Consequently the feeling has grown that the Estimates Committee has not been able to apply its mind fully to the problem. Similarly, a mere expansion of the functions of the Public Accounts Committee might not be enough because the Public Accounts Committee does at best a negative job—that of holding some kind of an inquest upon things that have already happened. While this is not entirely without value, Parliamentary control to be most effective should take the form of a guiding function.

The constitution of a Standing Committee to control state enterprises recommended by the sub-Committee of the Congress of which Shri V K Krishna Menon was the Chairman, thus has something to commend itself, at least on paper.

For one thing, it would over a period of time build up the necessary expertise in the Parliament. Also, it would have at its command expert technical advice within the Parliament Secretariat. Again, it will be in a position to devote its entire attention to problems which by their very nature and importance deserve such undivided attention. Its deliberations will enable it to bring before the House such matters, and such matters only, as deserve consideration.

Since state enterprises form a separate and clearly distinguishable pattern and area of governmental activity, it should not be difficult to separate the sphere of the proposed Committee from that of either the Estimates Committee or the Public Accounts Committee.

All this is, however, on paper. The setting up of a Committee of Parliament does not in practice by itself solve the problems of Parliamentary control of Government undertakings. The British experience with a similar Committee is a pointer in this matter. Whether an arrangement can be devised whereby active Parliamentary control can be successfully combined with the necessary autonomy of the enterprises in the conduct of their day-to-day affairs will ultimately depend upon the growth and establishment of a tradition of restraint, of enlightened approach and of mature judgment. The proposed Committee of Parliament and other such institutional trappings doubtless provide the framework which may facilitate and foster the growth of such traditions but they cannot substitute for them.

From the London End

British Labour, the Bomb and Nato

MR HUGH GAITSKELL's troubles are never little ones: they come in hordes and in giant sizes. When the cracks in the Central African Federation came to light so glaringly, it created a crisis not only for British colonial policy but also—and a sharper one—for the British Labour Party. For it was the Labour Party that first conceived of the idea of a federation of the Rhodesias and Nyasaland, on the now discredited doctrine of partnership. But then, in what turned out to be an adroit face-saving move, Mr Gaitskell plunged into making a demand for an all-party enquiry into the Nyasaland disturbances, and this immediately had the effect of quashing the growing plea for the liquidation of the white-dominated Central African Federation. By then, however, the unsuspecting British public were treated to an exposure of what was taking place in the Kenya Hola concentration camp and the wilful murder of a number of African detainees. Mr Gaitskell, in obvious difficulty, is now having to face up to the idea of revising his bipartisan approach to African colonial questions.

Nuclear Disarmament

A no less serious problem for the Labour Party is now presented by the growing success of the movement for nuclear disarmament and a renunciation by Britain of the production and testing of nuclear weapons. Originally this movement encompassed a small but influential group of Labour intellectuals led by Lord Bertrand Russell. Gradually, the movement spread and has secured the support of a number of trade unionists, particularly trade union leaders. And having regard to the fact that the trade unions provide both the finance and what may be termed the political basis of the Labour Party, it is clear that as a result the old compromises, and the adherence to the somewhat archaic outlook that Britain's international status depended upon possession of H-bombs, will find less and less support in the Labour Movement. Indeed Mr Bevan, the Labour Party's shadow Foreign Secretary, perceiving this trend, has in recent years become more equivocal and less precise knowing full well that a clear pursuit of the old

policy on this question will only bring discredit to the Labour leadership. The situation has, however, now been reached where the Labour Leadership can no longer cling to the old in private and be imprecise in public.

The General and Municipal Workers' Union—one of the largest and most influential trade unions in the country—decided at its annual conference by a clear majority that Britain should 'disarm unilaterally' with regard to nuclear weapons. It is expected, indeed confidently so, that the large and powerful Transport and General Workers' Union will decide upon a similar policy and for once the prospect of major upheaval in that 'old horse'—as Low, the cartoonist, has suitably caricatured the Trades Union Congress—is presented on this important issue.

To Keep Out France

What is clear, as the 'Manchester Guardian' recently noted, is that 'the temper of the rank and file at trade union conferences has been changing.' At least, or as the 'Economist' anxiously puts it, 'at worst', this movement of opinion can snowball until Labour becomes clearly committed to full unilateral nuclear disarmament. It has been precisely a commitment of this kind that Mr Gaitskell, in all his manoeuvres, has refused to make. More recently, he has pledged his Party to more intensive negotiations with the Soviet Union and the United States for a suspension of nuclear tests, but never has he surrendered to the pleas for a unilateral demonstration in disarmament. After all, it was the Attlee administration that decided, with quiet determination, to produce atomic and nuclear armaments. There can now be little doubt that Mr Gaitskell's leadership and prestige will depend on the extent to which he forsakes his old position and succumbs to the dictates of the mass of his supporters. This, then, is Mr Gaitskell's crisis of leadership which will, as well, govern Labour's chances in the forthcoming general elections.

The demand for unilateral nuclear disarmament has been given an additional urgency by the crisis which General de Gaulle's policy has imparted in Nato. France has

persisted in its demands to become an equal member of the 'Nuclear Club' even to the point of disrupting the stationing and arming of Nato forces on French soil. In Britain, there is now the fear that the French possess the power to force upon the United States a revision of its policy and to surrender to French claims. The widening of the membership of the nuclear club is treated with anxiety and there is evidence to suggest that even the British Government is worried. And there has necessarily followed a belief in the British Labour movement that if Britain, with its insignificant contribution to the nuclear deterrent, should renounce the H-bomb and invite others to follow suit, she could wield greater influence by becoming the leader of a 'Non-Nuclear Club'. In a word, the new urgency given to unilateral nuclear disarmament in Britain possesses the quality of a neat piece of political opportunism—if the price of limiting the membership of the nuclear club was a British act of nuclear renunciation, then this may amount to a viable policy. It is possibly along these lines that the pressure of Labour opinion may cause something of a change in the policy of the Labour leadership.

Nato Bases in Britain?

There does, however, follow a consequence which few realise and which by no means alters the pattern of armed power now characterising the cold war. The purpose of limiting membership to the nuclear club is to keep out France—this is clearly the point of the present agitation. But this will only force General de Gaulle to carry out his threats and which he has already

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partly carried out, i.e., the removal from France of Nato air bases possessing U.S. nuclear weapons. The consequence is, therefore, this: the only other country available for the stationing of these bases is Britain. Already the U.S. Strategic Air Force (possessing nuclear weapons but outside the Nato command) is based in Britain. To add new Nato bases stationed in the U.K. with the power to use the H-bomb and similar terror weapons at the discretion of the Nato commanders and nobody else is to truly convert Britain into an armed aircraft carrier, and so becoming the first target of any future nuclear war. It may very well be that France might escape nuclear devastation as a result of her present policy, and so make Britain the centre of the war of the future.

Mr. Gaitskell has already gone so far as to kill whatever views exist in the Parliamentary Labour Party on the likely transfer of Nato bases in France to Britain. He is said to have favoured such a transfer as the price for avoiding the early emergence of France as a nuclear power. What in fact this suggests is a possible Labour compromise which would involve the 'stopping' of British H-bomb tests, the granting of increased facilities in Britain for the armed forces of Nato and the pursuit of a policy which limits the nuclear club to what it is. Whether this compromise will meet the demand now growing in the trade union movement is doubtful: the coming round of trade union conferences and the Labour Party conference towards the end of the year will certainly prove the most testing for Mr. Gaitskell's leadership. Up to now he has been struggling hard to establish his leadership. In this struggle, he has sought to be 'responsible' so as not surrender the wholly right wing positions he espouses. To secure his leadership now, he has to convince himself that to call for unilateral disarmament in nuclear weapons is to be profoundly responsible.

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Book Review

Anthropologists in Service

Evelyn Wood

A Philosophy for NEFA by Dr Verrier Elwin. North East Frontier Agency, Shillong. Revised Edition 1959, pp 226. Price Rs 5.

The Tharus by Dr S K Srivastava. Agra University Press. 1958, pp 343.

THESE two studies have different objects. Dr Elwin's 'Philosophy for NEFA' might be described as a handbook for the guidance of all those officials who are trying to build up a new administration, along with the control of development in the mountains which border the Valley of Assam. Dr Srivastava's study is of the more conventional type of academic exploration, which concentrates upon a much smaller group of people, who are all of the same culture-pattern; and its conclusions are informative and suggestive, but are obviously not written with any particular administrative or development services in mind.

Both books seem to the reviewer to be of considerable, but limited value; but of course, since their objectives are different, the values which they are seeking to establish will likewise be different.

Dr Elwin's Bias

Probably every anthropologist imports his own subjective bias into every book which he writes; and this usually becomes clearer with successive publications. Everyone knows Dr Elwin's bias, which has been developed among the tribes in Central India who were, indeed, suffering greatly during their recent generations' contact with the Hindu cultures which surrounded them. On the whole, it has never appeared from Dr Elwin's studies of the Gonds in whom he specialized as if they had made a successful bridge between themselves and their neighbours.

Probably Dr Elwin's bias is strongest in his feeling for the duty of their neighbours to be patient in building the more civilized end of the bridge. He certainly gives fresh expression to this feeling in the NEFA book; and, what is better still, a whole armoury of practical recommendations to officials working in the area.

What makes Dr Elwin's NEFA handbook most interesting is the

fact that he has had an official appointment in those areas, and he has therefore been able to address his reasonable plea for moderate progress to officials who he must have known would be obliged at least to consider his advice. Consequently, his book makes a selection of observations which have been compiled by him not only out of his own experience, but also as reported by others; and, by the process of selection, he has been able to make a very clear picture of a safe track towards the future which it should be possible for the NEFA tribes and their 'foreign' organizers to tread more or less hand in hand.

The Tharus

Dr Srivastava's Tharus are fundamentally far less interesting people than several of the NEFA tribes sketched by Dr Elwin. One must allow for Dr Elwin's superior capacity for using words, at any rate in English; nevertheless, the photographs with which the NEFA handbook is embellished certainly show a remarkable range of people, whereas the Tharus are relatively drab and might be difficult for the layman to distinguish from any other inhabitants of the Himalayan jungles.

It happens that the reviewer has spent most of a hot weather between Terai in which the Tharus live and the hills immediately adjacent, in the Champawat Valley. He has therefore a nodding acquaintance with people who are probably close relatives of the Tharus described by Dr Srivastava. They are certainly a more adaptable people than many of the more remote aborigines. In fact, Dr Srivastava does not make any specific claim that the Tharus are either aborigines or a primitive tribe. He explores their own account of their history, but these only seem to indicate the kind of ego-fantasy which all people must build up if they are regarded as inferior by a number of their neighbours.

The Tharus emerge from Dr Srivastava's book as a remarkably independent people. It is therefore surprising that they are so willing as well as able to adopt many of the customs of their neighbours, which they seem to have been doing increasingly during the last five or six generations.

The problem raised by a complete scientific study, such as Dr Srivastava's, is how to make use of it, if one has any responsibility for administration or development among the people whom it describes. Dr Elwin's book has all the answers; Dr Srivastava's, being more objective, has none whatever.

Many More Studies Needed

It would seem possible, by sponsoring perhaps at most a hundred studies of the same type as Dr Elwin's, to inject a good deal of sound anthropological guidance into administrative and development patterns. But even some thousands of studies like Dr Srivastava's would not alter the behaviour of the officials throughout India who have to deal with such problems of acculturation as both these scientists describe.

This is a horribly mundane way in which to record two excellent books, which must have given their authors and many professional associates a great deal of pleasure. There is no doubt that Dr Elwin's book will be useful; and the reviewer believes that Dr Srivastava is now applied to fresh studies which may reveal the facts of development through the NES among the entirely settled people of the South West U.P. Would it not be possible for an assembly of the social anthropologists who have already produced studies in India to meet and suggest a network of future studies which will serve something of the purposes of Dr Srivastava's book on the Tharus and something of those contained in Dr Elwin's NEFA handbook?

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Land Tribunals in Land Reform Legislation

Kerala and Bombay

G A Rao

IN this paper an attempt is made at a comparative study of the Bombay Tenancy and Agricultural Lands Act and the Kerala Agrarian Relations Bill. The Bombay Act is widely accepted as the most progressive enactment in the field of land reform legislation in the country. The Kerala Bill in some respects improves on the Bombay Act, in that it attempts to avoid the defects of the latter. This paper assumes that the acceptance of the principle of 'Land to the Tiller', the land policy in the Plans, and the Directive Principles of State Policy stated in the Constitution are closed questions and does not go into the validity of these. Nor does it go into the economic and social consequences of land reform. It goes only into the administrative implications of such legislation and the various rights and duties of the landlord and the tenant consequent on the legislation coming into force. More particularly it makes a study of the powers and functions of Land Tribunals and how far they are suited to put such enactments into force. Both the Bombay Tenancy and Agricultural Lands Act and the Kerala Agrarian Relations Bill provide for such bodies which are the common ground for a comparative study.

Courts or Tribunals?

The problem of land reform administration finally boils down to that of setting up efficient land tribunals. Prejudice against such bodies is common because laymen without legal training preside over them and use the power given to them, in what appears to some, in an arbitrary manner. Failure to hear both sides, private consultations, policy outside statute, facts determined independently of policy are some of the most common complaints made against administrative tribunals. Very often these bodies are empowered to make final decisions all on their own, within their sphere. This has the effect of restricting the jurisdiction of Civil Courts in respect of these matters. Absence of arrangements to review decisions, the concentration of power in these bodies and the absence of

appellate authorities are other sources of anxiety.

The law suit method of adjudication in a Civil Court which is the other alternative is not without defects either. Individuals are inclined to put up with small injustices rather than take a stand against the Government. The expense involved in getting justice through Civil Courts may compel a man without resources to put up with injustice. The landlords on the other hand, with their large financial resources and permanent connections with clever lawyers, have had the tradition of exploiting the less fortunate tenants and leaving little chance for the tenants to get their grievances redressed, or of slowing down this process considerably.

In view of all this, instead of condemning the system of administrative tribunals, it would be wise to see whether it would be possible, by means of checks and balances, to derive the best from such bodies without having their disadvantages. This would involve an adjustment between the authority of the State and the rights of the people. The administrative tribunal should therefore not only be efficient in the exercise of its powers but it should also satisfy the general body of citizens by making a compromise between the public interests it protects and the private interests it disturbs. It has to be proved that the public servant who rides rough shod over individual objections does not lose sight of the public well-being. A safe-guard against the misuse of powers could take the shape of giving reasonable appellate powers within well defined limits to prevent gross miscarriage of justice. The danger of having untrained officers presiding over the tribunals can be avoided by devising a reliable method of recruiting personnel.

The Powers of the Tribunals

The topic of land tribunals is vital to this discussion because both the Bombay and Kerala enactments depend on them for their efficiency for the proper administration envisaged therein, the purpose being to establish what amount of concentra-

tion of power is necessary to enable them to play their assigned role.

When the Kerala Agrarian Relations Bill comes into force the land tribunal will have the following powers:

I. To determine the purchase price of the land.

II. To determine the value of the site of the dwelling house.

III. To decide disputes arising out of the tenants' purchase of land.

IV. Any other duty which may be prescribed by the Government.

In the original Bill the Land Tribunal was to consist of only one member, but an amendment has been introduced during discussion of the Bill in the State Assembly which seeks to have three members to constitute the Tribunal, one of whom is to be nominated by the Government from among advocates with not less than three years standing at the bar or from among persons who had been or are judicial or revenue officers. This officer is to preside over the Tribunal. The other two members are to be elected from among the members of the local authorities of the area for which the Tribunal has been constituted. The functions of the Land Tribunal could be exercised by all the three members. If there is any difference of opinion when all the three members are present, the decision of the majority is to prevail. Where however in the absence of one member there is a difference of opinion between the other two, the member who is absent will at the next meeting decide the issue on his own. The decisions of the Land Tribunals are subject to appeal to the District Judge who is to act as *persona designata* and his decision in the matter is final.

Land Board

The Bill also provides for a Land Board for the whole of the State, which is to consist of a member of the Board of Revenue and two officers of the Government. It has full powers of a Civil Court as specified in the Code of Civil Procedure in matters concerning the summoning of witnesses on oath, requiring the



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production of documents, receiving evidence on affidavits, issuing commissions for the examination of witnesses and any other matter that may be prescribed. (The Civil Courts have also summary jurisdiction over rent suits initiated by the land lords where the amount involved does not exceed Rs 200/-. The decision of the Munsif, who is to handle the work, is final.)

In Bombay

The Bombay Act provides for similar Land Tribunals with the same powers consisting of three or more members one of whom must be a person holding a judicial post not lower in status to that of a Civil judge under the Bombay Civil Courts' Act, or any person who is qualified to practice in the Courts of the Bombay State. The Mamlatdar works on the same level as the Land Tribunals. This is an office unknown to the Kerala Bill. Immediately above him, there is the Collector who has the powers to withdraw proceedings from one Mamlatdar and allocate them to another. Where the landlord possesses lands in the jurisdiction of many Mamlatdars in the same district, the dispute will have to be decided by the Collector. In cases where the other pieces of land belonging to the same landlord are in different districts, the dispute will have to be dealt with by the Divisional Officer. If the other plots of land belonging to the same landlord are situated in different divisions, the appeal lies at the State Government. The final appellate authority in the Bombay system is the Bombay Revenue Tribunal, which is to function like a Civil Court.

The most striking difference between the two sets of tribunals in the enactments is the difference in the appellate powers given to the higher authorities. In Bombay there is a hierarchy of appellate authorities starting from the Mamlatdar and the Land Tribunal at the lowest level and going up to the Collector, the Divisional Officer and the State Revenue Tribunal higher up. But at no stage do the Civil Courts come into the picture. All appellate authorities are part of the Revenue Department. The Kerala Bill, because of its limited appellate authorities, is better suited and the Land Tribunals of that system will be able to come to correct decisions and will result in better implementation of the land legislation.

Fixity of Tenure

To safeguard the interests of tenants the Kerala Bill provides for the payment of solatium by the landlord to the tenant from whom the landholding is resumed. This amount has been fixed at an amount equal to one year's rent where the tenant is not entitled to compensation for the improvements made. There is no such provision made in the Bombay Act.

A special clause for the tenants under small-holders in the Malabar area, as suggested by the Select Committee, enables a tenant, if he chooses, to purchase the entire land comprising the holding by paying a sum equal to 12 times the rent to the smallholders.

The Kerala Bill fixes definite limits to the rights of resumption. The exercise of this right should not result in reducing the land in possession of the tenant to less than one acre of double crop land or its equivalent. If the land is to be resumed for building purposes, the landlord can resume only 20 cents if the tenant from whom it is resumed has less than one acre of land.

In Bombay, prior to the Bombay Tenancy and Agricultural Lands Act 1957, the landlord could resume land for personal cultivation without any restriction. This had the effect of vitiating the aims with which the land reform legislation was undertaken. The amending Act of 1957 ensures that while the landlord has a right to resume lands for personal cultivation, a limit to this right is fixed at 48 acres of dry land or 24 acres of seasonally irrigated land and 12 acres of perennially irrigated land.

Fair Rent

The Kerala Bill simplifies the process of fixing rent by laying down a schedule of rates. This will help the Tribunals to come to quick and correct decisions. By an amendment accepted during the discussion of the Bill in the State Assembly, it has been provided that the schedule of fair rents fixed by the Government should receive legislative sanction before it is applied. This is a good legislative check on the misuse of power by the executive.

The Bombay Act is vague on this point. It merely prescribes the maximum and the minimum limits within which fair rent should vary and states that the rent should not be more than five times the assessment payable in respect of that land or at the rate of twenty rupees an acre whichever is less and shall not in any case be less than twice the assessment. The tribunal has to go into the merits of each case and fix the fair rent.

Small Holders

To prevent the provisions of the Kerala Bill going against the interests of small-holders, a special provision has been made. The Bill defines a small-holder as one who neither as owner nor as permanent tenant holds a total area of land exceeding five acres in extent of double crop land, leased or rented out in respect of such holding. Any small-holder can apply to the Land Tribunal for the determination of the extent of land that may be purchased by the tenant from the small-holder and the compensation that will have to be paid for it. In making these decisions, the Land

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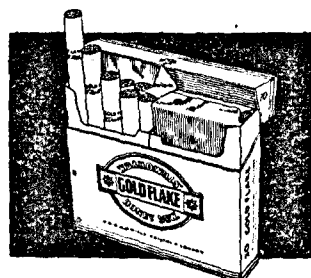


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Tribunal will have to take into consideration the relative economic position of the parties, the absence of other means of livelihood of the small-holder, the labour and capital spent by each party to the dispute for improvements on the land and then come to an equitable settlement. In cases where the tenant of the small holder has as owner or as permanent tenant more land than the small land holder the land tribunal has the power to allow the small holder to resume the entire holding. By an amendment introduced when the Bill was being discussed in the State Assembly, the tenant is required to surrender one half of his holding to the small-holder and retain the other half for himself, where there is an agreement between them to that effect.

The Select Committee has suggested that the right of the permanent tenants to resume land held by them should be extended to all tenants except those holding under small-holders and landlords who are entitled to resume land for self-cultivation. In addition, the Committee has suggested that 25 per cent of the excess land must be given to small holders who are not entitled to receive any land, and the remaining 25 per cent to cultivators who do not possess any land or whose holding is less than 5 acres of double crop land. The purchase price of such land should be 55 per cent of the market value payable in 16 equal instalments. Tenants under small holders are either to surrender to the holder one half of the land cultivated by them or continue as tenant in respect of the entire holding. The Bombay Act makes no provision to safeguard the interests of small-holders.

Purchase Price

The Kerala Bill gives in detail the method by which the fair price is to be fixed by the tribunal on the basis of fair rents stated in Schedule I. In the original Bill, the fair price was to be 16 times the rent calculated in the schedule. This has been brought down by the Select Committee to 12 times the rent. Where rent has not been fixed according to this suggestion, rent fixed by custom and usage, agreement and decree of court or whichever is less, is to be the deciding factor.

As opposed to this, the Bombay Act prescribes the limits between which the fair price should vary.

These limits are fixed at 20 times to 200 times the assessment plus the value of embankments and permanent structures. Being left with a less definite test for fixing fair price, the Bombay Tribunals will have to spend more time fixing the purchase price.

Compensation

In the Kerala Agrarian Relations Bill the Land Board is to fix the compensation when the land is subject to encumbrance. This Board will have to allocate land between the two portions in proportion to the value of the encumbrances to the two portions of the property—these being the land acquired and the rest. When fixing the compensation of land which has an encumbrance, the factors to be taken into consideration are the value of the land after the provision of the improvement, the condition of the amenity when the land is surrendered, the capital and labour involved in providing the facility and the reduction of rent allowed by the landlord in view of the improvement. Generally the compensation is to be fixed by the compensation officer. He has also the duty of preparing the compensation rolls.

The Select Committee on the Kerala Bill has linked up the compensation for lands in excess of the ceiling area fixed, with the market value. It has recommended that payment of 60 per cent of the first Rs 15,000 of the total market value and a progressive reduction of 5 per cent of every succeeding unit of Rs 15,000 of the market value.

In the Bombay Act, the duty of serving notices and copies of the compensation rolls has been allocated to the Mamlatdar who is already burdened with other duties. Appointment of special officers for this purpose, as envisaged in the Kerala Bill, is better.

Ceilings

Originally the Kerala Bill had a Peasants' Day on the lines of the Tillers' Day in the Bombay Act. But now this has been given up. On a specified day when the Bill is to come into force all title, right, and interest of the landowner and the intermediaries over lands held by protected tenants shall vest in Government. Such intermediary and cultivating tenant of the lands will be entitled to assignment of right, title and interest on land vested in

Government on their application to Government. This system will give rise to new administrative problems, consequent on the need to redistribute land.

The danger of landlords evicting tenants when the Bill is on the legislative anvil has been prevented in the Kerala Bill by the Government passing an Ordinance to prevent such alienations. This was followed by the Stay of Eviction Act which had the effect of protecting the interests of tenants who had cultivated the land during the previous season.

The ceilings fixed by the Kerala Bill have undergone a minor change because of a change in the definition of the family. Now the family has been defined as "husband and wife and their minor children" instead of "husband, wife and unmarried sons and daughters", as defined in the original Bill. The ceiling area is fixed in relation to an adult unmarried person. Thus a family consisting of a husband, wife and minor children numbering more than five will get 15 acres of land or its equivalent and in the case of an adult unmarried person, 7½ acres of double crop land or its equivalent. In the Kerala Bill, ceilings apply to all landlords who hold land in excess of the ceiling fixed.

As opposed to this, in the Bombay Act the restriction applies only to land under his personal cultivation. The provisions of the Act come into force on the Tillers' Day. In Bombay landlords forced the tenants to sign agreements to share crops with the landlords. This resulted in the very aims of the Act being frustrated. This irregularity has been remedied by the Amendment Act by which such agreements entered into after the 18th December 1957 were declared void. Similarly all transfers other than for valuable consideration by persons having more than the ceiling area after the 11th of April 1957 were declared void. The purpose of these provisions were to maintain the status quo as in April 1957.

In Bombay transfers made after the appointed day, i.e., 15th June 1955 and before the commencement of the Amendment were declared invalid. This measure had the same intention as the Stay of Eviction Act 1957 in Kerala, viz., to prevent voluntary transfers with a view to evade the land reform

legislation. But the Ordinance followed by an Act, as was done in Kerala, is better suited for the purpose.

Conclusions

The Kerala Agrarian Relations Bill promises to be a pioneer in land reform legislation. The more important points on which it has improved on the Bombay Tenancy and Agricultural Lands Act can be summarised as follows:

I. Although both enactments have provided for Land Tribunals, the concentration of power in them by providing for limited appellate powers is an improvement on the Bombay system which has a hierarchy of appellate authorities. In Kerala, the Tribunals are independent of the Revenue Department. The set up in Kerala is better suited for the purpose since it can come to quick and correct decisions.

II. The Kerala Bill provides for the payment of solatium to the tenant by the landlord. The Bombay Act has no such provision.

III. The Kerala Bill simplifies the process of fixing fair rents by lay-

ing down a schedule of rates. The Bombay Act is vague, since it sets down only the maximum and the minimum limits within which fair rents should vary.

IV. The Kerala Bill has provision to safeguard the interests of smallholders. The Bombay Act has none.

V. The Kerala Bill gives in detail how the purchase is to be fixed. The Bombay Act only indicates the upper and the lower limits.

VI. The Kerala Bill has provided for the appointment of Special Compensation Officers. They would have to serve notices and prepare compensation rolls. In the Bombay Act, this duty is cast on Mamlatdars who are already burdened with other duties.

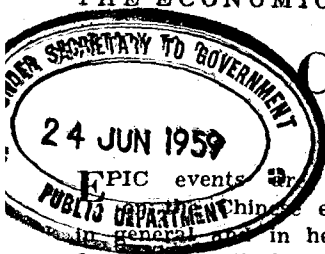
VII. The Kerala Bill vests the right, title and interest of the landowner and the intermediaries over lands held by protected tenants in Government which is to reassign the land. In the Bombay Act, there is a day called the Tillers' Day when permanent tenants are deemed to own land which they can hold upto the ceiling limits.

Indian Mangoes in U K

THE popularity of the mango is believed to be increasing in Britain, but the supply is still very limited. In London, mangoes are sold by a few specialised fruit shops under the classification 'exotic fruits' along with litchis, avocados, Cape gooseberries, and kumquats. The price is roughly a shilling for every anna they cost in India.

Officials of Air-India International, who are freighting about 50 dozen baskets to London by each daily flight, say that most of the fruit was consigned to British residents with connexions in India or sent to Indian students in the United Kingdom by their families at home.

London fruiterers would like to expand the market but, because of the highly perishable nature of the fruit, there is too much risk involved. Britain imported small quantities of mangoes from Africa and Central America, but the Indian variety is definitely the most popular.



China's Agrarian Development

Chao Kuo-chun

EPIC events are taking place in general in her agricultural field in particular, as Professor Charles Bettelheim's articles in this journal vividly depicted. (Economic Weekly, November 22 and 29 and December 6 and 13, 1958.) This paper will centre on a discussion of the significant features of current (1958-59) developments in China's rural areas.

The agricultural (or rather agrarian) programmes being carried out in China are multi-purposeful and multi-functional. Their role and impact are not limited to the economic area. An examination of the agrarian development in China today should take an interdisciplinary approach—taking into consideration not only economic, but also political, social, and technical factors and effects.

Big Leap Forward

Nineteen fifty eight was a year of 'big leap forward' and this leap is continuing to attain greater heights currently. Last year the total industrial and agricultural output of China increased by 70 per cent over 1957 (with gross industrial output enhancing by 60 per cent). ('Eastern World', February 1959, p 38. The value of national income of China in 1947 was estimated by Drs Joan Robinson and Solomon Adler at 93.7 billion yuan (or 39.7 billion US dollars)—'China: An Economic Perspective', September 1958, p 5. The average rate of growth in national income during the First Five Year Plan period (1953-57) was a little less than 10 per cent. The 1958 national income may have reached 130 billion yuan or 55.2 billion US dollars. The State budgetary receipts for 1958 were estimated as 45 billion yuan.)

Foodgrain production jumped from 185 million tons in 1957 to 375 million tons in 1958, and cotton from 1.65 million tons to 3.35 million tons during the same period. The per capita foodgrain figure reached 1,270 pounds in 1958. The planned targets for foodgrain and cotton yields for 1959 are, respectively, 525 million and 5 million tons. (Production figures of major crops of China during the recent years, are shown in Table II, p 814.)

At the same time, the number of draught animals (horses, cattle, mules and donkeys) increased from 83.9 million heads to 89 million heads; that of sheep and goats, from 98.5 million to 128.5 million; and that of hogs, from 145 million to 210 million. Marine products were raised from 3.12 million tons in 1957 to over 6 million tons in 1958.

Agro-Technical Improvements

Last year also witnessed drastic changes in farming methods in China, both organizational and technical. The development of people's communes, a subject that calls for separate, detailed treatment, is discussed in another article of the writer in an Italian journal ('Nuovo Argumento', spring 1959). Partly as a result of the more effective utilization of rural labour force and partly due to such movements as the 'cultural-technical revolution', far-reaching agro-technical improvements have been achieved during the past two years.

The area brought under irrigation in 1958, for example, reached 80 million acres. This is more than the total irrigated acreage added during the First Five Year Plan period (1953-57) or three times the irrigated area of the pre-liberation era. The amount of land afforested last year reached 60 million acres, again surpassing the total afforested area during the First Five Year Plan period. Improved seeds were sown on 73 per cent of crop land for foodgrains and on 95 per cent of the cotton fields. Over 330 million pieces of farm implements of improved or innovated types were introduced in 1958. The quantity of manure (mainly native manure) applied on each acre of cultivated land came to 60 tons, which was 10 times that of 1957. Concomitantly, the rural marketing system was expanded, local industries promoted, and rural credit increased. In road construction alone, over 170,000 kilometres of roads were built in 1958. About 7 million small-scale industries were initiated in the rural areas by county and Hsiang governments in 1958, and the amount of credit increased from 1.6 million US dollars (1957-58) to over 2 billion dollars (1958-59). (Data gathered from 'Jen-min Jih-pao' (Peo-

ples Daily), 'JMJP', December 27, 1958, January 1, and January 4, 1959.)

Reliance on Local Resources

The most important features in the current agrarian development in China may be discussed as follows.

First is the skilful utilization of indigenous resources, particularly manpower. In an under-developed country where capital (including advanced technology) is in short supply and where the programme of industrialization (which needs to be capital-intensive) calls for priority in investment allocations, the effective use of local resources plays a major role in rural development. The methods employed by the Peking planners in this connection are diverse; only a few examples may be given to illustrate the point.

Electricity and Fertilizers

Take for instance, the need for power source in China's countryside. The total production of electricity (in billion kwh) increased from 7.26 in 1952 to 27.5 in 1958, but there is still a great need for more electric power. Instead of relying entirely on big thermal or hydraulic power stations, China is developing extensively small-sized hydro-power stations. The latter do not require complex equipment or costly materials, and may be built with local resources by simple, easy methods. It takes only 3 to 5 days to build a hydro-power station of 10 kilowatts and 10 to 15 days to construct one of 30-50 kilowatts. Each kilowatt of power, it has been estimated, can do the work of 8 men. A national conference on rural electrification held in August 1958, envisaged the attainment of 100-150 watts of electricity by each peasant household within a short period. By then, 60 to 80 per cent of the work of rice milling, flour-milling and other agricultural subsidiary occupations will be performed by electric power or some other power. ('Rural Electrification in Rapid Progress', Foreign Languages Press, 1958, p 2.)

Another example is the utilization of local resources for fertilizers, which contributed substantially to the doubling the production of ma-

WORKING RESULTS *at a glance*

STATEMENT OF ACCOUNTS AS ON 31-12-1958

P.N.B.
64th YEAR

LIABILITIES

(i) Paid up Capital.	Rs. 1,25,00,000
(ii) Reserve Fund and other Reserves.	Rs. 1,27,00,000
(iii) Deposits.	Rs. 1,29,19,53,210
(iv) Other Liabilities (including contra items such as Bills for Collection and Acceptances, endorsements and other obligations).	Rs. 32,43,64,779

Total :— Rs. 1,64,15,17,989

ASSETS

(i) Cash and Balances with Bankers.	Rs. 13,01,77,278
(ii) Investments :	
(a) Investment in G. P. Notes, Municipal Loans, Shares and Debentures guaranteed by the Central and State Governments. Rs. 61,19,98,641	
(b) Other Investments. Rs. 1,34,06,123	Rs. 62,54,04,764
(iii) Loans and Advances.	Rs. 66,76,22,635
(iv) Other Assets (including contra items such as Bills Receivable being Bills for Collection and constituent liabilities for acceptance, endorsements and other obligations).	Rs. 21,83,13,312

Total :— Rs. 1,64,15,17,989

Chairman: S. P. Jain

THE PUNJAB NATIONAL BANK LTD.

Head Office : New Delhi.

A. M. Walker
General Manager

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The Raipur Manufacturing Co. Ltd., Ahmedabad
Aruna Mills Ltd., Ahmedabad
Aryodaya Ginning & Mfg. Co. Ltd., Ahmedabad
The Aryodaya Spg. & Wvg. Co. Ltd., Ahmedabad
Bangalore Woollen, Cotton & Silk Mills Co. Ltd., Bangalore
Bombay Dyeing & Mfg. Co. Ltd., Bombay
Buckingham & Carnatic Co. Ltd., Madras
Calico Mills Ltd., Ahmedabad
Commercial Ahmedabad Mills Co. Ltd., Ahmedabad
Elgin Mills Co. Ltd., Kanpur
Gackwar Mills Ltd., Billimora
Kohinoor Mills Co. Ltd., Bombay
Maneklal Harilal Spg. & Mfg. Co. Ltd., Ahmedabad
New Commercial Mills Co. Ltd., Ahmedabad
The New National Mills Ltd., Ahmedabad
The Tarun Commercial Mills Ltd., Ahmedabad
New Shorrock Spg. & Mfg. Co. Ltd., Nadiad
The Shorrock Spg. & Mfg. Co. Ltd., Ahmedabad
Rohit Mills Ltd., Ahmedabad
The Shri Sayaji Mills Co. Ltd., Baroda
Rustom Jehangir Vakil Mills Co. Ltd., Ahmedabad
The Jehangir Vakil Mills Co. Ltd., Ahmedabad
The Navjivan Mills Private Ltd., Kalol
Sarangpur Cotton Mfg. Co. Ltd., Ahmedabad
The Silver Cotton Mills Co. Ltd., Ahmedabad
Standard Mills Co. Ltd., Bombay
Vijaya Mills Co. Ltd., Ahmedabad
The Harivallabhdas Mulchand Mills Co. Ltd., Ahmedabad
Vikram Mills Ltd., Ahmedabad

THE ECONOMIC WEEKLY

June 20, 1959

for crops in 1958 over the preceding year. The quantity of chemical fertilizers used in 1958 was around 3 million tons, representing a 50 per cent increase over 1957. But the total amount of fertilizers applied in 1958 came to 16.8 billion tons (or 60 tons per acre of cultivated land), 10 times that of 1957. Most of these fertilizers consist of green manure, animal and human excrement, river mud, bone ashes, and other locally available materials. Currently (spring 1959) there is a vigorous campaign going on to collect more and better fertilizers. Millions of peasants are engaged in this endeavour.

Labour-Intensive Projects

The above examples also bring out a major feature in the Chinese agrarian development—that is, the effective utilization of rural labour power. Through a combination of measures, China today experiences a shortage of labour in most areas, an amazing and pleasant change from the days of underemployment and disguised unemployment. This new situation is a resultant of a number of coordinated programmes. In the first place, a host of labour-intensive projects have been extensively promoted. The expansion of 80 million acres of irrigated land in 1958 necessitated the employment of about 100 million workers. The conservation, afforestation, and manure gathering probably required another 100 million. Deep ploughing of farm land (to a depth of one foot or more) called for still more labour force.

In the second place, a myriad of rural industries and subsidiary occupations (such as livestock raising, fishery, handicrafts, etc) have been promoted in China's countryside. The building of local iron and steel furnaces alone employed around 100 million rural inhabitants in 1958. In the third place, the expansion of socio-cultural activities further tax the time of the villagers. These include the spreading of mass education, setting up of agro-technical institutes or classes, and the promotion of recreational programmes.

Innovation and Modernisation

Consequently, although over 100 to 200 million peasant women have been released from household chores to productive labour through the establishment of creches and mess halls in the people's communes,

pressure for additional labour is keenly felt in many rural areas. This in turn stimulates and accelerates the process of technical innovations in the Chinese countryside. For example, 41 million units of farm implements were fitted with ball bearings in 1958, and in 784 counties and municipalities (out of approximately 2,000) all the traditional transport media were equipped with ball bearings. ('JMJP', November 4, 1958, p. 3.) The total number of modern or improved farm implements introduced in 1958 came to 330 million.

One Chinese writer points out: "(we) start with tools made by indigenous methods. Such tools serve as the basis for further technical innovations, combining the indigenous with modern methods.... The many excellent new-type implements invented in this movement form a veritable treasure house from which China's farm machinery of the future will grow. Outstanding among them are the cable-tow, rice transplanters, and others." (Li Ching-yu, "From Better Tools to Modern Farming," 'Peking Review', March 10, 1959, pp 12-13.) Thus the intensification of labour utilization in rural China is designed to make better use of the huge amount of manpower, and is not an end in itself. The long-range goal aims to popularize mechanized farming, raise the productivity of labour and to shorten the work-days of peasants for educational and recreational activities.

Productivity per Acre

The second significant point in the current agrarian development in China is the rapid progress achieved in raising the productivity (i.e. yield per unit of land) of major crops. The yield per acre of rice, wheat, and cotton was about doubled in 1958 (see Table II, p 814). The average production (in pounds per acre) of the above crops in China today compares favourably with countries which have the highest level of productivity (see Table 1 alongside).

The goals for 1959 are to raise the yield of rice to 6,000 pounds and that of wheat to 2,000 pounds per acre. This unprecedented advance in crop productivity represents a most desirable way to resolve the tight food supply situation in China and to stimulate overall economic growth. Other alternatives such as

reclamation of 'waste' land or migration are often costly, time-consuming, and complex. The cost of reclaiming virgin land is estimated at at US \$115 per acre by one Chinese source, and the opening up of hilly, marginal land often has adverse effect on soil conservation, thus increasing the possibility of floods in low lands. It may not be, therefore, desirable to reclaim all of the 250 million acres, estimated as available for reclamation in China, even if it is physically possible to do so.

The drastic enhancement of crop productivity has changed the picture regarding limitations resulting from unfavourable land-labour ratio in China. It dispels a traditional myth held by many Western writers that farmland in China has utilized its maximum potential and that there could be little room to substantially raise the yield per unit of land. It also makes it possible for the Chinese planners to carry out a more rational long-term farming plan which will leave one third of the current 280 million acres of cultivated land in fallow to rest the soil and to devote another third to the planting of trees, flowers, and vegetables. Elaborate measures are being undertaken to make China's countryside green and beautiful.

Coordinated Planning

The third important aspect of Chinese agrarian development is its planned, coordinated nature—the blueprints for developing the agricultural sector are integrated with the overall economic programme such as the promotion of industries, expansion of transportation and communication facilities, and the training of technical-managerial personnel. Thus the big leap in agriculture in 1958 was accompanied by a concomitant leap in the industrial and transport fields. In that year, the production of steel, coal, cement, and cotton cloth reached, respectively, 11 million tons, 270 million tons,

Table 1—Productivity of Crops
(In pounds per acre)

	Rice	Wheat	Cotton (lint)
China (1958)	4,100	1,300	500
Italy (1956)	4,170	1,800	160
Japan (1956)	3,850 ('58)	1,860	116
U S A (1956)	3,150	1,200	410

Sources: F A O, U N, Yearbook, 1957, pp 33-34; 48-49; and 130-31; and other current sources.

10 million tons, and 6.4 billion metres. (Production figures of these commodities in previous years may be found in Solomon Adler's book, 'The Chinese Economy', chapter V.) The total lengths of railways and roads built in 1958 came to 2,300 kilometres and 170,000 kilometres. The number of students enrolled in secondary technical schools increased from 770,000 in 1957 to 1.71 million in 1958, and 60 million people joined the spare-time classes in 1958. ('Evergreen,' Student Association and Youth Federation of China, January 1959, p 19.)

A most illuminating example is the promotion by Peking of medium and small scale industries in the countryside which gained momentum after the decentralization of industrial and commercial establishments at the end of 1957; and its tempo was greatly accelerated following the introduction of people's communes after mid-1958. Studies undertaken by the Central Government in 1958 show that in counties (hsien) with adequate resources, mainly coal and iron, it would be possible to work at least one small coal mine, one small chemical fertilizer plant, one small coal tar plant, one small iron smelting factory, one small cement works, one small power station, and one integrated machinery repair plant. The cost of constructing these enterprises was estimated at around 12 million yuan or 5.1 million US dollars. Among the 2,000 counties in China, it is reported that there are over 1,500 counties with coal deposits and over 200 counties with iron resources. ('600 Million Build Industry', Foreign Languages Press, Peking, 1958, p 7.) In 1958, the rate of growth of local industries in China was preliminarily estimated at approximately 40 per cent. Vice-Premier Ch'en Yun reiterated in March 1959 that "while large modern enterprises should be the backbone, we must build first large numbers of medium and small enterprises." (Ch'en Yun, 'The Distribution of Industry in China,' 'Peking Review', March 10, 1959, p 8.)

Decentralisation of Industry

Detailed data concerning the nature of productive capacity of some 7 million local industrial units initiated by county or hsiang (administrative village centering on a township) are not yet available. However, reports on the development of multiple enterprises in certain

districts, give us an idea as to the scope and functions of some of these local industries. In the administrative region of Nanchung, Szechuan province, more than 13,000 fertilizer plants, 4,600 farm tool repair and assembly shops, 24,600 plants for processing farm products and by-

products, 684 small-sized hydro-power stations, 800 lime kilns, and other factories were built in the first half of 1958. By July 1958, the chemical fertilizer plants had an output of 1,500 tons; 20,000 tons of iron were to be produced before the end of 1958; the annual capacity of

TABLE II
Selected Data on Agrarian Development in China
(In million tons or acres, if not otherwise indicated)

	1949	1952	1957	1958 (est)	1959 (goal)
I. Crop Production					
(1) Foodgrain	108	154.4	185	375	525
Rice	48.65	68.43	86.7	150	—
Wheat	13.8	18.12	24	40	—
Potatoes (4 pounds equal to 1 lb. of grain)	9.84	16.33	23.35	78	—
Other grains	35.80	51.52	51	107	—
(2) Cotton	0.44	1.3	1.64	3.35	5
II. Cultivated Area	241.77	266.56	280	280	180
III. Organized Farming					
(1) Cooperatives (thousands)	—	40	700	740	—
(2) People's Communes (thousands)	—	—	—	26	27
IV. Crop Productivity (pounds per acre)					
(1) Rice	1,888	2,147	2,307	4,100	6,000
(2) Wheat	573	651	800	1,300	2,000
(3) Potatoes	4,941	6,695	8,000	16,700	—
(4) Cotton	143	208	250	500	—
V. State Investment in Agriculture (million US \$)					
	—	389	892	1,300	—
VI. Rural Credit (million US \$)					
	85	454	1,660	2,100	—
VII. Agro-technical Programmes					
(1) Irrigation	—	4	35	80	—
(2) Afforestation	—	2	30	60	—
(3) Fertilizers (chemical)	—	0.3	2	3	—
(4) Farm Implements (improved types) (millions)	—	0.3	1.6	330	—
VIII. Livestock (millions)					
(1) Horses, cattle, mules & donkeys	59,800	76,170	97,870	83,900	—
(2) Sheep & goats	42,347	61,780	98,490	128,490	—
(3) Hogs	57,750	89,760	125,000	210,000	—
IX. State Acquisition of Foodgrains (million tons of unprocessed grain)					
(1) Tax in kind (1949-50)	21.82	20.38	20.00	—	—
(2) State purchases	—	25.50	23.30	—	—
		(1952-53)	(57-58)		
X. Educational Development (million enrolment)					
(1) Primary schools	24.39	51.10	64.28	92.00	—
(2) Secondary & technical schools	1.27	3.14	7.08	15.00	—
(3) Spare-time education	—	—	9.23	60.00	—

cement came to 42,000 tons; and coal production was scheduled to reach 800,000 tons as compared to 60,000 tons in 1957. (Ko Jun-sheng, and others, 'Nanchung Region's Good Effort,' '600 Million Build Industry,' op cit, pp 74-75.)

In the Jungfeng county in Yunnan province (with a population of 530,000), 1,760 small and medium-sized factories and mines were established by May 1958. Their production included 30,000 tons of iron, 15,000 tons of synthetic oil, 500 tons of crude copper, 120,000 tons of coke, and 10,000 tons of calcium superphosphate annually. ('600 Million Build Industry,' op cit, p 110.) The variety and organizational techniques employed in the promotion of dozens of divergent industrial and subsidiary enterprises are reflected in a report on the development of multiple economic undertakings in the Special District of Tientsin (Hopei province with a population of 7 million) in 1958. The value of products supplied by these various enterprises to the State in December 1958 came to 32 million yuan or 13.8 million US dollars. ('Hsin-hua pan-yueh-kan' (New China Semi-monthly), No 2, January 25, 1959, pp 86-88.) At the same time, tax structure in rural area is simplified, rural credit expanded, and marketing facilities improved.

As a result of the above coordinated moves in the various sectors of the economy, agricultural programmes in China are designed to complement and supplement other national programmes. The agricultural development serves the simultaneous functions of supplying raw materials to industries, raising the rate of capital accumulation, and training of skilled and semi-skilled workers for secondary and tertiary occupations.

Socio-Cultural Transformation

The last but not the least significant aspect in the agrarian development is the accompanying socio-cultural transformation. The social and educational programmes reinforce and often facilitate economic development in rural China. The number of primary school students increased from 60 million in 1957 to 92 million in 1958, and that of secondary and technical schools from 7 million to 15 million during the same period. Over 93 per cent of the school-age children has entered schools. Up to August 1958, there

were 1.1 million cultural clubs, 474,800 libraries, and 434,700 drama or recreational troupes in China. ('Hsin-hua pan-yueh-kan' (New China Semi-Monthly), No 1 January 10, 1959, p 112.) Partly due to the freeing of peasant women from household chores and the enjoyment of equal income from equal work among the sexes, the rights as well as status of women have been greatly enhanced. Rural medical services, creches, and the public hygiene campaigns have not only made the rural conditions more healthy, but also improved the efficiency of the villagers.

Expanded educational opportunities together with the promotion of multiple economic activities greatly increased the vertical social mobility of the Chinese peasantry. When one examines the new elite elements in China's countryside today, one finds that agricultural model workers, women or youth activists, farmer technicians or local Party cadres acquire their status and prestige not by any inherited economic power or social prerogatives, but by their contribution to the village economy or group welfare. Recognition is accorded them in both material and non-material ways—viz, rewards in the form of some means of production (horse, a tractor, etc), public honours such as the granting of the title 'labour hero' or an invitation to Peking to be personally congratulated by Chairman Mao Tse-tung. In under-developed countries where capital is not abundant, the effective use of non-material incentives plays an important role in stimulating productive effort. The morale of the villagers is also boosted by the infusion of government employees and students into village posts, by the increasing opportunities for agro-technical training made available to the peasants, and by the narrowing gap between rural and urban workers through rural industrialization.

Educated Peasantry

As a result of a combination of economic, social and educational measures, a new class of 'educated' peasantry is coming into being—villagers with a fresh spirit of self-confidence, enterprise, and self-reliance. This is in sharp contrast with their brothers and sisters of traditional China, who were generally superstitious, conservative, and resigned to a fatalistic outlook. This positive attitude is reflected in a poem (out of

millions) written by a Chinese villager in 1958:

In heaven, there is no Jade God,
the Ju-huang,

In the ocean, there is no Dragon
King, the Lung-wang;

I am the Ju-huang,

I am the Lung-wang.

To the hills and dales, I pronounce:

Make way, here I come!

These simple yet powerful, moving lines symbolize the prevailing mood of the Chinese masses to fight for the betterment of their lot through the improvement of their environment. When, for instance, a drought lasted over three months in the spring of 1958 in the two counties of Anhwei province, not a single peasant made offerings to the Rain God (Lung-wang) as was the custom in old days. (Also see reports (after visits to China in 1957 and 1958) by Professor Joseph Needham in the 'New Statesman', January 3, 1959 and Shri V P Dutt in 'Hindustan Times', March 3 and 4, 1959.)

Concluding Observations

The significance and implications of the agrarian development in China today are not limited to the domestic scene only. Its repercussions throughout the world, especially in the Afro-Asian regions, will be felt for years to come, politically, economically, and socially. The experience of the Chinese experiment, in view of the different institutional milieu and value systems in other countries, cannot be transplanted in toto, but a number of aspects could be of relevance to the problem of development in under-developed areas. Among them may be included the following.

First, agricultural development, to be effective and sustained, must not be limited to economic reforms, but should be accompanied if not preceded by the removal of abusive and restricting institutional factors, such as the domination of the gentry-landlord class, and the bondage of women. Second is the necessity of a concomitant growth of the agricultural sector, although priority in capital allocations has to be assigned to industrialization. The Chinese experience shows that a rapid expansion of rural economy can be effected by skilful mobilization of local resources, particularly the better utilization of man power through labour-intensive projects.

Western Economic Theory Inadequate

Thirdly, there is need for a reappraisal of the traditional Western theories of economic development, especially in regard to under-developed economies. This is a complex question, and calls for a separate paper and elaborate discussions. Suffice to say here that many Western approaches to problems of economic growth assume a well-developed market economy in which capital, land, and labour are practically unlimited (such as the Keynesian formula does). This is at variance with facts in most under-developed nations, where the non-monetized sector is large if not predominant, and where the immediate problem is the low level of production (and productivity), not the lack of demand for consumption.

The capitalists of under-developed countries, dominated by a desire to make quick profits, handicapped by competition from advanced capitalist nations, and faced with changed world conditions when foreign markets and raw materials can no longer be cheaply exploited, are not as well equipped as the government is in developing the sinews of economy like the capital industries in the Schumpeterian role of 'creative, risk-taking entrepreneurship.' Furthermore, in evaluating the magnitude and forward momentum of economic growth in under-developed areas, it is not enough to measure it in the traditional 'per capita income' concept. Social services and overheads (marginal social productivity) as well as patterns of (productive) investment should be taken into consideration as measuring yardsticks. Otherwise, the level of economic growth (in terms of per capita income) would be taken as higher in, say, Saudi Arabia, than that in India.

On the agrarian front in China, there certainly still exist a number of problems and bottlenecks. Currently, these may include the achievement of a balance between certain industries (like the textile industry) and some agricultural products (like cotton), contradictions within the people's communes (suitable ratio between accumulation and consumption, adjustments between collective living and personal preferences, etc), organizational problems in collective farming (division of labour, criteria for compensations, etc) and the removal of certain bottlenecks

like heavy load on transportation, inadequate storage facilities, the need for more petroleum, etc. However, these are not insurmountable obstacles. The Chinese leaders and cadres have demonstrated their social engineering skill and realistic understanding of many serious problems in the past—for example, the gradual approach to organized farming through the four stages of mutual-aid teams, cooperatives, collectives, and, finally, the communes. Now that sustained growth is in evidence both in the rural and industrial sectors, and the peasants' confidence is fostered, there is no reason to

assume a rough sailing ahead of the Chinese planners.

In the final analysis, economic growth, as Professor W Arthur Lewis points out, 'is the result of human effort.' China has shown that with efficient, honest and devoted leadership, with effective utilization of national resources, with popular enthusiasm, and above all, with hard work and cooperation by the people, it is feasible for a poor, backward nation to pull itself up by its bootstraps within a short period of time and march toward prosperity and modernization.

Government of India

3½ PER CENT. BONDS 1969 ISSUE PRICE
Rs. 98.85 PER Rs. 100 (NOMINAL). REPAYABLE
ON 1ST JULY 1969.

4 PER CENT. LOAN 1979 ISSUE PRICE
Rs. 100 PER Rs. 100 (NOMINAL). REPAYABLE
ON 1ST JULY 1979.

Subscriptions to the above bonds and loan will be received simultaneously and will be limited to a total of Rs. 175 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) securities of the 3 per cent. Second Victory Loan 1959-61 or 2½ per cent. Hyderabad Loan 1954-59, which will be accepted for conversion at the following rates:-

3 per cent. Second Victory Loan 1959-61 Rs. 100 for Rs. 100 (Nominal)

2½ per cent. Hyderabad Loan 1954-59 .. Rs. 85.50 for Rs. 85.71 or O.S. Rs. 100 (Nominal).

Interest will be paid on the 3 per cent. Second Victory Loan 1959-61 and 2½ per cent. Hyderabad Loan 1954-59 tendered for conversion upto 30th June 1959 inclusive.

The new bonds and loan will bear interest from 1st July 1959. Interest will be payable half-yearly on 1st January and 1st July.

Subscription lists will open on 1st July 1959 and close on 3rd July 1959 or earlier without notice.

Applications for the bonds and loan will be received at:-

- Offices of the Reserve Bank of India, at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi;
- Branches of the State Bank of India at other places in India, except at the places mentioned in (c) and (d) below;
- Branches of the State Bank of Hyderabad conducting Government business and those at Nagarjunasagar and Sullu; and
- Branches of the Bank of Mysore Ltd., in the State of Mysore except at Bangalore.

For full particulars apply to any of these offices or branches or treasuries.

Around Bombay Markets

Many Shares Hit New Peaks

Thursday, Morning

THE rally in shares which began in the beginning of this month made further progress last week, taking the market back again to the last month's top, the highest point reached in the primary upward trend which has been in progress since about the middle of 1957. By about the middle of last month the market had risen by nearly 22 per cent from the January low point (the last intermediate bottom) and by about nine per cent above the 1958 high touched in September (the previous intermediate top). Then came the sharp decline and by June 2 the market had lost about one-third of the rise recorded since the middle of January.

Since the major bull phase had been in progress for a little over four months and the decline between May 14 and June 2 was the sharpest since January it lead many technical analysts to suspect that the market had probably paused for a secondary correction. But with the market back again very close to its preceding top with many shares like Bombay Dyeing, National Rayon, Century, Kohinoor, Tata Oil, National Carbon, Dunlop Rubber and Gwallor Rayon hitting new highs it seems that major bull phase has been resumed after a strong minor reaction. It is not a mere coincidence that the minor reaction ended with the end of the Ooty seminar even though it confirmed the market's worst fears.

Confounded Many

The upward trend in equities has confounded many observers. The bull market in shares emerged in 1957 immediately after Shri T T Keshnamachari's famous May Budget which was generally thought to have given a death blow to the investment market. Cotton Mill shares continued to rise despite the crisis of accumulation of stocks last year. Again when the changes in the corporate taxation proposed in the February Budget were deemed to have hit the investor hard the stock market took hardly any notice of that. It continued to push its way up. The recent seminar on planning at Ootacamund which has evoked considerable adverse com-

ment has also failed to unnerve the stock market. Surprising, isn't it? And yet the rise in equities is by no means merely speculative. For the performance of cash shares has been even more impressive than that of the speculators' favourites.

The steady increase in the demand for first class investment counters from all types of investors and the growing scarcity of floating stocks explain the spectacular rise in cash shares. A few months ago not even the most optimistic observers had expected that equity prices could rise to such heights within such a short period of time.

The recent shake-out and the subsequent impressive recovery have encouraged the hope among technical analysts that the market is likely to see much higher levels before it pauses for an important secondary correction. Quite possible. But time seems to have come when optimism needs to be tempered with caution. Carry-forward charges continue to be on the rather high side and the outside public is no longer very eager to follow the rise.

Stock Exchanges Abroad

The Reserve Bank of India's Index for variable dividend securities (all-India) which stood at 121.1 in January 1958 rose to 144.1 by September. It receded to 136.1 by the first week of January but shot up to 151.8 by about the middle of May. It had drifted lower to 148.4 by the first week of June. Since then the market has staged quite an impressive recovery.

This is a fairly good record, but the performance of Wall Street and London Stock Exchanges has been really spectacular. The Dow Jones Industrial average which made the year's low of 574.46 on February 9 touched a new all-time peak of 645.08 on June 1. Compare this with the 1958 low of 436.89.

Early this month Wall Street has had a big shake-out, with the Industrials average down from 645.08 to 617.62 on June 9. This is the third major check experienced by the market since the beginning of the current bull cycle early last year. Technical considerations apart

the present decline was touched off by developments in official monetary and financial policy. During the last few days, however, the market has staged a fairly impressive recovery with the Industrial average rising to around 627.49.

As for the London Stock Exchange, the Financial Times Index for Ordinary shares which made the year's low of 212.8 on January 30 struck a new peak of 240.7 on June 2. This reduced the gap between the average yield on the constituents of the Index and the yield on 2-1/2 per cent Consols to a mere 0.05 per cent, the smallest ever recorded. This provoked substantial selling and prices fell. The market has staged a moderate retreat recently. The lowest point recorded in 1958 was 154.4.

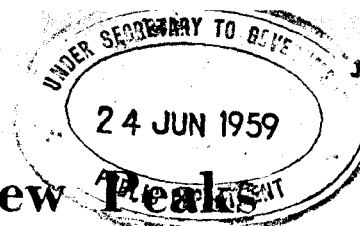
Oilseeds

Oilcakes Doing Well

THE oilseeds market had quite an unexciting time last week. While speculators' attention was focussed mainly on castor, exporters' interest centred mostly on groundnut oilcakes. Sentiment was guided more by the tone of castor futures than by the daily weather reports. That is why the market was generally subdued even though the monsoon was not making so satisfactory a progress as one would wish and the early showers had led most people to expect. But who can predict the weather?

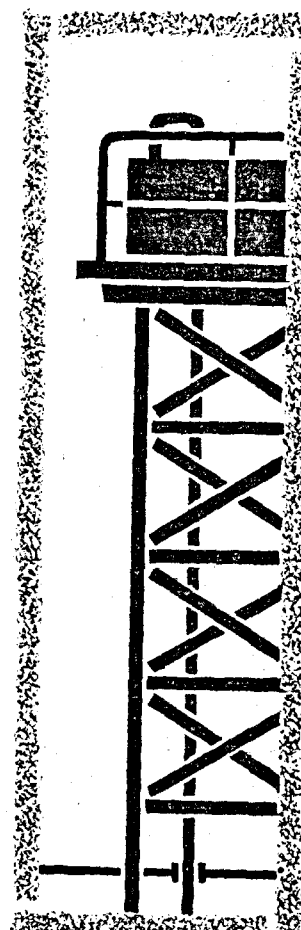
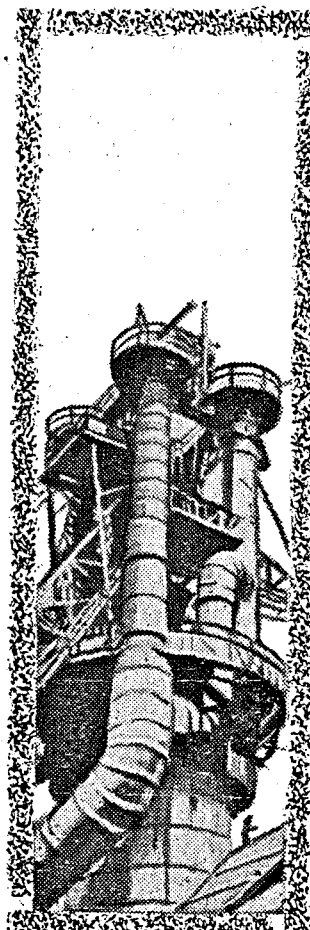
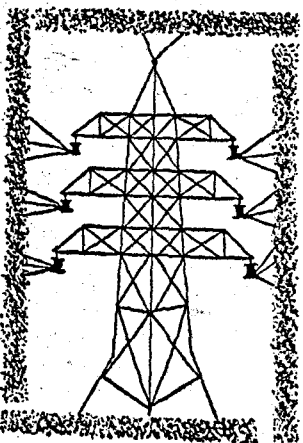
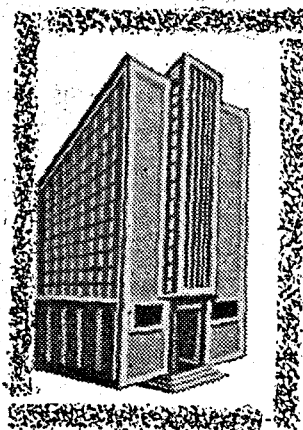
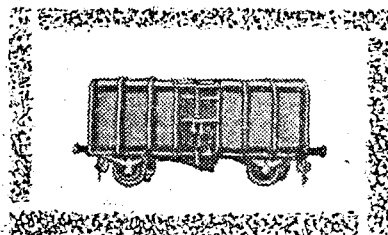
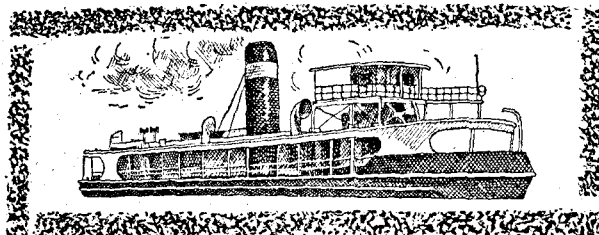
That the tone of castor futures should set the tune to the entire market only underlines the predominantly speculative character of the market. Of course that is now common knowledge and that is why the trade is so very strongly opposed to margins which have seriously affected the volume of business without in any way influencing the price curve.

Castor futures did make a new low last week but the decline was very reluctant. Sellers predominated but pressure was seldom heavy. Export houses figured as the chief buyers but that could not prevent prices from drifting lower because the outside public seemed reluctant to follow the rise in face of the con-



June 20, 1959

AIDING INDIA'S PROGRESS.



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tinued pressure of ready stocks of seeds and the lack of any fresh important export business in oil.

Castor Exporters Not Pessimistic

The recent behaviour of castor futures is interesting. Spot castor is quoted at a huge discount of Rs 6.50 per candy and current oil prices give a clear crushing parity. But the market continues to complain about the burdensome stocks of seeds and inadequate supplies of oil. The U S continues to be mentioned as a buyer of oil at around 13.75 cents per pound, Commercial, which is in parity with the current prices here. And yet export business is almost at a standstill. All that shippers had to report last week was a few hundred tons sold to the U S and some business with the Communist bloc. Speculators dominate the market which rightly belongs to the exporters in that castor oil is essentially an exportable commodity.

Exporters are not pessimistic about selling castor oil. Demand exists and Brazil is not a keen seller even for August delivery which indicates that all is not probably well with the crop there. Considering the heavy discount on the spot material and the rather reserved attitude of the overseas buyers, prospects of any marked and sustained recovery in prices here are not bright. But it is doubtful whether the market will suffer any further important break in the immediate future.

Other Seeds

Groundnuts held comparatively steadier which was partly due to the unsatisfactory progress of the monsoon and partly due to the excellent overseas demand for oilcakes. The spot material continued to fetch fancy premium. Oil was wanted by vanaspati manufacturers and extraction manufacturers were aggressive buyers in seeds. Oilcake was also sought as fertilizer. Exporters reported good business with the U K, in both extractions and expellers, business in expellers being limited only by the quotas. Prices realised from abroad were encouraging. The U K paid up to £32-15 and £34-15 per ton for extractions 50 per cent and expellers 54 per cent respectively, June shipment.

Linseeds were dull and barely

steady. The supply position is fairly comfortable and stocks of oil are reported to be quite large while off-take is rather slow. Export business in linseed oil remains at a standstill, Indian prices being considerably above the world parity. Linseed cake, however, continues to move, although very slowly. The U K paid up to £34 per ton for whatever linseed cake it took last week.

Following were the important price changes during the week to June 17 in different seeds, with figures in brackets showing the previous week-end rates: groundnut August: (Rs 200) 199.50, 198.50, 201.50, 199.25, 199.50 per candy; castor September (Rs 164.50) 164.25, 164.50, 162, 163.50 162.50, 163.87, 161.87, 162.37; cottonseed September (Rs 133.75) 134, 132, 134, 133; linseed September (Rs 34.06 per cwt) 33.87, 34.12, 33.81, 34.25, 33.81.

Shipments of oils and oilcakes from Bombay between January 1 and June 12 are as under: Groundnut H P S 5,705 tons, groundnut expellers 21,871, extractions 54,368, groundnut oil 1,209, linseed oil 1,730, linseed cake 6,380, castor oil 7,557, sesame oil 168, sesame seed 172, nigerseed 237, nigercake 397, kardi cake 100 and mowra cake 182 tons.

Cotton

Further Down

COTTON futures suffered a further decline last week, with Jarilla August down again to its lowest rate of Rs 682 touched on March 26, the day the contract came into being. Fluctuations during the week were erratic. After being bid up to Rs 690 on June 11 the August contract declined to Rs 682 on June 13 (kerb dealings). It moved irregularly up to Rs 690.75 by June 16 but only to decline again to Rs 682 the next day.

Intermittent rallies were caused essentially by short covering and some bull support induced mainly by technical corrections. The bright weather also aided sentiment. But confidence to follow the rise was completely lacking. Not only that. Up-country traders pressed sales whenever prices staged a recovery. This reflects the change in psychology with the beginning of the monsoon season.

Most of the good quality cottons still continue to command huge pre-

mium on the ceiling rates due to the scarcity of supplies. But mills are now trying to keep off the market, restricting their purchases to the barest minimum. Cloth off-take has declined recently because of the seasonal factor but the overall textile news continues to be encouraging. Stocks of cloth at the end of May are reported to be at 3.78 lakh bales, a record low for many months, despite the decline in exports and satisfactory cloth output. Few observers have any doubts about the tight supply position of raw cotton. And yet confidence in higher levels for cotton futures is at a low ebb. The market is depressed even though the progress of the monsoon is by no means very satisfactory.

Exporters did not report any important business last week. Overseas inquiries centred mainly on zoda and yellow pickings. Bengals also attracted some attention. Liverpool and the Continent were mentioned as the chief buyers. Shipments of cotton from Bombay between September 1 and May 30 totalled 2,88,771 bales against 1,74,978 bales in the corresponding period last season. Japan occupied the first place among the buyers by taking 1,99,135 bales. Hong Kong came next with 40,276 bales to be followed by the Continent (25,686), U K (8,131), China (6,886), U S (6,045) and others 2,612 bales.

New Contract

Hedge trading in the new crop cotton contract is likely to start next week. June 21 is said to be the auspicious day. The Forward Markets Commission's sanction is merely a formality because the East India Cotton Association has made very few changes in the existing contract. The important changes are: (1) the basic staple length of Madhya Pradesh Jarilla, Bombay State Jarilla, Khandesh Virnar 197/3 and Westerns has been increased by 1/32" to 13/16" tenderable up to 7/8" as against 27/32" hitherto; (2) the basic staple length of Bhuri American has been raised from 27/32" to 29/32" tenderable up to 31/32"; (3) the basic staple length of Dholleras has been reduced by 1/32" to 3/4" but with the proviso "without tolerance".

The raising of the basic staple lengths is welcome in that the long-term policy must be one of increas-

ingly higher standard as an incentive to growers and processors to offer progressively better qualities. The need for growing superior qualities of cottons can scarcely be over-emphasised. To ensure this the standard for hedge contracts and their tenderable quality should be made fairly high both for grade and staple.

Basis Fictitious

Unfortunately the very structure of the present hedge contract is basically defective. The adoption of Mog'lai Jarilla fine 25/32" is fictitious or notional since very little cotton of this description is available. It is hardly more than one lakh bales. The Mog'lai crop is much too small in relation to the quantitative coverage of the contract and to throw on this quality the burden of acting as the determinant of tendering differences defeats the very purpose of amending by-law 55. It is widely thought that the narrow basis and lower standards of quality of the hedge contract have artificially weakened the intrinsic value of cotton and tended to lower quality by encouraging mixing of longer with shorter staple cotton over the past few years.

That futures should continue to be out of line with the trend in the spot market is a serious reflection on the nature of the hedge contract. Such a contract fails to discharge its basic function of insurance against price fluctuations. If a hedge contract is really sound and broad-based investors even outside the cotton trade will be attracted to carry cotton which will tend to minimise the carrying charges. If the contract is what it is, it is mainly because the authorities want to give the contract a bearish character. The feeling is abroad that on'y such a contract can survive under the Forward Markets Commission's regime. It is regrettable if that is so.

The system of super-appeals is to be continued. This reduces the value of having sworn surveyors to nonsense. The sworn surveyors are experts in the line and they have no stake in the market. To have a group of representatives of the trade to sit in judgment over the decisions of the sworn surveyors seems ridiculous. This is where market politics comes in.

Money

New Loans

CONDITIONS in the short-term money market are now extremely comfortable. Lenders abound. Exchange and bigger Indian banks are able to satisfy most of their requirements of inter-bank call money at 3-1/4 per cent with a few transactions taking place even at 3 per cent. The treasury bill rate last week declined to 2.764 per cent. In the circumstances the announcement of the new Central loans is not the least surprising.

There are only two loans this time, the 3-1/2 per cent 1969 issued at Rs 98.85 and 4 per cent 1979 at par. The total amount is Rs 175 crores. The 3 per cent 1959-61 (Rs 113.65 crores of which about 70 per cent is with the Reserve Bank) and the 2-1/2 per cent Hyderabad loan (not exceeding a few crores perhaps) are allowed to be offered for conversion.

The Centre has done well in avoiding a short-dated issue. We have too many of them. The flotation of a 20-year loan is particularly welcome because it will help diversify the investors' portfolio and the advantages of long-term borrowing to the Government are obvious. The loans will sell in the usual way, about 70 per cent being taken up by the market and the rest by the Reserve Bank to be sold on tap. The long-dated loan will take time to sell because funds with the Life Insurance Corporation and provident fund account will accumulate only gradually. Banks are unlikely to take much interest in the long-dated issue.

In asking for only Rs 175 crores against a budgeted figure of Rs 225 crores it is apparent that the Government has chosen to toe a cautious line. The ten-year loan will be popular with banks but their position this year is not quite so comfortable as it was last year because their investments in Government Securities already amount to 37.32 per cent of their total deposits. And the prospects of a ready absorption of a long-term loan are yet to be tested. The Government is likely to come out with another loan for Rs 40 to Rs 50 crores after taking into account the response to the new loans and the general conditions in the money market.

In the absence of any new short-dated loan in this year's borrowing programme prices of short-dated loans have risen by 10 nP to 15 nP over the past few days. Medium-dated issues too have hardened. But long-dated loans have turned a little quiet because the terms of the new 20-year loan compare favourably with the existing long-dated loans.

Bullion

Handsome Gains

BULLION prices recorded handsome gains last week. Gold Jeth rose from Rs 119 to Rs 121-7 and finished a little lower at Rs 121-2½. Silver Jeth improved from Rs 192-14 to Rs 195-12 and closed at Rs 195. The rise was due more to sustained bull support than to bear covering. Bulls continue to dominate the market despite the slack season. Backwardation charges in gold Jeth settlement rose from Rs 1-12 to Rs 2-12, indicating a tight bull grip. Even Shravan delivery in gold is quoted at a big discount of 12 annas below the Ashad rate.

Bulls are able to command the market and extract exorbitant "budlars" despite the slack season now and ahead because floating stocks in both the metals are small and prospects of fresh large supplies are rated low. Smuggling activity in gold has dwindled appreciably and the flow of Chinese dollars has virtually dried up because the Indo-Tibetan trade is at a standstill.

Sentiment in bullion has also been helped by persistent rumours that the Government is considering some early measures to attract hoards of precious metals. It is said that spot business in gold and silver might soon be regulated through licences. This reform is long overdue.

Iron Ore in Andhra Pradesh

AN estimated reserve of 300,000 tons of iron ore have been recorded by the Geological Survey of India in Andhra Pradesh.

The deposits have been located in Chabali, Pagadalapalle, Yerragontlakota, Rajampet, Pendimarril and Mantapampalle in Cuddappa district of the State.

A total quantity of 430 million tons of iron ore reserves have so far been estimated in the State by the Geological Survey of India.

Company Notes

ASHOK LEYLAND EXPANDS

THE only producer of goods trucks designed to carry 12 tons gross weight, Ashok Leyland, continues to expand its manufacturing programme. During the year ended December 31, 1958, it invested Rs 68 lakhs in buildings and plant, making a total of nearly Rs 130 lakhs in three years. The company has been licensed to add Leyland Tiger and Titan chassis to its manufacturing programme and has now applied for a license to produce the industrial versions of the three Leyland diesel engines which it manufactures for vehicles at present. It is hoped that 75 per cent of the Comet chassis including its engine, and also the 600 and 680 type engines for Tiger and Titan chassis will be indigenously manufactured by the end of 1960.

This is a formidable task in relation to the amount of foreign exchange available for allotment to the automobile industry. During the last accounting year, for example, the output of chassis could have been increased three-fold, but difficulties in securing adequate foreign exchange made it impossible to satisfy demand in full.

Ashok Leyland, however, has one advantage not available to other automobile manufacturers, and that is the active participation of Leyland Motors of Britain in financing the expansion programme and its import content. Only some months back, in fact, Leylands offered to increase their share in Ashok Leyland's equity capital to 55 per cent but ultimately accepted 49 per cent, perhaps on Government persuasion. Successive allotments of shares to Leyland since July last year have raised its participation towards this level which has nearly been achieved by now. Ashok Leyland, therefore, is relatively better placed in the race towards self-sufficiency—even though it is a few lengths behind Tata-Mercedes-Benz.

The company is preparing itself for the tasks that lie ahead. Training schemes for workmen have been augmented. 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. One of the constituents of the Leyland

Group is advising the company on this project. If this project goes through, it may be a welcome development in the direction of pooling of resources by the automobile industry.

In his speech from the Chair, Sir Ramaswamy Mudaliar, has again referred to the irksome restrictions still imposed in some States on the full load capacity of Comet vehicles on the basis of gross laden weight rather than axle weight, as recommended by the Indian Roads Congress long ago. The company is continuing its efforts to get these restrictions removed in the interests of full utilisation of Comet carrying capacity.

Though Ashok Leyland started as a partnership of Leylands with the Murugappa Chettiar interests, Birlas now constitute the largest single Indian group of shareholders. A year ago, they held about 15 per cent of the total equity and were reported to be prepared to take up a still larger share. Substantial allotments to Leylands since last July, however, have reduced their participation as percentage of the total shares.

JYOTI

WITH the crossing of the Rs 1-crore mark in sales turnover, and helped by the rights issue last year, Jyoti Ltd has ceased to be a subsidiary of Alembic Chemical and thus embarked on an independent career. Sales during the year ended December 31, 1958 improved to Rs 1.11 crores from Rs 91.68 lakhs, but gross profit margin came down from 11.8 per cent to 10.5 per cent. After tax provision of Rs 6.30 lakhs against Rs 6 lakhs, net profits are higher at Rs 5.38 lakhs against Rs 4.83 lakhs. Owing to increase in net worth and bank loans, however, the earning ratios show a decline. Net earning on total capital employed has come down from 10.5 per cent to 8.7 per cent, on net worth from 21.2 per cent to 14.7 per cent, and per ordinary share of Rs 100 from Rs 24.13 to Rs 17.94. The company's profits have, thus, not kept pace with the increase in resources. Dividend has been maintained at Rs 12. It is difficult to understand how at this rate of dividend the proposed allocation from the appropriation account should be

only Rs 3.04 lakhs when it should be Rs 3.60 lakhs.

Despite an increase of Rs 14 lakhs in net worth, the net working capital, i.e., total current assets less current and short liabilities, has improved only slightly from Rs 7 lakhs to Rs 8.8 lakhs. Most of the increase in current assets during the year has taken place under raw materials inventory and short credits. Net fixed assets have gone up from Rs 24 lakhs to Rs 36 lakhs, of which about one-fifth is accounted for by net appreciation on revaluation; the latter is being written off against the capital reserve.

The Directors' Report is silent on the response to the rights issue during the accounting year and the progress of the expanded manufacturing programme. The Report is in fact too brief for a company which is no longer a mere subsidiary.

Ordnance Factories to Begin Manufacture of Military Vehicles

THE Ordnance Factories under the Ministry of Defence will soon start manufacturing military trucks in collaboration with Messrs M A N, a German firm.

The multiplicity of types of military vehicles at present in use, which has been due to purchases from different manufacturers in the open market, in order to keep up competition, made the Defence Services' problem of maintenance difficult. It was with a view to standardising these vehicles that the Ministry decided to undertake their manufacture in the defence establishments.

Though some of the components of the body and engine of the new truck, to be called "Shaktiman", are proposed to be produced at the Machine-tool Proto-type Factory, Ambarnath, and the Ordnance Factories at Kanpur and Moradnagar, the main burden will be borne by the Gun Carriage Factory, which will contribute the major share of indigenous content.

The Ordnance Factories have already launched on a project for the production of tractors with assistance from Messrs Komatsu Manufacturing Co of Japan.

CURRENT STATISTICS

BANKING RETURNS				
Reserve Bank	Latest Week†	Week Ago	Month Ago	Year Ago
1. Note circulation	1753.79	1755.43	1765.98	1604.99
2. Rupee Coin	123.13	127.83	129.40	129.0
3. Deposits				
Central				
Government's	52.56	53.04	52.97	51.42
Other				
Governments'	9.93	13.17	9.73	13.36
Banks'	72.67	74.02	72.32	81.09
Others'	119.49	119.92	118.72	113.17
4. Foreign Securities	178.01	178.01	178.01	209.68
5. Balances held abroad	18.01	19.91	24.61	23.61
6. Rupee Securities	1345.76	1345.77	1360.77	1167.56
7. Investments	237.55	238.32	244.33	262.45
8. Loans and advances to Governments	31.53	32.22	43.52	50.33
9. Other loans and advances	59.77	63.20	74.79	66.80
Scheduled Banks				
1. Demand liabilities (net)	712.92	720.77	710.59	727.50
2. Time Liabilities (net)	987.31	986.03	971.61	767.71
3. Cash	114.57	113.74	109.14	113.66
4. Borrowings from Reserve Bank of which against Usance Bills	9.52	10.52	40.54	17.29
5. Advances & Bills (inland & foreign) discounted of which State Bank's	191.41	198.15	204.20	192.97
6. Invest. in Govt. Sec. of which State Bank's	634.54	635.10	633.62	483.76
Cheque Clearance	151.13	157.09	157.51	133.14
For Reserve Bank and Cheque Clearance week ended 12-6-59. Scheduled Banks week ended 5-6-59.				
Bombay Money Rates (per cent per annum)				
Call Money	5-6-59	29-5-59	8-5-59	6-6-58
From banks	3-1/2-3-1/2	3-1/2	3-1/2-3-1/2	3-4-1/2
From public	3-3/4	3-3/4	2-1/2-3-1/2	—
Three Months	2-1/2-4	3-4	3-4	2-1/2-4-1/2
Six Months	2-4	2-4	2-4	2-4-1/2
Bombay Bullion (In Rupees and nP)				
	17-6-59	Week Ago	Month Ago	Year Ago
Gold (per fine tola)				
Spot	121.19	120.25	118.56	108.25
Forward	121.15	119.00	118.56	107.62
Silver (per 100 tolas)				
Spot	195.37	193.87	194.00	185.00
Forward	195.00	192.87	193.45	185.81

INDEX NUMBER OF WHOLESALE PRICES				
(Base : 1952-53=100)				
Group and Sub-Group	WEEK ENDED			
	30-5-59	23-5-59	2-5-59	31-5-58
Food Articles	116.9	117.2	113.5	108.7
Cereals	100.3	99.6	97.5	101.0
Pulses	97.2	97.4	90.2	84.1
Fruits & Veg.	125.7	127.2	129.7	110.6
Milk and Ghee	114.4	115.3	114.4	107.8
Edible Oils	131.5	131.5	128.9	120.0
Fish, Eggs & Meat	107.6	107.1	104.5	107.0
Sugar & Gur	143.5	149.9	132.1	120.1
Others	156.2	158.5	156.5	138.4
Liquor and Tobacco	96.5	100.0	98.3	91.5
Tobacco	84.8	93.5	96.7	89.7
Fuel, Power, Light & Lubricants	116.4	116.4	116.2	115.5
Industrial Raw Materials	120.3	120.1	118.1	113.6
Fibres	109.4	109.7	109.0	109.7
Oilseeds	135.8	135.4	130.8	119.3
Minerals	103.6	103.6	100.6	107.3
Others	112.7	112.3	112.8	110.7
Manufactures	108.6	108.3	107.9	107.5
Intermediate Products	103.5	103.5	103.4	103.2
Finished Products	108.6	108.3	107.8	107.4
Textiles	103.2	103.0	102.3	104.4
Cotton	111.9	111.6	110.6	113.6
Jute	84.7	84.8	84.2	86.7
Woollen	104.2	104.2	104.2	104.9
Silk & Rayon	95.5	95.5	95.5	92.0
Metal Products	143.3	143.3	143.3	143.0
Chemicals	108.6	107.5	107.1	100.3
Oilcakes	141.2	140.4	138.8	120.0
Machinery and Trans Equipment	106.1	106.1	106.1	103.0
Others	113.2	112.9	112.9	113.7
All Commodities	114.6	114.7	112.4	109.0

CALCUTTA TEA AUCTIONS			
1958-59		1957-58	
June 1 to April 20		June 1 to April 28	
Packages (nos)	Avg Price Per lb (Rs)	Packages (nos)	Avg Price Per lb (Rs)
For Export :			
Assam	1,086,708	2.29	1,066,541
Cachar	236,087	1.76	195,482
Darjeeling	153,516	3.29	147,661
Dooars	593,975	1.87	593,200
Terai	97,904	1.82	92,943
Tripura	27,810	1.70	25,564
Other Districts	771	1.84	1,189
Total	2,196,771	2.15	2,127,580
For Consumption in India*			
Dusts	820,860	1.99	781,104
of which:			
Assam	561,809	2.06	508,366
Cachar	61,674	1.76	49,521
Darjeeling	8,619	2.15	10,171
Dooars	171,711	1.80	190,952
Terai	12,663	1.77	16,990
Other Grades	74,955	1.55	106,171
of which:			
Assam	48,574	1.52	65,951
Cachar	4,789	1.41	5,708
Darjeeling	2,796	2.45	6,299
Dooars	14,249	1.49	20,671
Terai	1,233	1.46	2,524

*June 1 to May 13.
Source: Department of Commercial Intelligence and Statistics, Calcutta.

JUTE STATISTICS

(1958-59)				
	April	Mar	Feb	July-April
Production ('000 tons)				
Hessian	38.1	38.1	36.9	368.9
Sacking	37.9	37.2	39.5	435.9
Others	8.4	8.0	7.2	66.2
Total	84.4	83.3	83.6	871.0
" in corresponding months :				
1957-58	88.0	86.3	85.3	878.9
1956-57	86.8	84.7	80.2	857.8
Stocks ('000 tons)				
Hessian	19.6	17.0	15.5	—
Sacking	67.8	72.6	79.9	—
Others	17.6	17.2	15.4	—
Total	105.0	106.8	110.8	—
" at the end of the corresponding months :				
1957-58	97.5	94.3	94.9	—
1956-57	104.2	97.7	97.4	—
Despatches :† ('000 tons)				
Hessian	35.4	36.6	38.2	381.1
Sacking	42.4	44.7	41.6	457.8
Others	7.3	5.5	5.7	57.0
Total	85.1	86.8	85.5	895.9
" in corresponding months :				
1957-58	83.9	86.0	85.8	891.3
1956-57	79.0	84.0	86.0	876.0
Raw Jute Consumption : (lakh bales)				
1958-59	4.96	4.92	4.90	50.45
1957-58	5.18	5.15	4.98	51.22
IJMA Mills' Purchase of Raw Jute ('000 bales)				
Pakistani	Nil	9	8	133
In corresponding months :				
1957-58	56	47	20	510
1956-57	31	23	30	392
Indian				
1957-58	365	476	536	57.45
In corresponding months :				
1957-58	379	470	480	50.77
1956-57	402	306	440	49.81

†Includes despatches for exports and sales for internal consumption.

Source : Indian Jute Mills Association

FOREIGN TRADE OF INDIA

(Merchandise Value, Rs lakhs)				
Year/Month	Imports	Exports*	+ or -	
1956	808.73	613.46	—195.27	
1957	1,025.82	642.85	—382.97	
1958	797.62	587.18	—210.43	
1957 Mar	79.41	53.94	—25.47	
Apr	89.40	47.85	—41.55	
May	85.38	52.83	—32.55	
June	86.23	48.34	—37.89	
July	81.13	55.79	—25.34	
Aug	80.98	60.25	—20.73	
Sept	83.29	61.55	—21.74	
Oct	73.07	53.64	—19.43	
Nov	78.18	59.02	—19.16	
Dec	66.58	54.59	—11.99	
1958 Jan	66.05	55.27	—10.78	
Feb	66.21	54.44	—11.77	
Mar	70.56	46.73	—23.83	
Apr	60.00	41.73	—18.27	
May	63.24	44.71	—18.53	
June	63.93	28.12	—35.81	
July	66.79	54.31	—12.48	
Aug	55.92	49.91	—6.01	
Sept	58.60	59.02	+ 0.42	
Oct	56.99	56.10	—0.89	
Nov	68.65	49.57	—19.08	
Dec	85.75	52.40	—33.35	
1959 Jan	66.58	45.34	—21.24	
Feb	59.79	42.90	—16.89	
Mar	65.61	47.22	—18.39	
April	80.42	45.14	—35.28	

* Including re-exports

Source : D C I S, Calcutta

COAL PRODUCTION AND DISTRIBUTION

(Monthly Average or Calendar Months) ('000 tons)

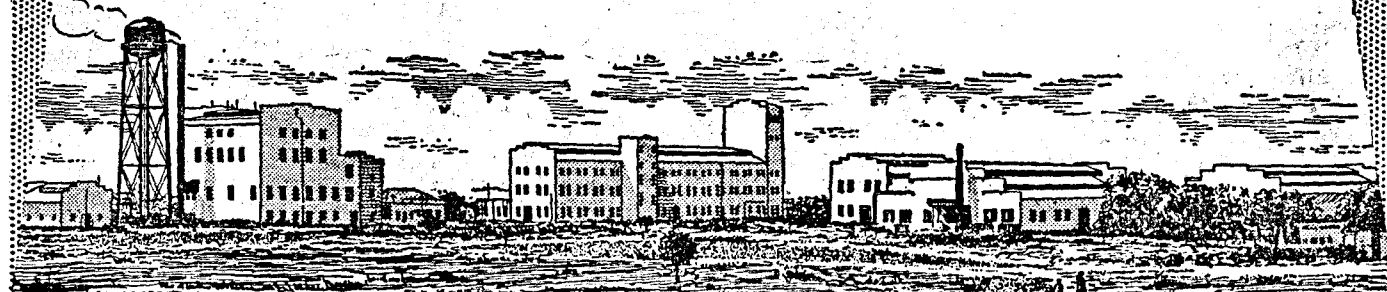
	Raisings	Despatches	Stock at Pit heads*
1955	3,185	2,745	3,617
1956	3,286	2,913	2,760
1957	3,625	3,140	3,270
1957 : Jan	3,627	3,136	2,780
Feb	3,518	2,851	3,029
Mar	3,653	3,249	3,000
April	3,726	3,184	3,087
May	3,794	3,187	3,245
June	3,330	2,915	3,252
July	3,296	3,045	3,065
Aug	3,376	3,239	2,780
Sept	3,647	3,227	2,755
Oct	3,555	3,323	2,539
Nov	3,929	3,164	2,834
Dec	4,050	3,164	3,279
1958 : Jan	3,947	3,326	3,418
Feb	3,712	3,063	3,655
Mar	3,701	3,354	3,522
April	3,802	3,432	3,422
May	3,893	3,380	3,464
June	3,563	3,115	3,452
July	3,749	3,368	3,357
Aug	3,539	3,478	2,921
Sept	3,848	3,475	2,907
Oct	3,747	3,474	2,682
Nov	3,677	3,364	2,572
Dec	4,131	3,486	—
Jan	4,062	3,426	—
Feb	3,921	3,095	—
Mar	3,919	3,471	—

*At or about the end of each period.—= not available.

Sources: DCIS, Calcutta, and Central Statistical Organisation, New Delhi.

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The Economic Weekly

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Tibet Closes the Door

TWO months of discreet silence were shattered to bits last Saturday when the Dalai Lama walked genially across the lawns of Birla House in Mussoorie and dropped the biggest number of political bombshells of which he was capable. There was no equivocation, no circumspection, no reservation in the statements he made. Everything was definite, firm, final. What sort of a settlement did he want over Tibet? Nothing short of complete independence and sovereignty—and not only for Tibet as it now is, but for "Greater Tibet", which would comprise all the area where any people of Tibetan stock lived, and would include at least two of the regions acknowledged so far to be Chinese. Wasn't that going far beyond the scope of the 1954 Sino-Tibetan Treaty? Yes it was; but the Treaty was imposed on unwilling Tibetans at the point of a gun. Had the Chinese violated the Treaty? Like hell, they had. Indeed, never did they have the slightest intention of honouring it. Even the seal on it which was supposed to be Tibetan, was not Tibetan. It was manufactured in Peking, and forged on to the document.

What was the truth in the apparently wild reports of a Tibetan massacre by China? The truth was worse than the wildest report. More than 65,000 Tibetans had been killed off during the revolt alone. He had documentary evidence of the atrocities Peking had committed, and was prepared to put it before any international commission of inquiry. What of the Panchen Lama? The Panchen Lama was a stooge of the Mao regime. Did the Tibetans, then, have no rightful Government at present? They did. He, the Dalai Lama, and his ministers were the only rightful government; and wherever they were, there was the seat of government. Did he intend to invoke the assistance of the United Nations? He intended to do more; he intended to apply for its membership. What did he think China really wanted to do with Tibet? It wanted to incorporate it into China, and was in fact settling millions of Chinese in Tibetan territory with the express purpose of furthering this scheme.

The remarkable thing is that, after firing all these salvos, the Dalai Lama went on to express approval of the idea that Shri Nehru should have a meeting with Mr Chou En-lai with the intention of persuading him to create the conditions for the restoration of Tibetan autonomy, and the return of the Dalai Lama. The cautious silence he had maintained until now had given some hope that negotiations of this nature could perhaps some day be opened with Peking when the air had cleared up a bit and tempers on all sides had cooled off. But now, with this caution irrevocably broken, what chance is there of any useful meeting with Peking?

The conclusion to be drawn from all this is that the Dalai Lama had already despaired of a negotiated settlement when he made his announcements to the press last Saturday. The support for a possible Nehru-Chou meeting was nothing more than a political frill; it is doubtful if the Dalai Lama seriously believes that such a meeting could yield any useful results at this juncture. Once that impression is taken for granted (and, apparently, India and China had two months in which to do something to disprove it), then the rest follows quite naturally. If Peking will not negotiate, obviously Tibet must make up its mind to

ize methods of spacing by means of natural and appliance methods . is still vital. If it is successful, the need for sterilization will be obviated and the attendant doubts it arouses about the wisdom of using such a measure on a mass basis will be irrelevant. If the spacing campaign is not successful, one would surmise that an intensive drive for surgery would not be either. It is the concept of fertility control that must be sold, with every possible method advocated, if the growth of numbers is to be brought under control.

It is well to contemplate the specificity of the above proposals, especially since the estimates are not based on real information. There

[illegible]

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Weekly Notes

National Transport Policy

NOTHING like a national transport policy has emerged yet. True, the Masani Committee on Road Transport Reorganisation considered a number of questions of wide import which drew the comment from one of its own members that its recommendations were outside its terms of reference. But even these recommendations were biased, the view point from which the Committee naturally looked at the problem of transport policy was narrow. What the Committee succeeded in doing, however, was in drawing attention to the importance of a national transport policy and in setting out some of the basic elements of such a policy.

At its inaugural meeting in Delhi this week, the Transport Development Council endorsed a proposal of the Transport Ministry for setting up a high level committee for laying down a long-term national policy for the development of all forms of transport in the country. The attitude of any committee that is set up will depend very much, unfortunately, on its composition, particularly if representation is given on the committee to particular interests in the transport sector. If the different interests are all given representation, the result will be a number of reports, each representing the case which has long been put forward by that particular interest.

In his opening remarks to the Council, the Minister for Transport and Communications, Shri S K Patil, denied that there was any controversy between his Ministry and the Railway Ministry over the composition of the proposed committee. That he had to deny the existence of such a controversy is itself a pointer to the importance of the composition of this committee in the light of the circumstances that prevail today in the world of transport. It would be best if the committee consisted primarily of independent economists and publicmen, who could bring a fresh mind to bear on the questions that they would have to consider, but including some economists at least who had devoted some thought to the problems of transport policy.

Apart from laying down a long-term national policy, the committee, it is reported, will be asked to examine "the respective roles of the various means of transport during the next five or ten years". A national transport policy will naturally have to take into consideration the prevailing pattern of transport development in the country, but this will clearly become of diminishing importance as the time span is extended. The railways, for instance, always rest their case on the volume of investment that has already been made in the railway system. This of course cannot be neglected in considering policy for the next five or ten years, but it cannot obviously be made a justification for the perpetuation of an unsatisfactory transport situation, if it can be otherwise shown that extensive railway development in the future is not in the wider interests of the country. In looking far into the future, however, a committee of this kind would have to contend with many imponderables, with possibilities of economic and technological change which it could hardly foresee clearly!

L I C Declares Bonus

THE Life Insurance Corporation has at last settled down to normal business reporting. The publication of its Statutory Report has now been followed by the release of its actuarial valuation as at December 31, 1957. The Act which set up the Corporation required it to carry out a valuation every two years. The first valuation of the Corporation covers the two years 1956 and 1957, and, therefore, includes the 245 insurers whose controlled business was taken

over by the Corporation only in September, 1956. The valuation discloses an income over the two years of Rs 249 crores and an outgo of Rs 164 crores; the excess of income over outgo, representing increase in Life Fund, thus, amounts to Rs 83 crores. The Life Fund stood at Rs 410 crores at the end of 1957. The Chief Actuary, Shri A Rajagopalan, values the Corporation's liability at Rs 383 crores, leaving a surplus of Rs 27 crores. After tax adjustments, the net profit works out to Rs 29 crores.

The basis of this valuation is perhaps more conservative than it need have been. Mortality risk has been calculated on the Oriental (1925-35) Ultimate Mortality Table, though mortality experience in recent years has been less than half of that expected in the Oriental Table. Again, the rate of interest for valuation has been taken at 3.125 per cent though the actual net rate of interest earned during the period was around 3.75 per cent. Before nationalisation, several leading insurers had done their valuation on the basis of rates of interest varying from 2.75 to 3 per cent. The rise in the level of interest rates since then, however, justifies the adoption of a more favourable rate. Moreover, the provision made for expenses is rather excessive, on account of the high initial costs which the Corporation had to bear during its first two years. Since expense ratios are likely to decline in future, an adequate margin for future profits has been provided.

Under Section 28 of the Life Insurance Corporation Act, the Government as shareholder is entitled to a maximum of 5 per cent of the

net surplus, which is substantially lower than the 7½ per cent that was allowed to shareholders of privately owned insurance companies. The policyholders' share in the net profit over these two years is sufficient to declare a bonus of Rs 14 per thousand per year on endowment, and Rs 17½ per thousand per year on whole life, with-profit policies. Provision has been made for differential bonuses to policyholders of former insurers. The basic rate of bonus is somewhat lower than was expected in some quarters but may, nevertheless, be considered satisfactory in view of the need to strengthen the valuation basis of the Corporation to the maximum possible extent. About 80 per cent of the life business of the Corporation is under with-profit policies, which entail an additional payment of about Rs 7 to 9 per year per thousand compared to without-profit policies. It may be recalled that after the Mundhra scandal, suggestions had been made in many quarters that the Corporation should issue without-profit policies only.

The bonus declared by the Corporation is equal to the bonus declared by 86 former insurers, higher than that declared by 67 and lower than that of 75 former insurers. While the policyholders of several former British controlled insurance companies may complain about the raw deal they have received at the hands of the Corporation, there is no doubt that most policyholders stand to gain. Not only is the bonus reasonably good, future bonuses are secure under L I C. It is true the present bonus is perhaps the lowest which the actuarial concept of fairness would allow. One has also to remember that L I C's premium rates are about Rs 5 per year per thousand lower than those of Oriental Life in 1953.

Situation in Kerala

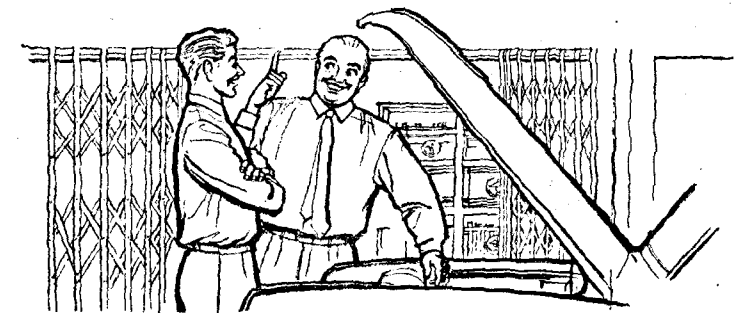
A CORRESPONDENT writes from Trichur: What is happening here in Kerala is almost unbelievable. One reads the newspapers and gets the impression that the whole place is aflame. But here in Trichur—and this is supposed to be one of the centres of this mass upsurge—there is hardly anything happening. A small number of volunteers picket the Collector's office—on what logic the Collector's office, it is difficult to understand—and they are arrested and taken

away. After the recent firings, even the local Catholics who are well-stocked with 'sword-sticks' (these are long sticks, sharply pointed at one end, which are used for sticking flags in demonstrations, and for other purposes if there is trouble!) and the like are a little afraid of starting trouble.

The depths to which the Congress leadership here has sunk is also incredible. They are associated with the picketing of schools, of collectorates and everything else that they are not supposed to be associated with. And now they are accusing the Governor of having fallen a prey to the malicious propaganda of the Communists! Reproduced below is a letter to the Editor, from the Indian Express of June 19, which

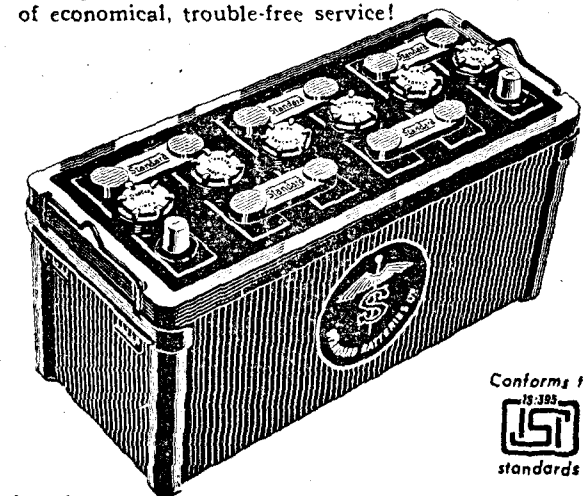
appeared under the caption, 'Non-violent?':-

"On June 16, at Neyyattinkara, 12 miles south of Trivandrum, the Government High School opened with 52 per cent of the pupils present, though from 9-15 a.m. an Opposition picketer was lying across the front entrance. He was surrounded by a mob shouting anti-government slogans and exhorting pupils inside to go out. At 9-45 a.m. the police removed the picketer, but immediately the mob rushed into the compound chasing and assaulting the pupils who had refused to go out. The girls' sections were quickly closed. Soon the police drove out the intruders by a show of force. Two boys, slightly hurt in the rush, were sent home.



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Special Number 1959

The Special Number of *The Economic Weekly* will be out on July 18. It will contain a minimum of 150 pages bound in art cover and will be priced at Rs 2=50.

In view of the above Special Number, there will be no weekly issues on July 11 and 25.

Contributions intended for this Number should reach this office by July 4 at the latest. All advertisement materials for space booked should be handed in by July 6.

Non-subscribers and agents are requested to order their copies in advance in order to avoid disappointment.

Business Manager

"Within a few seconds of this, the mob poured into the primary section of the school in the adjacent compound, pelted the class rooms with stones, hurting some children and coerced all the children to leave the school. Teachers who dared to plead for the frightened children got stone-hits and violent abuse. An ex-minister (Congress) was present on the spot.

"Such is the 'non-violent and constitutional' struggle!

—Thomas John, Headmaster, Government High School, Neyyattinkara."

This side of the story is being completely blacked out in the newspapers. The name and address of the man is given, as also the full details of the case. Why not ask the Congress President to make an investigation at least into this case before making her pronouncements about the innocence of the Congress?

No one can be very happy about the way things are going on in Kerala. The Communists have not proved any better than the Congress in tackling mass discontent, genuine or artificially engineered. If they are so sure of popular support, why this shooting, instead of hose pipes; police methods instead of political techniques for dealing with opposition? But whether the Communists get crushed or not, it is distressing that the Congress, of all parties, should be striking at the very roots of ordered change in India. The Communists are the gainers either way: if the movement fails their prestige goes up; if the movement succeeds, the whole basis of their old faith in violent and unconstitutional methods is vindicated. Perhaps we were foolish in believing that peaceful social change was possible in India. In any case, one is reluctant to accept all the implications of violence and unconstitutional action. People who believe in certain goals but have also some scruples about the way in which they are achieved, will soon be forced to go the whole hog and accept the path of violence. And then what happens to our spiritual values, of our aspiration to build up a society free from want, greed and inequality, a society governed by the consent of the people and progressing towards all those aims which other nations have neglected or failed to achieve?

Letter to the Editor

Investment Corporation

OUR attention has been drawn to a report on our Corporation in your issue of 30-5-59 under "Company Note." You have stated therein as follows:-

"Loans to the tune of Rs 24 lacs are considered doubtful and have been written off. Last year, too, the Corporation has written off nearly Rs 29 lacs under this head. While the Corporation's

capital loss in the value of its investments is understandable, it is difficult to appreciate that, given its size and the quality of Tata management, it should have entered into commitments which have now compelled it to write off loans to the extent of Rs 53 lacs out of Rs 99 lacs advanced in the course of 2 years."

We have to inform you that your above statement is not correct. Only provision for doubtful debts has been made. Whilst as at 30-6-1957

a sum of Rs 28,74,000 was considered doubtful and provision was made for the same, for the year 1958, the loans considered doubtful were reduced to Rs 24,19,000 and provision was made for the same and a sum of Rs 4,55,000 has been transferred back to General Reserve. Please note that these loans are not bad but only doubtful and have not been written off.

We are bringing this to your notice because your statement that a sum of Rs 53 lacs is written off is misleading.

J N Patuck

The Investment Corporation of India Limited.

Ewart House,
Bruce Street,
Bombay 1.
June 15.

[We are grateful to the Investment Corporation of India for drawing attention to the mistake in using the term 'write off' when in fact only a provision for doubtful debts had been made. However, the fact still remains that the Corporation entered into loan commitments, around one-half of which are considered doubtful, in two consecutive years.—Ed.]

Our Delhi Letter

Nehru's Task in Kerala

MATTERS are fast coming to a head in Kerala. Whether or not the current crisis will culminate in tragedy will depend largely on how the Congress High Command thinks and acts in the next few days. While the Congress Parliamentary Committee is yet to meet to discuss the Kerala situation, it is reliably learnt that there is some sharp difference of opinion among top Congress leaders here with regard to the Kerala agitation in general and the role of the State Congress in it in particular. One influential group, it is understood, has been consistently pressing for the adoption of a "tough" line towards the Kerala Government. This group is reported to be opposed to any move to advise the KPCC to withdraw from the "Direct Action" or to default on its commitments with the ridiculously-named Vimochana Samara Samiti ("Liberation Struggle Front"). It is said to have urged the Kerala Congress to "go all out" to dislodge the Communist Ministry and led them to believe that they would be "backed up" by the High Command.

The short-sightedness and narrow partisanship of this group within Congress leadership must bear the responsibility for encouraging the Kerala PCC to commit itself to disreputable alliances and even more disreputable courses of action against the better judgement of the Prime Minister and the Congress President. Thus while Mrs Gandhi assures: "I am not saying that the State Government has to go", Shri Shankar asserts: "Only two alternatives—resignation or removal of the Communist Ministry". Again, Mrs Gandhi wants that "If people there (in Kerala) should feel aggrieved, something should be done about their grievances." The State Government promptly comes out

with repeated offers to discuss matters with the Opposition. But the KPCC Chief preemptorily turns them down with the laconic statement that the only thing he is prepared to discuss with the State Government is its resignation. Then again, while the Prime Minister cautions Kerala Congressmen to keep their agitation peaceful and non-violent, Shri Shankar proclaims that his Party's direct action plan will take "all forms". Likewise, though Pandit Nehru repeatedly asks Congressmen to dissociate themselves from communal organisations, the Kerala Congress Party flaunts its association with the Vimochana Samara Samiti led by Shri Mannath Padmanabhan. How does one explain such fundamental contradictions between the attitude of the Congress President and the Prime Minister and that of the Kerala Congress leaders? It is absurd to put them down to "misunderstandings". What is clearly indicated is that Kerala Congress leaders must have received, overtly or covertly, assurances of support from some of the central leaders in their intention to throw out the Communist Ministry "by whatever means possible".

Nor has Shri U N Dhebar, who has been deputed by the Congress President to make an on-the-spot study of the situation and report to the Congress Parliamentary Committee which is scheduled to meet here next week, helped matters much. His unseemly haste in holding the State Government "predominantly responsible" for the present crisis could hardly have been calculated to facilitate the cooling of passions and soothing of tempers which are so necessary if peace is to be restored in Kerala.

Thus Pandit Nehru's task in Kerala this week is as vital as it

is likely to be difficult. It is vital because much—much—more than the future of the Communist Ministry or the ambitions of the Opposition parties and their leaders or the false sense of privilege of some reactionary elements is involved in the present crisis. More is involved than even the well-being of the people of Kerala. What is ultimately involved is the future of Parliamentary Democracy and the possibility of peaceful, Constitutional Government in the country.

It is against this broader setting that the situation in Kerala has to be viewed. The Opposition, including the Congress, has demanded the resignation of the Government forthwith. They have served an ultimatum to that effect. Now under parliamentary democracy a government is obliged to resign when, and only when, it ceases to command the allegiance of the majority in the legislature. This condition does not obtain in Kerala. What is, therefore, sought to be done is to secure the resignation of the Government by holding up society to ransom by paralysing the normal flow of life through the so-called satyagraha and direct action. Satyagraha (whether it is violent or non-violent is perfectly immaterial) has no place whatsoever under a scheme of constitutional government for the setting right of ills for which there are other remedies open according to law. If today the Constitution is by-passed in Kerala without so much as a second thought, what is to prevent the same fate from befalling the other States in future? The Constitution is our guarantee of orderly and peaceful government. Once we begin by scrapping it in one place or on one occasion, there'll be no stopping. It was no idle threat when Shri A K Gopalan declared in a statement the

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other day that if the Congress continued its agitation against the Government in Kerala, "no Congress Government in any State in India will be able to function smoothly hereafter. Struggles are bound to develop there also. That will be the end of all democracy. That will destroy what we have built till now". It takes but a handful of malcontents, determined and organised, to hold up the normal business of government. As Rajaji points out, "A million votes may place a party in power in accordance with the Constitution but twenty thousand men who dislike the decision can create a situation by methods now employed, under which no government can function without the use of ugly force. And the use of such force will bring in its train passions that will destroy order, and make government impossible".

Thus both by the test of doctrine and that of expediency the present attitude of the Congress Party to the situation in Kerala is fraught with grave and dangerous potentialities. There can, therefore, be no question of going into any of the charges against the Communist Ministry as long as the present "Direct Action" continues. The Opposition must realise that law and

order are not to be trifled with and that a civil disobedience movement however popular, has no place in a constitutional democratic state.

The most important step towards such a consummation will be the immediate withdrawal of the Kerala Congress Party from the agitation. It goes without saying that if the Congress, as the ruling party at the centre and in the other States, throws its weight on the side of law and order, it is bound to have powerful consequences. The withdrawal of the Congress will deprive the communal elements of their "popular" garb and reveal them for what they are: reactionaries fighting not for principles but for privileges—privileges which have long lost whatever social purpose and meaning they might have had.

There has been some talk of the Congress losing face if it withdraws from the agitation now. All this is so much nonsense on stilts prompted by some of the Congress leaders in Kerala who have obviously no existence separate from the sectional or communal help that they receive and who, consequently, plunged into the agitation without any thought for principles or for the interests of the Congress as an organisation. These people now

realise that any withdrawal from the "Direct Action" would make them targets for ridicule at the hands of the communal organisations whose causes they have hitherto wholeheartedly espoused. As far as the Kerala Congress as an organisation is concerned, the loss of face has already been accomplished, thanks to its opportunistic alliances and its sickening disregard of elementary principles of constitutional behaviour. Besides, what, people ask, has happened to the much-publicised Congress charge-sheet against the Government? Almost a fortnight has passed since the beginning of the agitation and still the Congress has failed to publish its charge-sheet, though in fact the agitation is supposed to be based on the charges contained therein.

Immediate withdrawal from the agitation, therefore, actually presents the Kerala Congress with an opportunity to redeem itself. Kerala has now come to be regarded as the touchstone of the Congress Party's democratic professions. If the Congress fails now, is it to be wondered at if some people conclude that democracy for the Congress probably means government of the Congress, by the Congress and for the Congress?

From the London End

Mounting Tension in South Africa

THE sudden and violent eruption in the South African town of Durban last week finds its explanation not so much in the suggested police drive to evict Africans from areas of established residence on the ground of slum clearance or to stop the illicit brewing of alcohol. Such police activities have been continuous and systematic for decades. Seldom have they caused such a solid African outburst against the police as was witnessed last week. The explanation rather lies in the deep crisis which now characterises South African race relations. Never before has South Africa seen a more cruel and oppressive regime as that now led by Dr Verwoerd, the Prime Minister. More important, never before has the eleven million African mass shown such political consciousness and such temper and will for political change as now. There is truly a parting of the ways in South Africa with almost no opportunity for compromise and peaceful settlement.

June 26th

The outburst in Durban has come at a time when the South African non-white Congress movement is about to launch a new campaign of struggle against the policy of apartheid. This campaign, which will effectively commence on June 26th, involves an economic boycott of the products of all enterprises who directly or indirectly support the policies of the Government of Dr Verwoerd. The logic behind this campaign lies in the very nature of the political crisis facing Dr Verwoerd and in particular in the solution he is attempting to find in terms of his latest measure, the 'Promotion of Bantu Self-Government Act', which has been passed by the Legislative Assembly of the all-white Parliament.

The significance of June 26th needs to be noted. It was on this date, in 1955, that the Congress movement convened the mammoth Congress of the People to adopt the Freedom Charter—an historic document setting out a scheme of government and law envisaging the creation of a democratic South Africa to replace the present system of oppression and exploitation. That document has since become the essential basis of the charge of 'treason' which the Government has

attempted to bring on the leaders of the Congress movement in the inconclusive Treason Trial.

Political Fraud

One important aspect of the South African crisis concerns the relentless vigour and force with which the Government has pursued its policy of apartheid and race oppression. The South African statute books are packed with legislative acts which provide a most complicated framework for controlling the supply and movement of African labour—all with a view to satisfying the labour needs of the mining monopolies and the white farmers. In the process this legislative network has come to touch literally on every aspect of African life and labour. Indeed, the system of control is all-embracing. Not satisfied with all this, the Verwoerd Government has, in the present session of Parliament, enacted laws which complete the design for a subordinate African education by barring African students from the remaining two 'open' universities in the country. More significant is the move to ostensibly establish pockets or areas called "Bantustans" in which the African will possess 'home-rule' or 'self-government'.

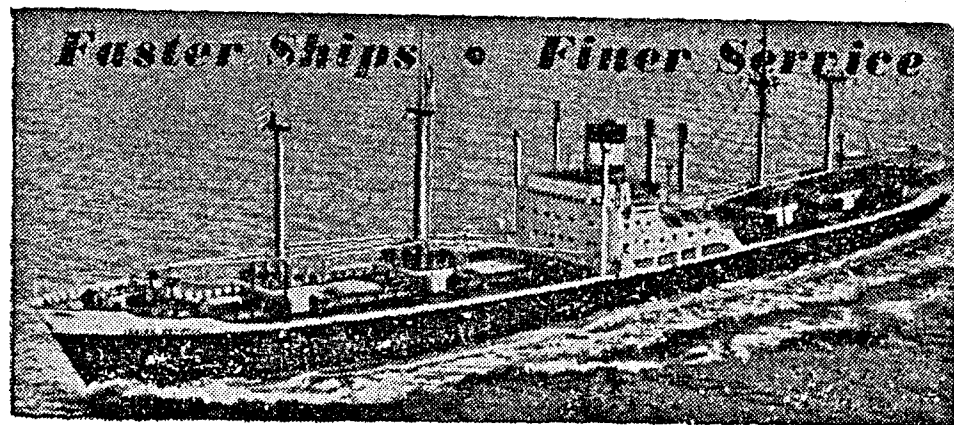
In fact, this latter measure (going under the name, 'Promotion of Bantu Self-Government Act'), in spite of the considerable discussion it has evoked in the international press, is of little importance in itself. For in content, it amounts to no more than a brazen piece of political chicanery and fraud, all the more ridiculous because it is so crude in its intentions. This Act merely gives a new name to the African 'reserves'—that 13 per cent of the South African land area reserved in 1936 for sole African occupation. These reserves now become the 'national homes' of the African people who are, under the Act, divided into some eight ethnic groups. In other words the 87 per cent balance of South Africa, encompassing as it does, the richest farm lands and all the urban areas, becomes 'white South Africa' in which the African will have no rights, political or otherwise. In these already overcrowded and impoverished 'Bantustans', the old

tribal institutions are to be revived in full, and it will be through these institutions that the white Government will pursue what to all intents and purposes will amount to a system of indirect rule.

Growth of African Working Class

The significance of the Act to create 'Bantustans', very much like that of all the other apartheid laws, lies rather in the nature of the crisis which the South African government now faces. The deliberate policy of race oppression and segregation favouring the mining monopolies and white farming interests has not proved strong enough to subvert or even moderate the operation of the basic laws of economic and social development in South Africa. The growth of a largely white indigenous bourgeoisie accumulating capital rapidly and seeking avenues for investment in more secondary and manufacturing forms of production over the past 25 years has more than any single factor been responsible for the failure of the policies of complete racial segregation, i.e., the failure to bring about a system of labour control in which the requirements of the mining and farming interests would always predominate.

Simultaneously, the substantial inflows of foreign capital no longer find sole employment in mining and other extractive industries; an increasingly significant part of these inflows go towards the erection of industrial plants and complexes and the setting up of manufacturing subsidiaries. Thus, the structure of the South African economy has undergone rapid change. What is crucial is that in the process there has



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been created a large and integrated African working class, fully urbanised and inextricably involved in the new factory system.

Caught in a Dilemma

The South African Government faced with this objective condition of racial integration are inescapably caught in a dilemma. They see the urban African imbibing the political and class consciousness thrown up by his employment in the factory system; they see the resulting national and trade union outlook of the African people and the national character of their political organisation, the African National Congress. The very logic of the drive to find opportunities to exploit the Africans has now resulted in the emergence of the African people as the one cohesive political factor jeopardising the whole system of white supremacy, and race segregation. Herein lies the crisis.

The dilemma facing the government therefore amounts to something like this. To stop the further urbanisation of the African and integrate him in the money economy, is to prejudice the pace of profit and capital accumulation. On the other hand, to bring the African into the money economy, to employ him in the rapidly growing manufacturing industries means the inevitable collapse of the system of white supremacy and all that it entails.

Complete Segregation Impossible

It appears to be only in terms of such a formulation of the crisis that the Act setting up pockets of 'Bantustans' makes any sense at all. This law explicitly accepts the pass system which aims at controlling the movement of the African into the towns for employment; what the Act now attempts to do is to convert the urbanised African workers and Africans employed on white farms, and thus the most advanced elements in the Congress movement, into 'political eunuchs'—devoid of political and economic rights and so constituting a passive factor in the industrial and money sectors of the country's economy. In the ethnically classified 'Bantustans', the old and irrelevant tribal institutions are to be revived so that the urban consciousness of the African worker is suitably and sufficiently negated.

Can this Act resolve the dilemma facing the South African ruling

class? The clear answer is no and this is shown not only by the inexorable working of basic economic factors which have made complete racial separation impossible in the past and which will continue to do so in the future. It is also shown by the maturity of the African Congress movement and its realisation that the African people, particularly those who have become part of the money and national market framework, wield powerful instruments of counter-attack: the withdrawal of the African market for the products of the more over-zealous supporters of the government and the withdrawal of African labour. These instruments can and will make nonsense of the official aim to convert the Africans into passive economic creatures.

Economic Boycott

As from June 26th the Congress Movement embarks on a campaign to end the pass system—the system that controls and directs African labour into the cheap labour pool. Significantly the campaign commences by a mass boycott of the products of all enterprises who directly or indirectly support the policies of the Government. Already many such firms have expressed anxiety and a report prepared by the Federation of Transvaal Chamber of Industries has this to say:

"It is evident that the non-Euro-

pean population is learning that its purchasing power can be used as a weapon in its general political struggle. This is a development which the Chamber cannot ignore or discuss lightly, because with the restricted internal market . . . the organised exclusion of South African manufactured goods from a section of this market is of serious consequence to the industries concerned."

This boycott is in line with a resolution adopted earlier at the Accra Conference to boycott trade with South Africa and with the more recent resolution of the Afro-Asian Solidarity Council in Cairo calling upon the Afro-Asian region to place an embargo on trade in South African goods. The South African Government is reported to be considering legislation designed to prevent the Congress boycott and this suggests the degree of panic and pressure which the Congress decision has already evoked.

The Congress boycott of potato buying has indeed commenced. The boycott is a reply of the Congress movement to the brutal treatment of convict and slave labour on the potato farms of Europeans in the Transvaal. The system of forced and captive labour in South Africa is of long standing; it was exposed recently when press reports began to suggest that the police in connivance with white farmers were kid-

napping Africans to be sent to the potato and other farms where they were put to work for long hours under the lashes of the whip and other instruments of pain and torture. The Government has in the past unashamedly supported and provided facilities for this system of labour 'recruitment' for the European-owned farms but has now temporarily suspended this system to introduce legislation to give it an element of legality.

A factor working for the undermining of the regime of white sup-

remacy and apartheid is, of course, the overall course of political developments on the continent of Africa, and in the colonial world generally. For, very much in common with the growth of the Congress movement in South Africa, there is the spectacle of the extraordinary development of national movements in the rest of Africa. The emergence of independent states on the continent, espousing the cause of colonial liberation has literally cast a black shadow over the security and future of white supremacy

in South Africa. The South African Government is conscious of a growing insecurity for itself and its system, and true to its character it reacts sharply: it attacks the African people viciously, it banishes their leaders, it bans their gatherings and meetings, it undertakes military preparations and arms its police force with modern military weapons. A reaction like this only sharpens the crisis. One can only hope that its final resolution will be in terms of freedom accomplished with the minimum of violence.

Book Review

Method in Social Anthropology

By A R Radcliffe-Brown. Edited by M N Srinivas. University of Chicago Press, 1958. Pp xxi: 189. Price \$3.75.

IN this book Professor Srinivas has gathered five essays on method and the first part of an uncompleted work on 'Social Anthropology' by the late Professor Radcliffe-Brown, and has written a short introduction on the development of Radcliffe-Brown's thought. The five essays, the earliest written in 1923 and the last in 1951, have all been published before in journals or in the Proceedings of various conferences, but were not, until the publication of this book easily accessible. The fragment on 'Social Anthropology', five chapters of an uncompleted book, are here published for the first time.

'Method in Social Anthropology' is an example of rare single-mindedness. The reader finds himself not so much weighing and examining the argument but rather trying to understand the intellectual climate which produced it. From beginning to end there is only one argument: that social anthropology is a distinct subject, not to be confused with psychology or ethnology, and that it must proceed by the inductive methods of the experimental sciences. This is the lesson of the first essay, published in 1923, and it is also the point of the last essay, written in 1951: the whole edifice was complete from the beginning and over a period of nearly thirty years there are scarcely any signs of change or development or second thoughts. The same arguments, the same assured phrases, even the same illustrations are present in the first essay as in the last: we see a difference only in that in the earlier essays there are signs

that the opponents are still in the field, while by the 1950s the battle—at least against the ethnologists and in England—had been won.

One should not, of course, complain that a man should find the truth thirty years ago and continue to propagate it unchanged. Radcliffe-Brown's insistence on this method, together with the example of field-work set by Malinowski, has entirely shaped the definition of British social anthropology, and has influenced a large section of American anthropologists. It is Radcliffe-Brown's ghost, more than any other, which stands at the elbow of the young man in the field to-day. Yet, reading these essays, one wonders how he did it. The arguments are all arguments by assertion. It is true that all but one (the shortest) of the first five papers were addresses, and a platform is not the easiest or the most appropriate place for detailed argument. It is also true that Radcliffe-Brown's great influence over his younger contemporaries was gained not from writing but through personal contact and teaching. Yet one cannot help making comparisons with another book 'The Foundations of Social Anthropology' by the late Professor Nadel.

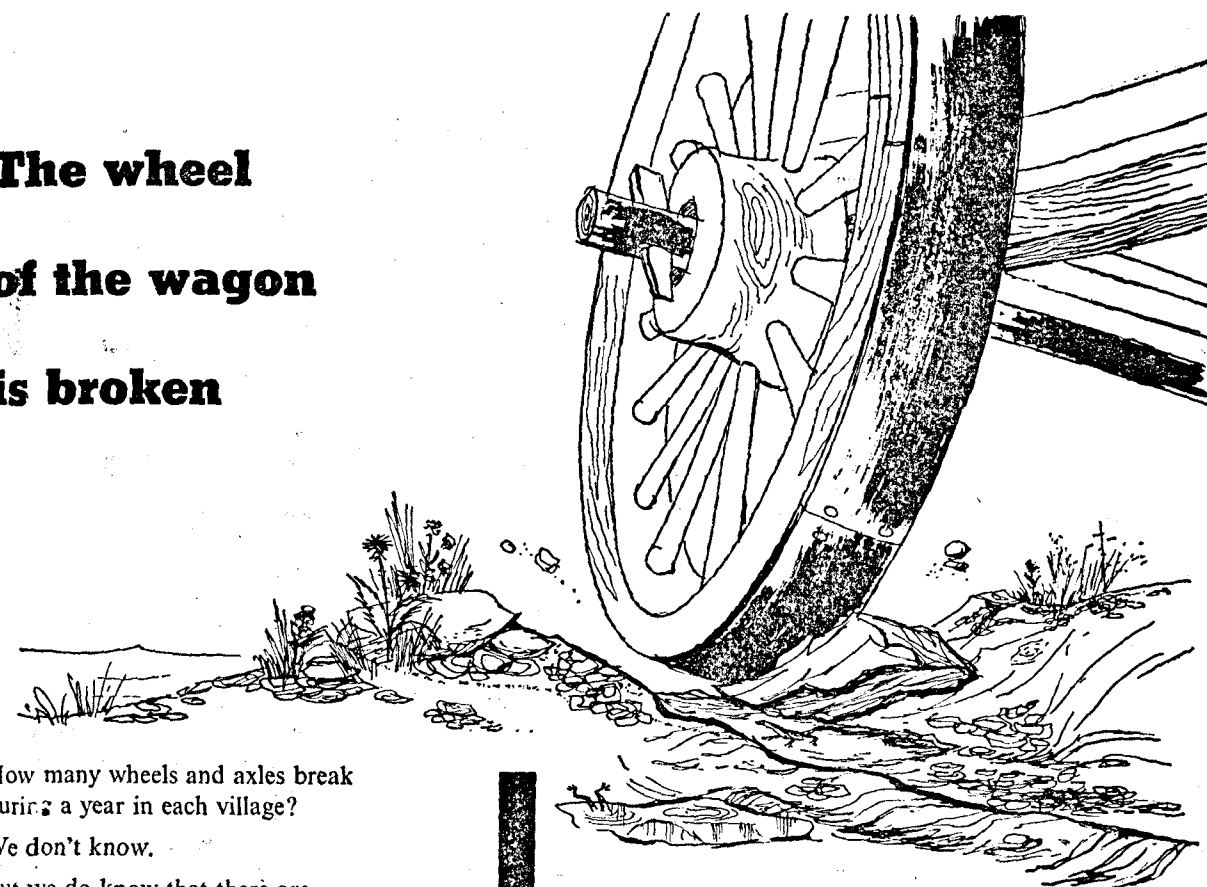
Radcliffe-Brown, ex cathedra, marks out the difference between social anthropology and ethnology, or defines 'social structure' or 'social organization' and we are led by the deceptive clarity of his prose (not 'deceptive simplicity', as Professor Srinivas calls it) into believing that he is right. The fragment of his book, which was not, of

course, written as a lecture, bears exactly the same characteristics. There is no attempt to get down to the ABC of the subject, to produce detailed argument, to seek out systematically objections that may be posed and to deal with them or incorporate them, as there is in Nadel's book. If a contrary view is considered at all, it is held up with a faintly disdainful air, at arm's length, until the audience has sniggered at and then tossed aside—see, for instance, the fate of the Rev John Mathews on page 110. This is not the method of science: it is rhetoric. The book is not a scientific search for truth: rather it is a book of Revelations. In these circumstances one cannot complain that there is no index.

What, then, is its value? First it has a historical value, for it sets out the way in which Radcliffe-Brown wanted social anthropology to develop, and in which, in Britain at least, it has developed in the last twenty-five years. Secondly its clear well-mannered prose, entirely free from jargon, makes it a suitable present for those many people who have heard of social anthropology but do not have the first idea of what social anthropologists do. Thirdly it is a book for students of the subject, for in spite of all the objections that are made to a "natural science of society" the method advocated by Radcliffe-Brown is in fact the method that we all use, and his arguments in its favour are justified, not by what he wrote in this book, but in his work on the Australian tribes and on the Andaman islanders, and in the books of the people whom he taught.



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The Second Official Language —A Comment

Annada Sankar Ray

IT is everywhere the rule for independent nations to assert their independence by expressing themselves through their own national languages. Where no such language exists an exception may be made and a foreign language adopted.

India is an independent nation and its independence requires to be asserted through its own language or languages. There is no room for an exception on the ground that no such language exists. On the contrary, the Eighth Schedule of the Constitution of India enumerates no less than fourteen languages. At least three of them, Sanskrit, Hindi and Urdu, are more than regional and are, to that extent, national. The others are national in another sense. Bengali, Marathi and Tamil classics, for instance, are Indian classics and all Indians regard them as part of their national heritage. A Bengali song, "Janaganamana", is the official anthem of free India. Scarcely less popular is the Bengali-Sanskrit song, "Vande Mataram". Both these are sung everywhere in India.

English Given No Designation

With fourteen national languages in the field, each pressing its claims to be the official language of the Indian Union, the framers of the Constitution could not seriously consider the claims of a fifteenth, English. English was, however, retained for the sake of convenience during the fifteen-year transition period. Subsequently its use is permitted for the purposes specified under Article 343(3). English is given preference in matters concerning the Supreme Court, High Courts etc under Article 348. It was not, however, given any designation; it is neither regional, national nor official. As a matter of fact the word 'national' has nowhere been used, not even with regard to Hindi. Hindi is, if the Eighth Schedule is read with Article 345, a regional language like the other thirteen. Like them, it may be adopted as the official language of one or more of the regional states or, if two or more states so desire, it may be adopted for the purpose of inter-state communication. There is nothing mandatory about the use of

Hindi in the constituent states of the Union. Hindi becomes the official language and is described as such in the Constitution only at the Union or Federal level. No option is given. It does not lose its regional character, however, even here, for Article 345 is nowhere superseded.

It is a shocking anomaly that a language which has nowhere been clearly distinguished from 'regional' should be the mandatory 'official' language of the Union whereas it is not the mandatory 'official' language of any particular State.

Only Two Rivals in 1950

In 1950, when the Constitution was adopted, there were only two rivals in the field: Hindi and English. The so-called regional languages were too numerous and their ambitions were too parochial. No one seriously believed that India could afford to have a dozen 'official' languages at the Union level or even three like Switzerland. It was enough that Tamil, Marathi, Bengali and the other potential rivals of Hindi were being given a free field in their home areas. Hindi had only one powerful antagonist. It was English. National self-respect demanded the choice of an Indian language. On the other hand there was reasonable apprehension that the identification of the Indian State with Hindi would be just as discriminatory as its identification with Hindu. The country was full of fanatics who swore by the slogan, "Hind, Hindu, Hindi". The adoption of a secular policy by the State foiled them in one respect: India did not become a Hindu State. It was essential that the policy adopted in regard to language should be similar to that followed in matters of religion. India should not become a Hindi State.

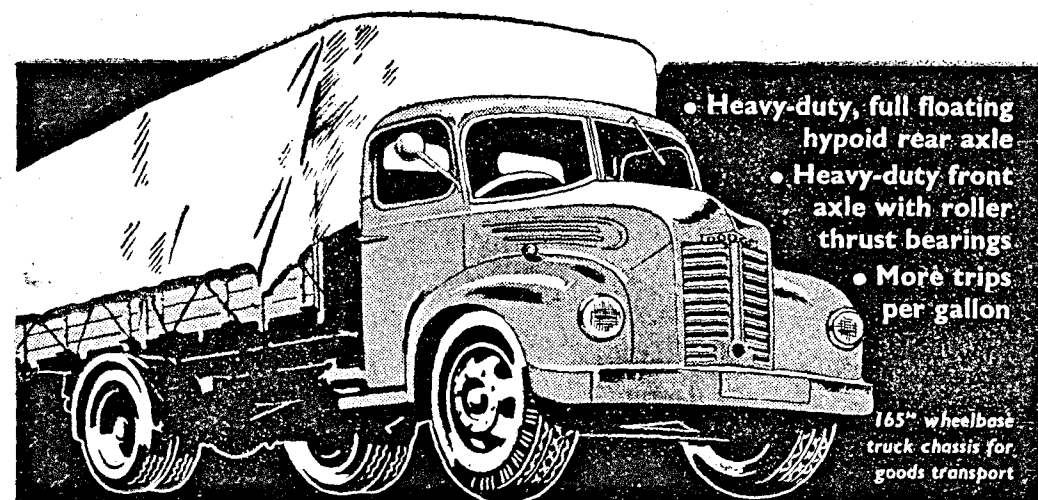
There was straight voting on the question of Hindi versus English. The protagonists of Hindi won by a single vote. Hindi therefore became the 'official' language of India. The word 'official' is here an eyewash. The sponsors of Hindi were afraid to give offence and stopped short of the word 'national'. In Hindi the word used, 'rastrabhasa', means

State language and the State, *rastra*, means the national state.

Departure from What Gandhiji Wanted

Nine years have passed and the way things are shaping has become clearer. Gandhiji wanted the Union Government to be light and to limit itself to only three portfolios: Defence, Foreign Affairs and Communications. The rest he wished to have left to the member states and these were to be organised on linguistic lines. It was against such a background that he advocated for use at the Centre a composite language to be called Hindi-Hindustani. It was to be composed of simple words drawn from both Hindi and Hindustani and he wished it to be written in both Devanagari and Persian scripts. It was not to be a highly Sanskritic language which excluded all Persian and Arabic affiliations. Both Hindustani and the Persian script have since been dropped by men who at one time followed his guidance. Neither the language nor the script they have chosen would have had his approval.

The present position is that we have a heavy Federal Centre which administers countless things. There is an expanding public sector. As India moves further along the road to industrialisation and approaches closer to social ownership and state management of industries the Centre, even if it does not take over agriculture, will grow progressively heavier. The identification of the Indian Union with Hindi written in the Devanagari script will then inevitably have a crushing effect on the regional languages. Hindi-speakers by birth and adoption will acquire directly and indirectly an enormous amount of patronage. Those whose mother tongue is not Hindi will be forced either to neglect their own language or suffer in competition with those whose mother tongue is Hindi. If, as in China, regional administrations are abolished and people moved from one end of the country to the other in large numbers, they will inevitably lose their own languages. Hindi will be of more practical use to them.



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Enforcing National Unity Through Hindi

The Official Language Commission frightened us with the idea of enforcing national unity through Hindi. The result of their recommendations was the opposite of what they intended. Madras ordered extensive Tamilisation. No one could protest as such an order is not inconsistent with the Constitution. As time passes the Union Government will find it more and more difficult to function effectively in the South and Madras will be gradually isolated from the rest of the country. If other non-Hindi-speaking areas follow the Madras pattern, national unity will be weakened further still, all without contravening the Constitution. Verily the letter killeth. A preliminary understanding with all concerned should have been reached before any final decision was taken on the 'official language' issue. Parliament should have been empowered to decide. Left to itself Parliament might have taken a more realistic and less doctrinaire line. To amend the Constitution a two-thirds majority is required. It may prove difficult to obtain one at this stage for Congress may not wish to risk losing votes in Hindi-speaking areas and Hindi-speaking Congressmen may dissent in Parliament. Nevertheless, it has become necessary for certain things to be said in the hope that the leaders of the country will take the necessary action some day.

First of all, nationalism cannot thrive on inequality of opportunity and sacrifice. Under the present arrangement the mother tongue of some nationals will also be the official language of their motherland. For them it will be enough to know one language only, i.e. Hindi. The mother tongue of other nationals will not be the official language of their motherland. They will be forced to learn, not only their mother tongue, but the official language in addition. Some will thus be privileged and others handicapped. This problem has, in Europe, been solved by making language identical with nationality: one language, one nation. Where this has not been possible, two or more languages have been given equal status, as in Belgium and Switzerland. In India the one language one nation theory is obviously untenable. All our languages should, therefore, be given equal status at

the Union level. It is not right to consign all but one to lower levels. It is a question of status and dignity. Hindi-speakers and Bengali-speakers and Tamil-speakers must have exactly the same status everywhere. If it is possible to reach the highest positions in the Union without knowing any other language but Hindi then it should also be possible to reach them without knowing Hindi. Conversely, if non-Hindi-speakers must, in their own interest, learn Hindi or go to the wall then Hindi-speakers must, in their own interest, likewise be required to learn Tamil, Telugu etc or be disqualified for employment under the State.

Only One Language

Secondly, nowhere in the world do the common people find it possible to learn more than one language, their mother tongue. For other languages they do not have the time, the energy or the interest. It is a daydream to imagine that the common people of India will ever be literate in two languages and two scripts. Left to themselves people tend to lapse into illiteracy very quickly even after being taught only one language and one script. The simplest Hindi will inevitably remain Greek to the Tamil common man or the Bengali who lives outside the city. Bazar Hindi, it is true, may have a certain currency throughout India but its utility is confined to the bazar. It cannot be a suitable vehicle for the communication of ideas or emotions. Indian Nationalism should not seek to impose uniformity through the imposition of any single language. India's pattern of unity is unity in diversity. Each language is equally valid and none more valid than the others. Gandhiji took the trouble to learn as many as half a dozen of the Indian languages. He did his daily exercise in Bengali even on the day of his death. Vinobaji knows even more. Public men should be expected to go to the common man. Why should the common man go to them? Public servants should be encouraged to learn as many languages as they can and suitable inducement offered. If a money order is to be sent or a licence granted or a ticket purchased the villager should be given ungrudging service through his own language. To him his own language is the most important in the world and it should be treated as such by the highest in the land.

Not to be Trifled With

Thirdly, language is not something to be trifled with. It is even more deeply rooted in the human psyche than religion. Nations based on language are more numerous than those based on religion. Communities have, on occasion, surrendered their religious identity, but never the linguistic identity. When Nationalism came to India in the nineteenth century it took three distinct shapes: Hindu Nationalism, Bengali or Maratha Nationalism and Indian Nationalism. All three co-existed for a long time and helped and hindered one another. "Vande Mataram" was in fact written for Bengali Hindus and served Hindu Nationalism as well as Bengali Nationalism, before it was taken over in a modified form by Indian Nationalism. Since Independence the Indian State has wisely refrained from identifying itself with any religion and thereby struck at the root of religious nationalism, Hindu, Muslim or Sikh. If, similarly, it ceases to identify itself with any single language the roots of linguistic nationalism (nowadays called linguism) will be cut. If the Union sets an example by not identifying itself with Hindi the policy will be appreciated and followed by the states. Madras will no longer insist exclusively on Tamil, West Bengal exclusively on Bengali, Bihar exclusively on Hindi and so forth. The best way to demonstrate this policy of non-identification is to co-opt at least one other language as an official language and give it equal status. Bombay, for instance, might adopt both Marathi and Gujarati, Uttar Pradesh both Hindi and Urdu, Bihar both Hindi and Bengali, West Bengal both Bengali and Hindi and so forth. But before this very desirable state of affairs can come about it is necessary for national leadership to take the ini-

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tiative, recognise all the fourteen languages of the Schedule as 'official languages' of the Union. The purposes for the use of Hindi should by law be specified, likewise the purposes for the use of Assamese, Telugu etc. While none of the languages will be used for general purposes the specific uses of Hindi may be more numerous than, say, the specific uses of Malayalam. The same applies to the 'official languages' of the states.

Retention of English

Fourthly, it is no chance coincidence that India is practically the only country in the East which has parliamentary democracy, civil control over the military, rule of law and an independent judiciary; that she has an unbroken tradition of English education for five generations, ever since Ram Mohun Roy came to the conclusion that English was essential for the modernisation of his country; that the English-speaking nations are the only ones in the world to have escaped any kind of dictatorship, Nazi, Communist or Military. There is an invisible chain of logic behind these three facts. We derive our resistance to dictatorship from ideas and values and disciplines imbibed by five generations of scholars and thinkers and public men, through English. If English is no longer studied and used or perfunctorily handled our resistance, mental and moral, will diminish as our isolation from the stream of the liberal traditions of England grows greater with time. Let no one take it for granted that national independence carries with it a guarantee of civil control over the military or an assurance of the rule of law or a charter for parliamentary democracy. Look at Pakistan. Even in a seasoned democracy like France there is a set-back to-day. We need more and better grounding in the ideas and values and disciplines that already distinguishes us as the leading democracy of the East. Our education should be so balanced and eclectic that our children should not regard English traditions like the rule of law, civil control over the military and democracy as 'alien' or 'capitalist' or 'reformist'. This calls for the retention of the English language.

In a Balanced Scheme of Education

Lastly, it is now generally agreed that in any balanced scheme of education there should be provision

for the mother tongue, for English and for Sanskrit.* In that case Hindi can come in only as a fourth language and in a rudimentary form. With such a necessarily meagre knowledge of Hindi no candidate in a competitive All-India examination can compete on equal terms with one whose mother tongue is Hindi. To make Hindi the sole medium for such examinations would, therefore, turn it into an instrument of injustice. Considerations of language might give the less deserving preference over the more deserving. If the alternative be that all languages be made mediums for All-India competitive examinations, a plurality of standards in the assessment of merit will result. Fourteen sets of answer papers examined by fourteen sets of examiners cannot produce a single reliable gradation list. Fourteen separate gradation lists will not reduce or eliminate injustice. The contrary is more likely. The Parliamentary Committee is said to have recommended that while All-India competitive examinations should continue to be conducted in English an option should be given to candidates who wish to take them in Hindi. This means there will be two sets of answer papers examined by two sets of examiners. How can there be any comparable standards for the assessment of merit? How can there be a common gradation list which will set forth the position of the candidate as first, second, third and so on with any degree of exactitude? Inevitably there will be two gradation lists for two sets of candidates. The ones selected to serve their country will be marked for life as English-wallahs and Hindi-wallahs. When the time comes for promotion there will be rivalry and heart-burning. Every one of the services will thus be emotionally split into two hostile camps. Service morale will suffer. Two separate gradation lists for the All-India services will unavoidably work like two electoral rolls: one for Hindus and the other for Muslims. In 1909 separate electorates were introduced. They were the thin edge of a wedge. Good people accepted and supported them in good faith. In 1947 the logical conclusion was reached, partition of the country. If a duality of languages is adopted now for the purpose of All-India competitive, ser-

*Not Persian?—Ed.

vice examinations the seed of a tragic situation thirty or forty years hence will be sown. A similar conclusion is logically inevitable.

Suggested Amendment

I have therefore come to the conclusion that Article 343(1) should be amended to read: "The official languages of the Union shall be Hindi and the other languages enumerated in the Eighth Schedule." As for English, Article 348 has already specified the purposes for which it is to be used, i.e., the Supreme Court, High Courts etc without designating it as either national, Indian or official. Apparently it is a special language and it is to be used for purposes specified in the Constitution. Article 345 adds more purposes for which it is to be used in the states until the Legislatures have adopted alternative languages. Article 343 (3) empowers Parliament to name still other purposes as and when necessary. Now it is for the Parliament to say that English shall be the language exclusively used for the purpose of all competitive examinations held by the Union Public Service Commission and other similar authorities, both civil and military, including those concerned with the public sector. The same provision should be extended to the states. In case it is contended that Parliament has no power the Constitution may be amended in order to confer this power upon Parliament. Other purposes for which English may be used can be specified if considered essential. There is no case for putting English on a par with Hindi or any other national language of India. Therefore it need not be named in the Constitution as either the second or the fifteenth official language.

Once these proposed steps have been taken there will be no meaning left in the deadline fixed for the change-over from English to Hindi. For by common consent English may continue without a break for a hundred years or more just as French has continued uninterrupted for nearly nine hundred years in the Royal family, the aristocracy and the hotels of England. Similarly, by common consent, Hindi and the other national languages of India will have ample scope to develop and expand without coming into any serious conflict either with each other or with English.

China's Population Prospects

Ranjan Kumar Som

THE population dynamics of China, which contains about one fourth (23 per cent) of the world population, has important political, social and economic implications, specially in the setting of the Asian countries which with one-fifth of the total land area in the world contain more than half (55 per cent) of the population. The still-emerging shape of the national economies in this part of the world renders this particularly relevant. The two important factors of population growth are birth and death rates, the balance of births over deaths giving the rate of natural increase of the population; in a 'closed' country with insignificant international migration, the rate of natural increase can be taken as equivalent to the rate of increase of the population, obtained from the difference of the total counts of population at an interval of time, usually a decade.

Rate of Growth

The rate of growth of population in the past in China, as also in many other countries, had not been very spectacular, and moved in some sort of a cyclical pattern: in the past three centuries, the geometrical (compound interest) growth rate of the population in China is estimated to be of the order of $\frac{1}{2}$ per cent per year. For comparison we may note that the growth rate of population in India for the past one and half century is estimated to be of the order of 0.9 or 1 per cent and in the USA during 1870-1950 of the order of 1.7 per cent per year. In periods as recent as the years preceeding the war with Japan (1933) the rate of growth of population of China was reported to be of the order of 1.43 per cent per year but during the years 1937-47, torn as it was by the war with Japan and internal civil war, China recorded a growth of only 0.28 per cent per year.

The situation changed radically after the People's Republic of China was established. The rate of growth for the years 1949-52, the period which has been described as that of 'rehabilitation of the national economy' but which also includes the Korean war, was 2.0 per cent per year, and that for the years 1952-56, the initial four years of the

First Five Year Plan period, of the order of 2.2 per cent per year: for the period 1949-56 the overall growth rate is 2.1 per cent per year. The breakdown of the total population into the two sectors—rural and urban—shows the rate of increase in the urban population (including migration) to be four-fold that of the rural, because of the impetus to rural-urban migration. Estimates of the birth and death rates for the People's Republic of China are available only for one year, 1953: the birth rate was reported to be 37 per thousand population and the death rate 17 per thousand population. The pre-war (about 1930) birth and death rates have been estimated at 38 and 33 respectively; and the post-war rates at 36 and 27-28 per thousand population.

In Neighbouring Countries

For want of the birth and death data, past or current, in China, the plausible trends can be gauged in the light of the experiences of other countries at similar stage of development. Ceylon, Malaya, and Taiwan in Asia have now birth rates of the order of 40 per thousand and death rates of about 10 per thousand, giving about 3 per cent rate of natural increase: at the current rate the population in these countries will double in about 28 years. In India the birth and death rates for the 1941-50 decade were estimated at 40/1000 and 27/1000 respectively, giving the rate of natural increase of 1.3 per cent per year; the decline of the birth and death rates from the corresponding rates in the 1881-90 decade was of the order of 18 per cent for birth rate but 34 per cent for death rate. The current birth and death rates in India are, however, not known. Preliminary results of the National Sample Survey suggest a growth rate of the order of 1.8 or 1.9 per cent per year; the Planning Commission is also reported to be using the rate of natural increase of about 2 per cent per year for the Third Five Year Plan: these with a stationary birth rate of about 39-40/1000 would indicate a death rate of 19-20 per thousand.

Ceylon had a birth rate of about 38/1000 and death rate of 17/1000 in the decade 1941-51; the birth rate remained at the same level for the

years 1951-56 while the death rate decreased to 11 per thousand population. The experience of Taiwan is also of relevance in this regard: the birth rate remained at the high level of 40/1000 whereas the death rate decreased from 15/1000 in 1930-34 to less than 10/1000 in recent years. The death rates in these countries could substantially be reduced because of the improvement of general standard of living and intensified public health measures both on national and international scales. The only conceivable policy in regard to mortality is to bring it down and with the elimination of pests—flies, mosquitos, rodents etc. The death rate in China is also expected to come down at a much faster pace. On the other hand, the birth rate could normally be expected to remain at the high level at least in the near future.

World Distribution by 1986

At this stage it would be interesting to compare the rate of growth of population in different segments of the world economy, from underdeveloped through medium developed and socialised countries to the developed countries. In 1953-56 the developed countries had a growth rate of 1.2 per cent, the medium developed (including Japan) 1.9 per cent and the underdeveloped 1.6 per cent (including India, Ceylon, etc); as against these, the growth rate in the socialised countries was 2 per cent—in USSR 1.7 per cent, and in China 2.2 per cent. On the basis of these figures it will be seen that the socialised countries are adding 19 million persons per year against 6 million persons by the developed countries, 7 million by the semi-developed, and 15 million by the underdeveloped.

It is interesting to speculate that at the current rates, the developed countries which now account for 17 per cent of the world population would in 1986 (in 30 years time) contain 15 per cent of the population, the socialised countries now having 35 per cent of the population would have 38 per cent, and the semi-and underdeveloped countries now containing 48 per cent of population would have 50 per cent of the total world population.

Population in itself is not necessarily a problem; but the level of

development of a country may sometimes make it so. The production of many of the essential commodities and industries in China in the First Five Year Plan period is reported to have outpaced the rate of population growth: this over-balancing of the population by production is expected to continue. Population in China cannot, therefore, be a problem in the near future unless this is a problem now. Opinions differ on this aspect.

The attitude towards the population problem in a country determines to a large extent the success or failure of any family planning programme. Family planning was officially sponsored in China ostensibly to raise the standard of living; the emphasis has now shifted to some extent. The statement of Mao Tse Tung, former Chairman of People's Republic of China, is of relevance: "The more people there are, the greater their fervour in socialist construction".

Prospects

The birth rate is not expected to come down markedly in the very near future while the improvement in the death rate should continue at a much faster rate and it is quite possible that within a very short time China may have a death rate of about 10 to 12 per thousand population. One author has actually estimated the birth rate in 1957 at 34 and death rate at 11. Thus, China, along with India and some other semi-developed countries, seems to be approaching the time of population 'explosion', currently being experienced by Ceylon, Malaya, Taiwan in Asia and some countries in Latin America.

The emancipation of women and the intensification of 'communization' could be expected to lead indirectly to a decrease in the birth rate. But certain social forces seem to be moving against such a trend. It has been reported, for example, that house-wives in China had been complaining that their menfolk spent too little time at home and a compulsory rest period of eight hours has been prescribed. The process of 'communization' has also recently slowed down to a certain extent. On the other hand, working round the clock in the factory or farm and staying away from home for a greater proportion of the day and night could lead to an increase in the death rate in the working age-range, unless spe-

cially preventive measures, e.g. compulsory rest as proposed now, or nutritious diet, etc. are taken.

The improvement in mortality is expected to be mainly in the young age group. Although a larger number of children surviving the risk of death at the young ages would enter adulthood, this would not necessarily mean a proportionate increase of the population in the working age-group, if fertility also comes down simultaneously. The very persons who enter in greater numbers into adulthood would contribute in their turn to the total number of children: a chain is thus set up which can be broken only if the fertility rate declines. Indications are, however, that fertility might decline with increase in level of living.

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Nuclear Power Costs

THERE was reason to hope that the cost of nuclear power would fall below that of conventional power within the next decade, Britain's Paymaster General, Mr Reginald Maudling, said in an answer to a parliamentary question on June 15.

Asked about the disparity in the cost of producing electricity by coal, oil, and nuclear energy, he said the estimated cost of generation in most modern coal-fired power stations being planned ranged from 0.50 of a penny per unit at stations near coalfields to 0.65 penny per unit for similar stations remote from coalfields. The cost of oil generation was roughly the same.

On the basis of the latest designs of nuclear stations, the estimated generation cost would be between 0.65 and 0.70 of a penny per unit.—British Information Services.

Cow Dung Gas Plants

THE Union Ministry of Community Development and Cooperation has requested the State Governments to set up five cow dung gas plants in a Block around an extension training centre having an agricultural workshop. State Governments may set up more than five plants, but the expenditure on this account from the Block budget should not exceed Rs 2,500.

The cow dung gas plants, to be set up as an experimental measure, are to demonstrate amongst farmers the utility of these plants.

The decision on the location of the sites for the installation of the plants is to be made by the Block Development Committees, such location, as far as possible, being determined by the proximity of the agricultural workshop of an agricultural extension training centre, or an agricultural engineering irrigation workshop of the State, or the State agricultural workshop, or a private firm.

Cottage and Small Scale Industries

A Reclassification

M C S

THE definition of the different sectors of the industrial structure of an economy has to be based on a pragmatic appraisal of the prevailing conditions, with due allowance for adjustments and variations, if it is to be economically meaningful. Such an approach is needed all the more in the context of a growing economy, fast developing as a result of conscious and planned efforts on the part of the people and their government.

The need for categorising industrial activities into certain broad sectors arose from the necessity of providing ameliorative measures for the unorganized industrial sectors in the face of ever increasing competition from their organized counterparts. Since the main concern was to distinguish the unorganised sectors from their organised counterparts, the problem of evolving a scientific definition was a subordinate one and was only incidental to the general and more important problem of framing policies and devising ways and means for the provision of official aid. The result has been that, more often than not, one found certain workable descriptions of the different sectors of industrial activities rather than scientific definitions.

Criteria Adopted in the Past

It is important to bear in mind that the general basis or the criteria adopted for evolving scientific definitions depend mostly on the purpose they are required to serve. Thus, while the official purpose may lie in seeking to regulate and control and/or bring about a harmonious balance in the development of the different sectors of the industrial structure, that of academic studies consists in throwing into relief the conditions obtaining in each of these sectors either relatively or individually and to diagnose these objectively in order either to serve as a guide for those who are charged with the task of formulating policies or as a basis for empirical enquiry.

A review of the various past definitions of the cottage industries

indicate that the following factors formed the main basis of these definitions: (1) Work-place; (2) Employment; (3) Motive power used; and (4) Extent of market served. Thus a unit was, broadly speaking, termed a cottage unit when

- (1) the production activities are conducted in the residence of the artisan;
- (2) the unit employed is mostly family labour;
- (3) the unit was run mainly on manual labour; and
- (4) the market for the unit's products did not extend beyond the locality where the unit was situated.

The Rural and Cottage Industries Sub-committee of the National Planning Committee of the All-India Congress (1939) defined industries of different size-classes with reference to (1) the use of power and the average quantum thereof, and (2) employment of hired labour and the average number thereof. (National Planning Committee, 'Rural And Cottage Industries', 1949. First edition, p 53.) However, this involved not only considerable overlapping but also consideration of individual units for being fitted into one or the other of the size-classes. The Fiscal Commission sought to distinguish between cottage and small scale industries on the primary criterion of the use of hired labour. ('Report of the Fiscal Commission', 1949-50. Vol I, p 99.)

Regional Variations

Apart from the varying degrees of emphasis placed on one or more of the different criteria by different authors, it can also be observed that different Provincial Committees and Government agencies evolved and adopted definitions more or less to accord with the general conditions prevailing in their respective regions. Thus, for example, the Bombay Economic and Industrial Survey Committee (1938-40), precluded the use of power by cottage industries, whereas the U P Cottage

Industries Committee and the Government of Madras provided for the use of power in cottage industries. Again, while the U P Committee allowed for the organization of these industries on more or less commercial basis, Bombay and Madras did not. Significantly, however, all the three definitions were unanimous about (1) the work-place being separate from the residence of the artisans, and (2) employment of hired labour—of course, with a ceiling of 9 workers (as in the case of the U P). They were also unanimously silent over the extent of capital employed and the market to be served.

Two points become clear from this brief review. There is an utter lack of uniformity in the basic criteria employed and ambiguity in the form and content of these definitions. None of these provide a ready and adequate yard-stick to distinguish the cottage industries from the rest. Perhaps, these drawbacks were inherent in the very nature of the objectives sought to be achieved. The point to be noted here is that, if these definitions failed to clearly define cottage industries as they operated a decade or so ago, their applicability today is more doubtful indeed. For, it may justifiably be maintained that none of the four criteria mentioned earlier could be taken to reflect, either individually or collectively, the present status and the general characteristics of 'cottage' industries. Perhaps, it may even be contended that these characteristics of the traditional industries of India have since been or are being gradually eliminated.

Small Scale Industries

The present status and the operative conditions of a majority of the so-called cottage industries appear to be of the same complexity, if not magnitude, as those of what are termed small scale industries. For example, a carpentry unit engaged in the manufacture of utility goods such as furniture, employing relatively improved and modern equipment, or a blacksmithy unit using a lathe, either hand-operated

or power-operated, or, again, a cobbler working on a sewing machine and other mechanical devices are today termed as cottage industries, but in effect they are small-scale industrial establishments.

Informed academic opinion, of late, has come to accept that both for purposes of scientific analysis and developmental efforts, it is desirable to forget the term cottage industries with all its connotative implications and speak only of small scale manufacturing establishments.

Recent Classifications

Notable among the recent classifications is the one adopted by the Regional Programmes Committee of the Planning Commission. The surveys of small-scale industries undertaken under its aegis do not generally distinguish between cottage and small-scale establishments, but include all units (a) which use power and employ less than 10 workers (including family labour) and (b) which do not use power but employ upto 20 workers. Thus in the survey of 'Small Scale Industries in Delhi', conducted by the University of Delhi under the auspices of the R P C, a small-scale establishment has been defined to include "a manufacturing or processing establishment working with not more than 19 and less than 2 persons and with a minimum block capital of Rs 250."

The size limit imposed by the above definition both in respect of capital as well as employment is designed, on the one hand, to include

all industries or establishments which have been excluded from coverage by the Census of Manufactures, and also to exclude "very small sized cottage industries, which are based mainly on one-man economic activities on the other." It may also be added here that the exclusion of one-man establishments was mainly to avoid difficulties of coverage and not for purposes of differentiating between the cottage and small scale industries.

A more or less similar demarcation has been employed by the National Sample Survey in their series of Rounds, in the coverage of industries. Even the National Income Committee (1954) followed a similar basis inasmuch as the sector of small enterprise was taken to comprise of the residual of all economic activities falling under the classification 'industry' by the Census, minus, those coming under the Indian Factories Act, 1948.

Two Trends

Similarly, the various State Directorates of Industries restrict the term 'small scale' to only such industrial establishments as fall beyond the purview of the Indian Factories Act, 1948. In other words all establishments which employ less than 20 workers without the use of power or less than 10 workers using power, are generally treated as small scale industrial establishments. Of course, for purposes of administering the Central Government aid to industries in their respective States, the various State

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Governments adhere to the definition adopted by the former, which will be referred to presently. However, the Bureau of Economics and Statistics of the Government of Bombay, in a series of surveys of various cottage and small scale industries, confined to the pre-reorganised Bombay State, has defined a small scale establishment as one with a capital investment of more than Rs 6,000 but less than Rs 30,000. The criterion of employment adopted was more than 9 and less than 50 workers.

As against this, the Development Commissioner for Small Scale Industries, Government of India, Ministry of Commerce and Industry, defines a small-scale unit as one which has capital assets not exceeding Rs 500,000 and employs less than 50 persons, if power is used or less than 100 persons if no power is used. In order that a unit may be termed as small scale, both the criteria should be satisfied. This definition generally excludes all industrial establishments which come under the ambit of the Industries Development and Regulations Act, 1951, on the higher side, as well as all those industries which are covered by the five other All India Boards such as the Khadi and Village Industries Commission, All India Handloom Board, All India Handicrafts Board, etc on the lower side. In its application this definition is treated with utmost flexibility. All units in industries such as the sports goods industry, have been treated as small scale irrespective of their size.

It should be conceded that as a working formula, the above definition has much to commend itself. It not only attempts to avoid overlapping and duplication, but also has the merit of combining the three essential criteria, viz, capital, employment and power. This imparts a harmonious blend and renders it a more or less composite definition. For, the application of any one of the criteria without being related to the other two, would result in misleading classifications. This is especially true, as will be seen presently, in the context of recent technological developments, which have tended to be both labour-saving as well as capital-saving.

Concepts Not Clear

Taking, however, the two broad trends in this sphere, as noted

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above, it can be seen that there is considerable ambiguity and lack of unanimity both in the general approach to the problem as well as in the criteria adopted. Besides, doubts may also be expressed about the exact meaning attached to certain terms and concepts used in these definitions. For example the term 'capital assets' used in the Central Government definition, may mean first, the aggregate resources, i.e., the fixed as well as working capital, commanded by a unit. It may also mean, as is officially interpreted, only the fixed assets component of the total capital resources. Though the Government of India has not adopted any definite views on these matters, the Small Scale Industries Board, at its meeting held in September 1957, has clarified the term 'capital assets' to include 'land, building and equipment'. This is not all. What about those units which work in rented premises? How and on what basis is the 'original' as well as the depreciated value of that portion of the premises which is occupied by a unit on a rental basis to be imputed? Again, will the method of assessing the 'original' value of the land and buildings, as is suggested by the Small Scale Industries Board, be satisfactory in imputing the present 'market' value of these assets?

Take again the terms 'persons' and the 'workers' employed. The term 'persons' is not the same thing as 'workers', and the total number of 'persons' employed by a unit may be much more than 'workers' employed. In the aggregate of 'labour-inputs' for a given unit of output in any plant, is included those not only of 'workers', but of many more who may be classified as 'others'. Where a direct correlation between a unit of output and labour input thereon can be established, such labour is generally termed as workers. Where such direct correlation cannot be established but has to be imputed indirectly, such as in the case of managerial, supervisory, clerical and the ministerial staff—they are categorized under 'others'. An addition to or withdrawal from the existing force of 'workers' is directly reflected in a corresponding variation in the total output; whereas such additions or withdrawals from the category of 'others' need not show, at least to any perceptible degree, correspond-

ing variations in output.

Need for Reclassification

These doubts apart, there is need for examining the feasibility of revising the present size-limits on the one hand and of readapting the various criteria on the other, to conform to the existing conditions prevailing in the country today, as also to evolve a more uniform and academically acceptable, scientific definition of the various sectors of industrial structure of the country. In this respect it is necessary to emphasize that from the developmental angle the need of the day is to distinguish clearly between the typical problems confronted by industrial units which are at different levels of efficiency, stages of development and scales of operation, and to render them suitable measures of help, and ultimately enable them to reach their respective optimum size-limits. The prime objectives of industrial policy of a country such as ours with a massive back-log of under-employed independent artisans and craftsmen, should not merely be the promotion of the general process of industrial growth and expansion. Equally important should be the objective, as has been rightly recognised by the country's planners and the

Government, of a decentralised pattern of industrial development and the establishment of an industrial democracy. In a country with an acute shortage of capital resources and a relatively plentiful supply of labour, the future lies in encouraging relatively labour-intensive methods of production, consistent of course with efficiency or production.

It is from this viewpoint that one should judge the present definitions. The attempt to relate size-limits as judged by capital invested and persons employed with the use of power is obviously directed towards the promotion of labour intensive industries. However, it may be doubted that barring a few industries such as handloom weaving or beedi making, if many other modern lines of manufacture could be spotted today, which would not make use of power at all, and yet employ 99 workers. On the other hand, there are quite a number of organised industrial units which employ power and have an investment in capital assets much below the Rs 5,00,000, but which may be employing more than 50 workers. According to the present definition, they are large-scale and are not entitled, there-

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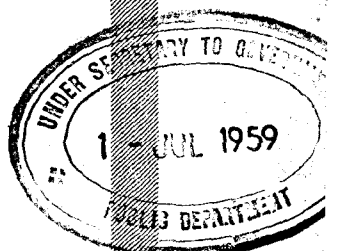
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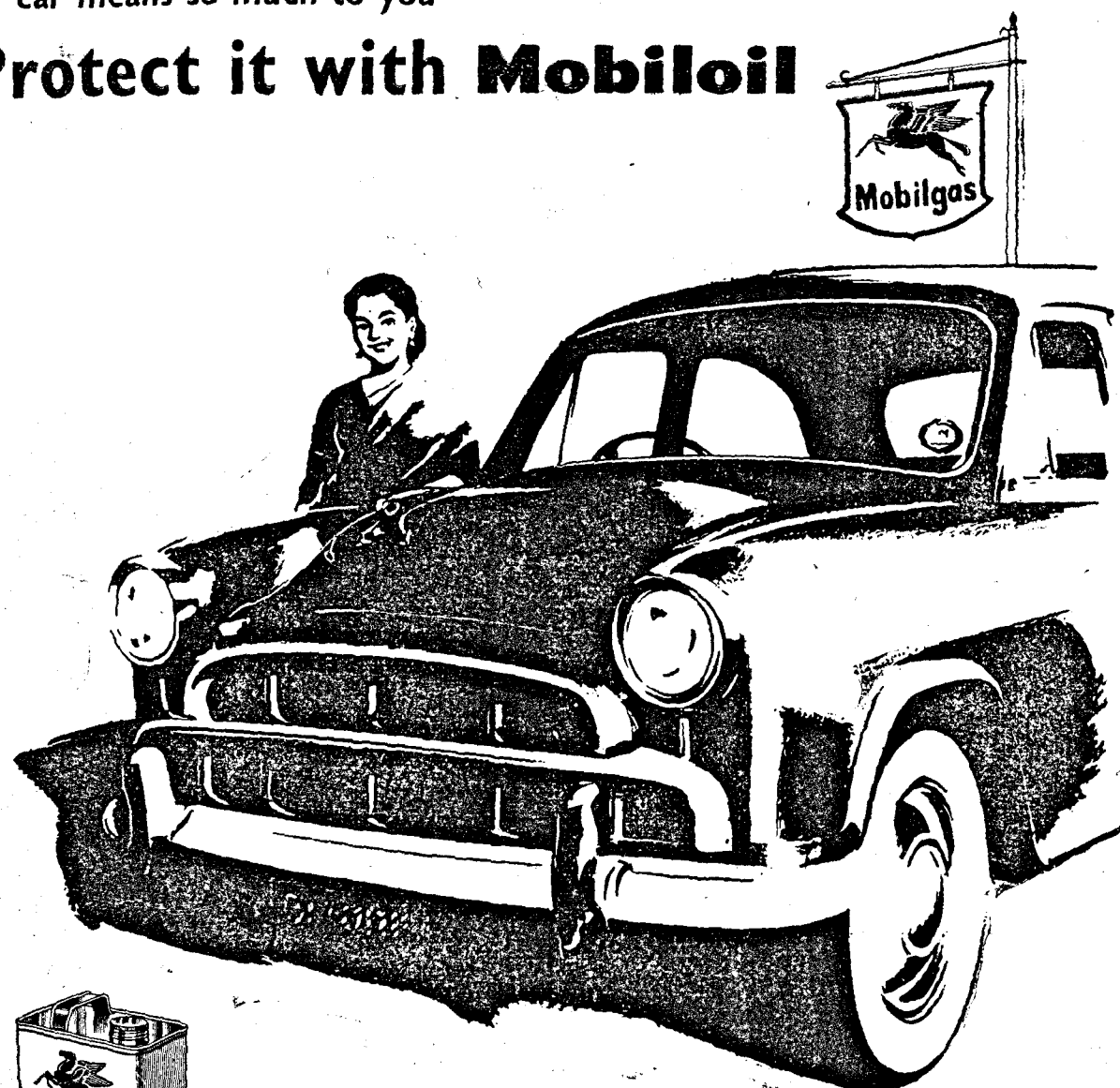
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fore, to the many kinds of official help which are normally available to those now classified as small scale units. In point of fact, these may have all the difficulties and handicaps besetting a small scale unit. As it stands today, therefore, the present definition appears to put a premium on capital intensive units.

Technology and Scale of Operation

There is yet another important point to be considered. This pertains to recent technological developments and their effects on plant-size, as measured by the conventional standards. These developments have tended to be both labour-saving as well as capital saving. If the various automations and the other 'switch-board' apparatus are 'labour-saving,' there is also an equally impressive array of mechanical devices and techniques of rationalization, which are 'capital-saving'. These developments rule out either number of workers or capital by themselves as reliable measuring devices of scale of operation. For, if technology is labour-saving and/or capital saving, it will reduce plant-size, if measured by any one of these standards, even if by all other standards it may remain the same or keep increasing.

The New Criteria

Recent thinking is therefore focussed on finding standards other than either capital or employment alone. The new criteria include the average net value added per-unit; the average H.P. of power per worker; the average capital-per-worker; and last but not of least importance is the devise of 'Representative Size' as evolved by P Sargent Florence. It should be added, however, that there are perceptible variations in the degree and extent of the impact of the forces of technology among different countries in the world today and further that in an under-developed country like India, technological developments have not advanced to such extent as to vitiate measurement of scale of operation determined by the criteria of capital and employment, in conjunction with other factors. For this reason, besides capital and employment, the following factors should also be kept in view in determining scale of operation: (1) technique of production; (2) volume of output; (3) sphere and extent of market; (4) quantum of power

used; (5) level of organization; and (6) number of labourers employed and relationship with such labourers.

Keeping in view these as also the various other factors discussed earlier, the following suggested classification may be examined:

(1) Handicrafts or the Traditional Industries;

(2) Hand and Household Industries;

(3) Small Scale Industries;

(4) Medium Scale Industries; and

(5) Large Scale Industries.

In what follows an attempt is made to delineate the important characteristics of each of these categories in relation to the factors noted above. Attention will be focussed principally on the first three sectors. An attempt will also be made at the end to provide a quantitative basis for each of the above categories, in terms of total capital employed and employment afforded.

Handicrafts

The term Hand and Household industries is not meant to be a mere substitute for either cottage or the handicrafts industries. It is meant to connote a basically different concept. Cottage industries, apparently, may mean any industry which is plied at or near the house of the 'owner'. This is to say, it does not necessarily mean, as is often sought to be implied, those traditional or handicrafts industries, which are better known for their: (1) exclusive reliance on manual operations, (2) dependence mainly, if not exclusively, on family labour, and (3) utility as a complementary avocation to agriculture and for supplementing the total income of the agricultural families. Hand-spinning, bee-keeping, handpounding of rice, the 'atta-chakki' or hand-grinding into flour, and sericulture, etc may be cited as instances. The point of importance here is that primarily they are the subsidiary means of livelihood of the families undertaking these industries.

There are also such fine arts and crafts—cane work, lacquered work, gold and silver works, ivory articles, wood carving, etc, which are whole-time occupations and are also traditional industries. But the important point about them is that, by their very nature they are not capable

of being run on machinery or electricity and are dependent exclusively on the accumulated dexterity and craftsmanship inherited, so to say, through the generations. Generally, their products are not amenable to 'standardization'.

Household Industries

On the other hand there are industrial avocations which of late are designated by the term cottage industries but which basically differ in essence from the handicraft variants. Their important hallmarks can be summed up as follows:

- (1) They constitute invariably the principal means of livelihood of the artisans;
- (2) Their saleability mainly depends on the utility value of the products rather than on artistic or sentimental considerations;
- (3) They need not entirely depend on family labour but may also employ outside hired labour;
- (4) They need not necessarily be located in the dwelling places of the artisans concerned, but may be housed separately;
- (5) The skill and the training involved in these industries can be acquired through institutions other than those of 'traditional inheritance' without impairing the quality of the product or efficiency of operation, unlike those of artistic handicrafts;
- (6) These have potentialities of being run on electricity and other power driven machinery and can be reorientated into small scale organized units.

Small Scale Industries

Small scale industrial units essentially connote an identity of management and ownership. The processes of manufacture involved are relatively simple without necessitating an elaborate set of specialised machinery and equipment. Their efficient functioning does not call for any elaborate set of specialised managerial skills. There is an intimate, personal relationship between the proprietor (or the manager) and the workers, both because of the relatively small number of persons employed as well as the absence of specialisation in the day-to-day management functions. Their requirements of capital are very modest and the sources of

finance are usually restricted to friends and relatives. Their best guarantee, both in respect of credit requirements and market outlets, is their personal contacts and the relationship with their customers.

It may not be correct to assume that all industrial establishments falling under this sector form a homogenous group. On the contrary they may display a maze of diverse complexities. For example, a few of them may employ power-driven machinery and may exclusively depend on hired labour, while there may be others which employ only the traditional hand-operated equipment. Some of them may be working all-round the year, while others may be working only seasonally. While some may undertake job work and repairs, others may manufacture composite products. Some may have a restricted local market while others may have national or even international markets. There may be many who are dependent on dealers and other intermediaries for the disposal of their finished products and for financing their various operations while others may do these on their own. This is by no means a complete list of the various complexities and diversities found among the small scale industries, but is only illustrative. What is important, however, is the fact that it is possible to generally distinguish these from the medium and large-scale industries on the one hand, and the household type of industries on the other.

Medium Scale Industries

Considering the medium scale industries, it is necessary to concede at the very outset that they may have many basic characteristics to distinguish them from the first three categories, but these characteristics may not be substantially different from those of the large scale industries. For example, there are quite a large number of industries which involve huge capital investment and require elaborate organizational apparatus and yet are conducted on a scale which do not qualify them to be termed large scale. These units may have the 'headaches' of the small scale units for some purposes and the 'bother' of the large scale ones in others.

This point may be illustrated with reference to the Glass Product Manufacturing industry. A unit of this industry in the Bombay State, has a total capital asset not exceed-

ing Rs 5,00,000 but employs in its various branches of operation and management a complement exceeding 100 persons. The machinery and equipment they have include two Tank Furnaces, the replacement cost of each being roughly Rs 1,50,000; an Annealing Lehr (Baking Oven) with conveyor belts the initial cost of which was estimated at roughly Rs 50,000 and the replacement cost at Rs 1,00,000.

It was gathered that the unit wanted to replace these two sets of equipment with those which could be run on electricity but are at the moment deterred owing to financial difficulties. The replacement of these equipment, it was reported, would not only raise productivity of the plant, but also provide for more employment. This is an instance of a unit which partakes the qualities and characteristics of a large scale unit, while it has all the difficulties besetting a small scale one. Instances such as these could be generally found in many more industries. Naturally these industrial units can be termed as medium scale units.

Capital and Employment

According to an analysis of 21 out of the 29 industry-groups found in the Indian Census of Manufactures (1953), the average per unit investment for industries under the size class 20-49 employees, works out at Rs 1.55 lakhs, ranging from Rs 0.31 lakh to Rs 3.22 lakhs. (These 21 industry-groups are: (1) Wheat Flour, (2) Rice Milling, (3) Biscuit Making, (4) Fruit and Vegetable Processing, (5) Gur, (6) Vegetable Oils, (7) Paints and Varnishes, (8) Soap, (9) Tanning, (10) Glassware, (11) Ceramics, (12) Plywood and Tea-chests, (13) Paper and Paper Boards, (14) Matches, (15) Bicycles, (16) Sewing Machines, (17) Woollen Textiles, (18) Cotton Textiles, (19) Electric Lamps, (20) Electric Fans and (21) General Engineering.) The average per unit employment works out to 54 persons with a range of 26 to 38. Considering the important characteristics discussed earlier, it may be taken that under the classification 'small scale' observed earlier, all units with a capital investment not exceeding Rs 3,00,000 and employing less than 50 persons may be included. This roughly gives a maximum of Rs 6,000 as the total capital per person which figure may be accepted as the maximum per

person investment reasonably representing a small scale unit.

It may be noted here that Professor Bert F Hoselitz, after scrutinizing existing figures of investment for small scale units in India (Economic Weekly, February 22, 1958) arrived at an All-India average of Rs 1,622 per worker as investment only in machinery and equipment. Assuming that investment per worker in other items, such as land and building and working capital, to be roughly double this figure (Rs 3,244), the aggregate investment per worker comes to Rs 4,866 or in the neighbourhood of Rs 5,000. A more or less similar trend could be discerned from an analysis of the figures available from the various Planning and Analysis reports of the Development Commissioner for Small Scale Industries, New Delhi.

Coming to the medium scale industries, the characteristics mentioned under this head earlier appear to more or less correspond to the size-classes "100-249" employees. That is, all units with a capital investment not exceeding Rs 35,00,000 and employing more than 50 and less than 300 persons may be taken as medium scale industries.

The rest naturally, fall under the classification large scale industries.

The five-fold classification of industries provided above is primarily meant to provide an unambiguous basis for a rational differentiation of various types of industries, keeping in view the overall objective, as briefly outlined earlier. The object of revising the capital limit downwards in the case of small scale units is to provide a truly 'labour-intensive' bias to the classification. The category of medium-scale industries, as defined here, would go a long way in putting the 'middle-sized' units into the forefront for official help.

In conclusion, it should be emphasised that no rigid set of standards would provide an adequate definition of industries. In this respect it is well to remember that in the U S A different sets of criteria are applied in defining different types of industries and categories of establishments. This only reinforces our contention that the criteria of capital and employment should be tempered by the other qualitative characteristics referred to earlier.

Around Bombay Markets

Blowing Hot and Cold

Thursday, Morning.

DALAL STREET has started blowing hot and cold (more hot than cold) in the same breath. It is not merely that fluctuations have turned erratic but the daily price pattern itself has become mixed. On any day one can pick up some shares showing remarkable strength and others distinctly subdued. The market continues to elude the grasp of both bulls and bears. Technical analysts too cannot pronounce their verdict on the near-term trend. All that they can say is that the market has become a "trading market."

The overall trading pattern of the market continues to be fairly encouraging despite occasional sinking spells caused both by corrective profit-taking and bear pressure. That the market should have attracted heavy profit-taking recently is not the least surprising because the recovery which started about the beginning of this month brought it back again to an important resistance area. What is really significant is that the market has continued to present a remarkably firm front in face of the disturbances in Kerala and the Ooty seminar. The recent happenings in Kerala have a message which it might be risky to ignore. And there can be little doubt that if the decisions taken at Ootacamund were to be implemented it would give a new form to New Delhi's socialism which at present exists only in name.

Several New Peaks

Last week several shares struck new peaks in the primary uptrend. Automobile shares were conspicuously firm on sustained influential support. Prospects of early manufacture of small cars were widely talked about. Tata Oils were sought on ideas of a higher dividend. National Rayon responded to reports that arrangement for credit for the tyre cord plant had now been completed. Bombay Dyeing and Svadeshi were the hot favourites among the Textiles, both wanted on ideas of their excellent export performance. Near the week-end Walchandnagar Sugar took the market by surprise by recording a spectacular rise.

Only Steels were out of favour and depressed. It is arguable that the market's performance last week might have been much better if sentiment had not been swayed by reports that Tisco's issue of fresh capital at par would not be sanctioned. New Delhi it is reported, has been insisting on a premium. There is a good deal to be said in its favour because the issue of shares at par by companies whose shares are quoted many times their face value contain a large element of bonus in them. Why should the companies be encouraged to evade the bonus tax by issuing fresh capital, particularly at a time when the investment market is in a buoyant mood? The stock market is naturally unhappy over the shift in New Delhi's policy. In the absence of the sanction for the fresh capital issue, shareholders' meeting on June 25 will have to restrict its activities to the revision of the managing agency agreement.

Dalal Street's firmness in face of the recent happenings in Kerala and the discussions at Ootacamund reflects its optimism about the outlook for equities. And about the primary trend in equities there can be no doubt. But more and more observers are now inclined to the view that the current prices discount even the near-distant future. They seem to contain an error of optimism. Of course one never can tell where the error of optimism might take the market. But investors will have little to regret if they decided to cash some of their investments in a rising market in the hope of a better opportunity of re-employing their funds more profitably.

Cotton

Further Decline

COTTON futures continue to drift lower. After declining to a new low of Rs 679.25 Jarilla August rallied to Rs 685.25 but only to drop down to Rs 675 on June 24. The mid-week recovery was caused by short-covering induced essentially by technical considerations. But higher levels not only failed to attract follow-up support but also led to heavy bear pressure.

In the spot market Mogla 25/32"

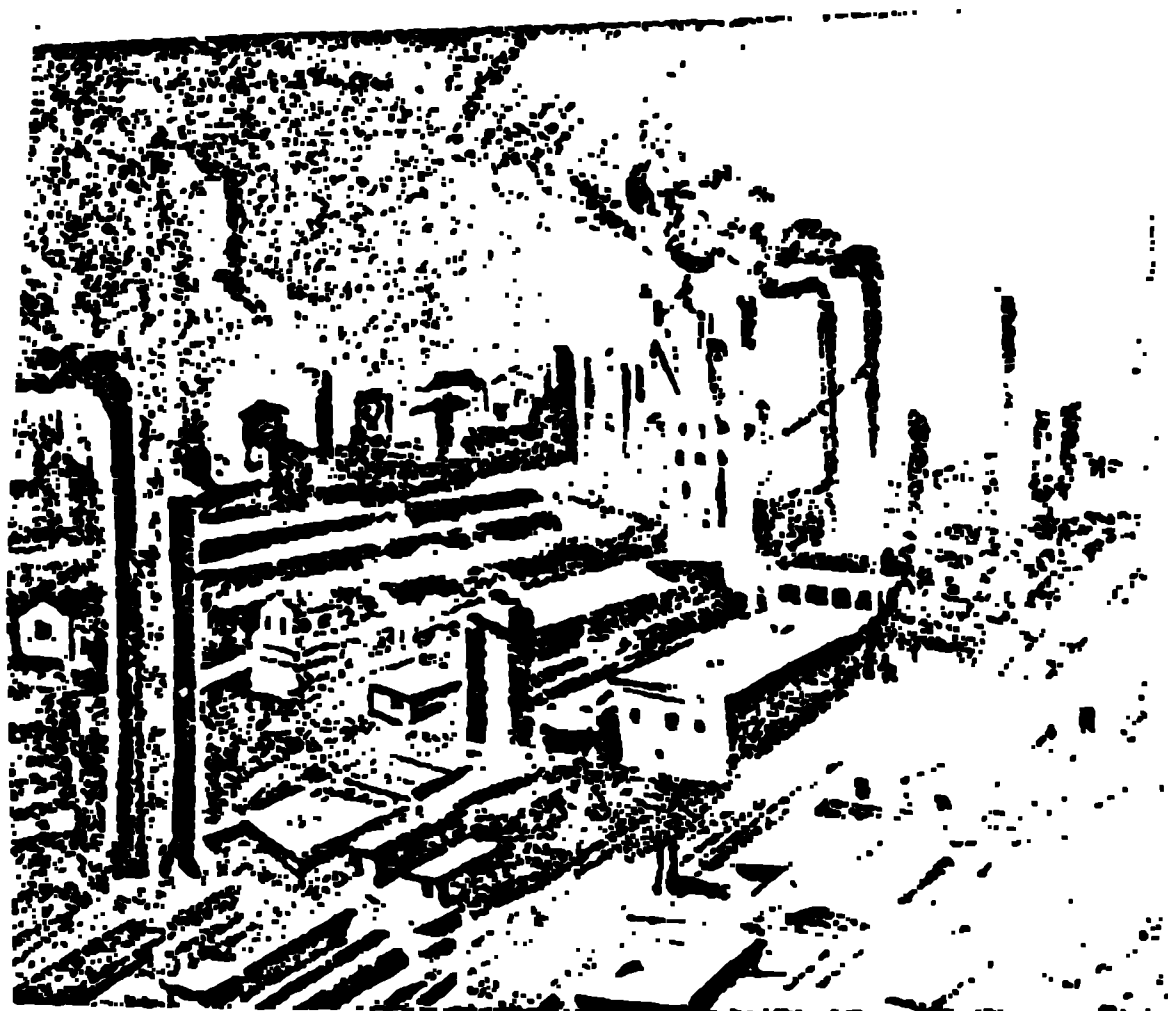
fine (the basis of the hedge contract) can be had only at around Rs 725 but the hedge contract goes abegging as low as Rs 675. Activity in the spot market has dwindled appreciably recently and mills are restricting their purchases to the barest minimum. Cloth off-take too is restricted by the seasonal factor. But sentiment in cotton futures is now being moulded essentially by weather ideas. Most of the producing areas now report beneficial rains though the weather leaves much to be desired. But it is still too early to talk of consequences of the delayed monsoon.

Trading in the new crop March contract started on Monday at 672.25. It was done up to Rs 674.50 the same day but by Wednesday it had declined to Rs 663. Sellers predominated, upcountry being the chief seller. Spot houses did not evince much interest in futures. With the supply position tight they were reluctant to follow the decline in futures, particularly when spot prices were being well-maintained despite reduced spinner inquiry.

Export activity has slackened again. Recent inquiries have been confined to Bengals only, with Japan mentioned as the chief customer. Total sales registered up to June 17 are reported at 48,355 bales of Bengal Deshi out of a quota of one lakh bales, 14,686 bales of 3/4 inch cotton (quota one lakh bales) and 3,902 bales of cotton below 3/4 inch (quota 50,000 bales). These make a total of 66,943 bales. The quantity passed for shipment is mentioned at 35,122 bales.

Egyptian Cotton Deadlock Over

The deadlock about the import of Egyptian cotton is at last over. Shri Madanmohan R Rula has finalised the trade agreement. Payment will be in rupees to be utilised for the import of traditional items like tea and jute. Egypt will offer a discount of 35 per cent on the current crop and 30 per cent on new crop. This discount is said to be subject to revision every Monday to make possible adjustments in prices in accordance with the price movements in Sudan cotton. This heavy discount makes Egyptian cottons



panoramic view of the Burnpur works of the Indian Iron & Steel Company Limited!

This is the town that never sleeps—the town of steel. Night and day, the vast works throb with activity as men and machine labour to feed the iron and steel-hungry industries of the nation. Using the most modern production technique the Company manufactures under a system of rigid quality control a wide range of products including rails, structurals, blooms, sheets, billets, tubes, pig iron, open hearth castings, vertically-cast iron pipes and non-ferrous castings.

competitive with Sudan cotton but India has already taken about 45,000 bales from the Sudan out of a total quota of 60,000 bales recently allocated.

Below are the figures of the quantities licensed, with actual arrivals in brackets, between September 1 and June 13 from different countries: East African 183,753 bales (140,186), Sudan 85,580 (64,553), Egyptian 62,926 (51,775), U S 94,911 (49,930) and Peru and others 4,529 (1,798). The total quantity licensed is 431,669 bales and actual arrivals are 308,242 bales.

Oilseeds

Drifting Lower

OILSEEDS showed an easier tendency last week. Excepting cottonseeds which managed to hold their previous week's levels (without any important business of course), oilseeds suffered an all-round moderate decline, with castor and linseed futures retreating to new low levels in the current downward move. Sentiment was unsettled both by the poor performance on the export front and by reports of beneficial rains in some of the producing areas.

Castor futures continued to monopolise speculators' attention but trading last week was generally an unexciting affair. Offerings in ready castor were said to have declined appreciably presumably because stock-holders are reluctant to part with their goods at the current low prices. Exporters continued to take fair interest in oil, mostly against their previous sales abroad. Inquiries with the trade indicated that some business had been put through with the U S at 13.60 cents per pound, Commercial. The Communist bloc was also reported to have taken about 1,000 tons. But all this could not impart any steadiness to the futures market. Occasional export house buying could not stem the decline.

There is nothing bad about the export outlook for castor oil. Business for about 18,000 tons has already been concluded. It should not be difficult to sell another 10,000 tons by September end to the U S, U K and the Communist countries. But all this might not produce any marked and sustained recovery in castor prices here. Overseas buyers will probably get all they need without bidding up prices.

The subdued tendency in groundnuts is due essentially to a change in Market psychology because of the onset of the monsoon. The spot material continues to fetch a huge premium, with Kathiawar bold quoted at around Rs 43.50 per cwt. But traders' attention has now shifted from current supplies to prospective supplies. Speculators are not much interested in the past or the present. They are constantly looking ahead.

Export houses did not report very large business in oilcakes. Overseas prices were generally firm around their previous week's levels of £ 32-15 for extractions and £ 34-15 for expellers 54 per cent. June shipment. But inquiries were not very keen. Business in expellers, however, was limited only by the quotas earned under the incentive scheme for groundnut oil.

Policy for Oil Export

The export incentive scheme for groundnut oil ended with May and the shipment period for oil itself will expire this month end. The trade is therefore asking whether the export of oil will be allowed beyond June and also whether the incentive scheme will be renewed. Export of oil is not possible without an incentive. The performance to-date has not been encouraging in spite of the incentive scheme. Total sales this season are estimated around 12,000 tons of which only 4,000 tons are said to have been sold outside the Communist bloc against a quota of 20,000 tons. This is because Indian prices have continued to be substantially above world parity.

Exporters feel that prospects of selling groundnut oil on the basis of a quota of 3-1/2 tons of expellers for each ton of oil, allowed up to May 31, seem now better than before. Export is remunerative on the basis of current prices of oil and oilcake here and abroad. Indeed this is the time when expellers can fetch really good prices and foreign demand is expected to improve further in coming weeks. It would be unfortunate if the opportunity of selling oilcakes were to be missed.

It is also thought that the export of groundnut oil should be licensed freely, subject to a ceiling of course. The policy of allowing only the established shippers to export goes ill with the pressing need for boost-

ing exports. Only free licensing can encourage initiative and competition. Of course that alone cannot meet the challenge of the time. In view of the increasing competition abroad an altogether new approach is needed for pushing exports. Indian prices continue to be out of world parity but other countries are selling their goods in world markets without much consideration for internal prices.

Linseeds were subdued during the week because of the comfortable supply position and slack off-take. Oil was particularly easy. Export business remains at a standstill. Paint manufacturers are mentioned as the main buyers. Prospects of selling linseed oil abroad are bleak, foreign prices being much lower. Linseed and linseed oil prices have declined further on the Continent recently because of the large U S sales of linseed. Washington's decision to sell large quantities of coconut oil from the stockpile has also induced an easier tendency in the prices of edible oils in the Continental markets.

Following were the opening, highest, lowest and closing rates of different seeds during the week to June 24; figures in brackets show the previous week-end closing rates. Groundnut August (Rs 199.50 per candy) 197.50, 199, 196.50, 196.50; castor September: (Rs 162.37) 161.37, 163, 160.12, 160.12; cottonseed September: (Rs 133) 134.75, 135, 133.75, 133.75; linseed September: (Rs 33.81 per cwt) 33.75, 33.94, 33.44, 33.44.

Money

Funds Plentiful

CONDITIONS in the short-term money market have become extremely comfortable. Lenders abound. Borrowers are not easy to find. Last week exchange and bigger Indian banks were able to get all the inter-bank call money they needed at between 2-1/2 and 2-1/4 per cent. At times the rate was quoted as low as two per cent. The treasury bill rate too declined to a new low of 2.76 per cent.

The gilt-edged market showed a distinctly firm tendency throughout the week. Short-dated loans recorded further small gains on sustained inquiry and scarcity of offerings. Medium-dated issues also attracted some attention. The long-dateds, however, were comparatively neglected and rather subdued.

Bullion**Bullion Dull**

TRADING in bull futures last week was a rather dull affair. Fluctuations were erratic and they were guided less by the figures of daily arrivals and off-take than by the budla charges in Jeth contracts which expired during the week.

After declining from Rs 118-6 to Rs 117-6 gold Ashad delivery recovered quickly to Rs 118-4 but only to ease again to Rs 117-7. Shorts covered at setbacks but higher levels continued to attract spot house selling and bull liquidation. Silver Ashad delivery which had been bid up to Rs 194-10 earlier in the week reacted to Rs 193-2, recovered to Rs 194-4 and wound up the week at Rs 194.

Backwardation charges in gold Jeth delivery were pushed as high as Rs 2-12 but the spread between Ashad and Shravan deliveries, however, narrowed down a little from 12 annas to nine annas. In silver backwardation charges in Jeth declined from 15 annas to barely four annas but the spread between Ashadh and Shravan increased from six annas to 11 annas.

Company Note**LARSEN & TOUBRO**

LIKE several other well known companies, Larsen & Toubro is gradually diverting its attention from imports to domestic manufacture and distribution of locally produced goods. Import restrictions and foreign exchange difficulties reduced its sales turnover during the year ended March 31, 1959 to Rs 2.78 crores from Rs 3.93 crores, but the gross profit margin nearly doubled from 4.9 per cent to 9.6 per cent, indicating a change-over to more profitable lines of business. Despite higher taxation of Rs 16.60 lakhs against Rs 12 lakhs, net earnings have gone up to Rs 9.97 lakhs, from Rs 7.31 lakhs last year, and earning ratios have improved all round. Net earning on total capital employed has gone up from 5.9 per cent to 8.2 per cent to 11.4 per cent, and per ordinary share of Rs 10 from Rs 1.58 to Rs 1.73; distribution has been maintained at Rs 1.25 on the expanded equity capital. Preference dividend is now more than 13 times covered by net earnings, against only 10 times last year, while the

equity dividend is covered about one and a half times, which is slightly higher than in the previous year.

Total capital employed shrank nominally during the year from Rs 123 lakhs to Rs 122 lakhs after making allowance for part employment of new equity in both years; this was made up of an increase in equity and a decline in bank loans. The secured loan of Rs 12 lakhs is covered 20 times over by inventory and receivables against only 8 times last year. Net working capital, i.e., liquid assets less current and short liabilities, has improved impressively from Rs 45 lakhs to Rs 53 lakhs in the face of lower sales. Net fixed assets have expanded to Rs 32 lakhs from Rs 26 lakhs. Most of the finance for this expansion is being drawn from share capital and reserves. Net worth has consequently expanded from Rs 80 lakhs to Rs 92 lakhs, share capital alone accounting for an increase of Rs 10 lakhs. Further capital expansion is now proposed in the form of an equity rights issue of Rs 20 lakhs in the proportion of one new for every three held. This will, among other things, help Larsen & Toubro to take over several other companies under the same management as wholly owned subsidiaries.

The output from the company's workshop at Powai is steadily increasing. Substantial orders are under execution and the plant is being worked to full capacity. Schemes for expansion have been taken in hand.

It is surprising that the company's profit and loss account shows a very large amount of 'miscellaneous' expenditure year after year. In the latest year, this is the third largest head of expenditure at Rs 26 lakhs.

A Blow to Community Development

FOLLOWING the pattern adopted last year, the latest Evaluation Report of Community Development (to be reviewed) presents selected studies of certain aspects of the overall programme, in this case planning process at the block and village levels, cottage industry, large and small cooperative societies and social education. The authors are aware of the severe limitation short term research puts on reliable results, particularly since

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all-India coverage obscures regional differences. The objectivity of the report is attested by its prevailing tone of depression. Information from the first two sections provides ample reason for this depression.

Evaluation of the planning process deals primarily with the problem of decentralization. Administrative reforms (based on the recommendations of the Balwantrai Mehta Committee and the 1955 Simla Conference) have been introduced in almost all States to give greater planning power to the panchayats, enlarge the role of non-officials, etc. The desired effect has not yet resulted. Targets and plans for local development are largely received from official sources above. The statement in the planning effort adds another year's blow to dispel the illusion that Community Development will catch fire and become a people's movement. That an average of one third of the sanctioned block budgets remained unspent during 1956-9 and that actual expenditure distribution did not correspond to budget proportions gives a good indication of the relevance of official estimates and execution.

Nine cottage industries covered by pilot training projects were selected for study, leaving uncovered only brick making and food processing. Sixty per cent of all trainees learned hand spinning and with the hand loom weavers and tailors accounted for 84 per cent of the total. No comment need be made on the relevance of this concentration to rural needs. The avowed policy is to provide training for traditional artisans, but 65 per cent of the trainees had no previous association with the crafts taught and were mostly young men of promise. Drop-outs during the courses were high (one third) and only 37 per cent of those who originally joined the centres in fact went into the trade which they had been taught. A more intensive interview with a random sample of trainees showed that a dominant motive for joining the course was the stipend offered. Most were satisfied with the content of the courses and felt that they had learned improved design and better technique. This aesthetic satisfaction must be gratifying, since neither output nor income increased significantly.

CURRENT STATISTICS**BANKING RETURNS**

Reserve Bank	Latest Week†	Week Ago	Month Ago	Rs Crores Year Ago
1. Note circulation	1737.79	1753.79	1752.35	1586.91
2. Rupee Coin	129.90	128.13	129.62	130.43
3. Deposits				
Central				
Government's	49.92	59.58	54.40	49.90
Other Governments'	18.29	9.93	17.79	16.25
Banks'	79.38	72.67	80.40	93.63
Others'	119.72	119.49	118.33	112.08
4. Foreign Securities	178.01	178.01	178.01	209.68
5. Balances held abroad	15.62	18.09	24.29	17.42
6. Rupee Securities	1345.75	1345.76	1345.77	1167.56
7. Investments	311.35	297.55	289.17	267.16
8. Loans and advances to Governments	27.18	31.53	32.62	42.63
9. Other loans and advances	61.70	59.77	66.36	55.13
Scheduled Banks				
1. Demand Liabilities (net)	722.05	712.92	714.00	721.08
2. Time Liabilities (net)	990.22	987.31	974.71	770.76
3. Cash	112.56	114.57	112.20	116.35
4. Borrowings from Reserve Bank of which against Usance Bills	4.95	9.52	26.37	15.44
5. Advances & Bills (inland & foreign) discounted of which State Bank's	1001.12	1006.03	1021.28	912.67
6. Invest. in Govt. Sec. of which State Bank's	634.31	634.54	625.31	484.23
Cheque Clearance	150.65	151.13	170.89	149.95

For Reserve Bank and Cheque Clearance week ended 19-6-59. Scheduled Banks week ended 12-6-59.

Bombay Money Rates

(per cent per annum)

	12-6-59	5-6-59	18-5-59	13-6-58
Call Money				
From banks	3½	3½-3½	3½-3½	3½-4½
From public	2½-3½	3-3½	3-3½	—
Three Months	2½-4	2½-4	2½-4	2½-4½
Six Months	2-4	2-4	2-4	2-4½

Bombay Bullion	26-6-59	Week Ago	Month Ago	Year Ago
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Gold (per fine tola)				
Spot	119.65	121.03	120.00	108.35
Forward	117.47	121.19	119.75	107.62
Silver (per 100 tolas)				
Spot	194.37	195.06	195.81	185.00
Forward	194.00	195.00	196.00	185.31

INDEX NUMBER OF WHOLESALE PRICES

Group and Sub-Group	WEEK	ENDED
	8-6-59	30-5-59
	9-5-59	7-6-58
Food Articles	116.6	116.8
Cereals	100.9	100.3
Pulses	97.2	97.0
Fruits & Veg.	129.3	125.3
Milk and Ghee	109.6	114.4
Edible Oils	132.0	131.4
Fish, Eggs & Meat	106.6	106.7
Sugar & Gur	149.5	148.5
Others	157.1	156.3
Liquor and Tobacco	96.8	96.5
Tobacco	95.1	94.8
Fuel, Power, Light & Lubricants	116.4	116.4
Industrial Raw Materials	120.2	120.2
Fibres	109.4	109.4
Oilseeds	135.7	135.8
Minerals	103.6	103.6
Others	112.6	112.6
Manufactures	108.9	108.8
Intermediate Products	108.2	108.6
Finished Products	109.0	108.9
Textiles	104.2	104.0
Cotton	118.2	113.2
Jute	85.7	84.7
Woollen	104.2	104.2
Silk & Rayon	95.5	95.5
Metal Products	143.3	143.3
Chemicals	106.4	106.4
Oilcakes	142.2	141.2
Machinery and Trans Equipment	106.0	106.1
Others	113.2	113.2
All Commodities	114.5	114.6

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Group and Sub-Group	May 1959	April 1959	Mar 1959	May 1958
Food Articles	116.1	113.1	113.8	107.2
Cereals	98.9	99.0	101.7	99.4
Pulses	94.8	86.2	113.4	82.4
Edible Oils	130.9	125.5	123.3	120.7
Fish, Eggs & Meat	107.0	107.0	104.9	105.4
Sugar and Gur	144.4	144.4	128.2	116.8
Others	157.4	157.4	150.0	133.9
Liquor and Tobacco	98.6	98.6	100.3	92.0
Tobacco	97.0	97.0	99.0	90.2
Fuel, Power, Light & Lubricants	116.4	116.4	116.1	114.7
Industrial Raw Materials	120.2	120.2	116.2	113.5
Fibres	109.4	109.4	107.9	110.6
Oilseeds	135.7	135.8	127.9	118.5
Minerals	102.4	101.4	102.9	106.9
Others	112.6	111.7	111.2	110.1
Manufactures	108.2	108.0	108.2	107.7
Intermediate Products	108.3	108.4	109.4	108.1
Finished Products	108.2	107.9	108.0	107.6
Textiles	102.8	102.2	102.1	104.6
Cotton	111.3	110.8	111.0	113.5
Jute	84.6	83.6	82.3	88.0
Woollen	104.2	104.2	105.4	104.7
Metal Products	143.3	143.3	143.3	143.0
Chemicals	107.6	109.4	110.7	99.5
Oilcakes	139.6	139.2	140.1	120.1
Machinery and Trans Equipment	106.1	106.1	106.1	102.9
Others	113.2	113.2	112.3	108.2
All Commodities	114.0	111.9	112.3	108.2

INDUSTRIAL PRODUCTION

(Monthly Average or Calendar Months)

	Cotton cloth (sq yds)	Woolen & worsted fabrics (sq yds)	Veg oil products (000 tons)	Matches (000 cases)	Soap (000 tons)	Razor blades (lakhs)	Sewing machines (000)	Hurricane lanterns (000)	Electric lamps (nos)	Electric fans (000)	Radio receivers (000)	Domestic refrigerators (nos)	Thermos flasks (000 doz)	Type writers (nos)
1956	442.2	1.4	21.3	51.3	9.2	221.0	10.9	431.6	2.6	28.2	12.6	63	4.0	1,118
1957	443.1	1.3	25.1	48.2	9.3	280.4	14.0	362.1	2.8	43.7	15.9	79	4.5	1,283
1958	410.6	1.6	24.6	51.2	10.2	297.6	17.1	274.0	2.5	53.0	16.5	243	5.8	1,291
June	388.3	1.5	24.5	53.0	9.8	166.9	17.0	281.8	2.4	48.4	17.8	106	5.0	1,418
July	419.4	1.3	25.2	58.4	11.7	326.6	18.7	326.7	2.7	55.0	18.1	125	5.6	1,213
Aug	407.9	2.5	20.8	55.5	10.2	361.2	18.5	282.0	2.5	50.1	15.8	379	6.0	1,295
Sept	411.3	2.5	23.4	53.2	10.6	328.5	17.4	296.9	2.5	51.4	16.1	426	6.3	1,143
Oct	421.5	1.5	20.5	48.6	11.9	393.8	10.5	271.4	2.4	38.2	15.3	246	6.1	596
Nov	377.4	1.2	19.8	45.1	10.7	369.9	16.1	245.1	2.5	58.3	15.1	498	6.6	1,152
Dec	438.5	1.4	26.5	52.2	10.9	409.7	21.5	271.0	2.8	68.0	20.4	542	7.1	1,194
1959:														
Jan	430.1	1.1	27.8	47.5	9.2	—	19.0	—	2.7	62.4	14.4	428	—	1,739
Feb	391.8	1.0	27.5	51.5	—	—	—	—	2.7	50.9	—	—	—	—
Mar	406.6	1.0	29.1	—	—	—	—	—	3.0	—	—	—	—	—

	Cement (000 tons)	Asbestos cement sheets (000 tons)	Coal (000 tons)	Joint mfgs (000 tons)	Ammonium sulphate (000 tons)	Copper sulphate (tons)	Sodium sulphide (tons)	Zinc oxide (tons)	Phenol formaldehyde powder (000 lbs)	Liver extract (injection) (lakhs C.C.)	Liver extract (total) (000 lbs)	Stabilized Avicel (000 lbs)	Solubilized Avicel (000 lbs)	Calcium carbide (tons)
1956	410.7	10.0	3,286	91.1	32.4	165	255	426	183.8	20.47	23.3	70.4	54.9	241
1957	466.8	13.2	3,625	85.8	31.6	157	272	454	219.3	23.45	20.6	46.3	8.7	300
1958	505.7	15.5	3,777	88.5	32.0	174	335	550	245.6	29.20	25.3	34.7	11.3	317
June	499.1	14.7	3,554	82.4	30.5	149	315	480	234.0	31.43	17.4	45.0	12.7	296
July	477.7	15.9	3,749	89.8	30.2	191	365	364	235.0	36.67	22.8	34.9	10.3	329
Aug	477.4	15.9	3,539	85.2	30.5	222	337	330	248.6	20.1	29.9	46.5	11.1	338
Sept	483.1	16.3	3,848	87.3	30.3	222	337	330	248.6	21.94	11.0	51.2	12.0	338
Oct	411.3	16.1	3,747	81.8	31.8	234	416	675	288.9	32.56	—	51.7	13.8	312
Nov	456.7	14.9	3,688	87.0	34.1	148	272	683	249.6	17.86	—	36.3	13.5	295
Dec	522.2	16.3	4,149	96.5	36.6	193	412	663	279.9	29.83	—	39.9	13.4	349
1959:														
Jan	499.7	14.8	4,086	92.1	36.6	—	—	—	186.5	—	—	—	12.6	319
Feb	502.7	13.8	3,939	83.6	—	—	—	—	209.3	—	—	—	11.3	287
Mar	585.3	15.6	—	83.3	—	—	—	—	296.2	—	—	—	10.3	321

	Rayon viscose yarn (tons)	Rayon staple fibre (tons)	Rayon acetate yarn (tons)	Naphthalene (000 lbs)	Aluminium (virgin) (tons)	Aluminium (recycled) (tons)	Copper (virgin) (tons)	Lead (virgin) (tons)	Brass sheets & circles (tons)	Pig iron (000 tons)	Steel ingots and metal for castings (000 tons)	Semi-finished steel (000 tons)	Finished steel (000 tons)
1956	608	659	118	26.9	542	874	636	208	1,132	150.6	144.8	123.7	111.5
1957	784	667	134	106.9	642	910	654	264	1,482	149.1	142.9	120.0	112.2
1958	1,094	1,159	151	83.2	659	1,112	655	277	1,682	151.1	151.1	133.3	108.3
June	1,168	1,147	145	37.7	662	1,086	665	198	1,831	155.0	134.7	117.0	97.2
July	977	1,152	159	49.9	692	1,189	692	288	1,830	178.3	157.6	127.8	111.0
Aug	1,197	1,243	173	49.3	707	1,275	692	306	1,836	178.3	157.6	127.8	111.0
Sept	1,127	1,199	129	92.6	690	1,153	685	362	1,606	170.4	153.1	136.0	109.7
Oct	1,186	1,343	166	83.3	698	1,104	700	141	1,539	178.2	151.3	149.6	103.5
Nov	1,169	1,371	175	105.9	665	1,113	670	332	1,737	174.3	156.1	154.7	110.2
Dec	1,249	1,456	143	149.9	675	1,253	720	418	1,888	191.6	164.7	169.3	118.2
1959:													
Jan	—	—	152	—	840.7	1,300	587	—	—	168.9	153.6	153.3	120.5
Feb	—	—	160	—	1,429	—	466	346	—	194.9	182.4	161.2	122.8
Mar	—	—	—	—	—	—	677	410	—	—	—	—	—

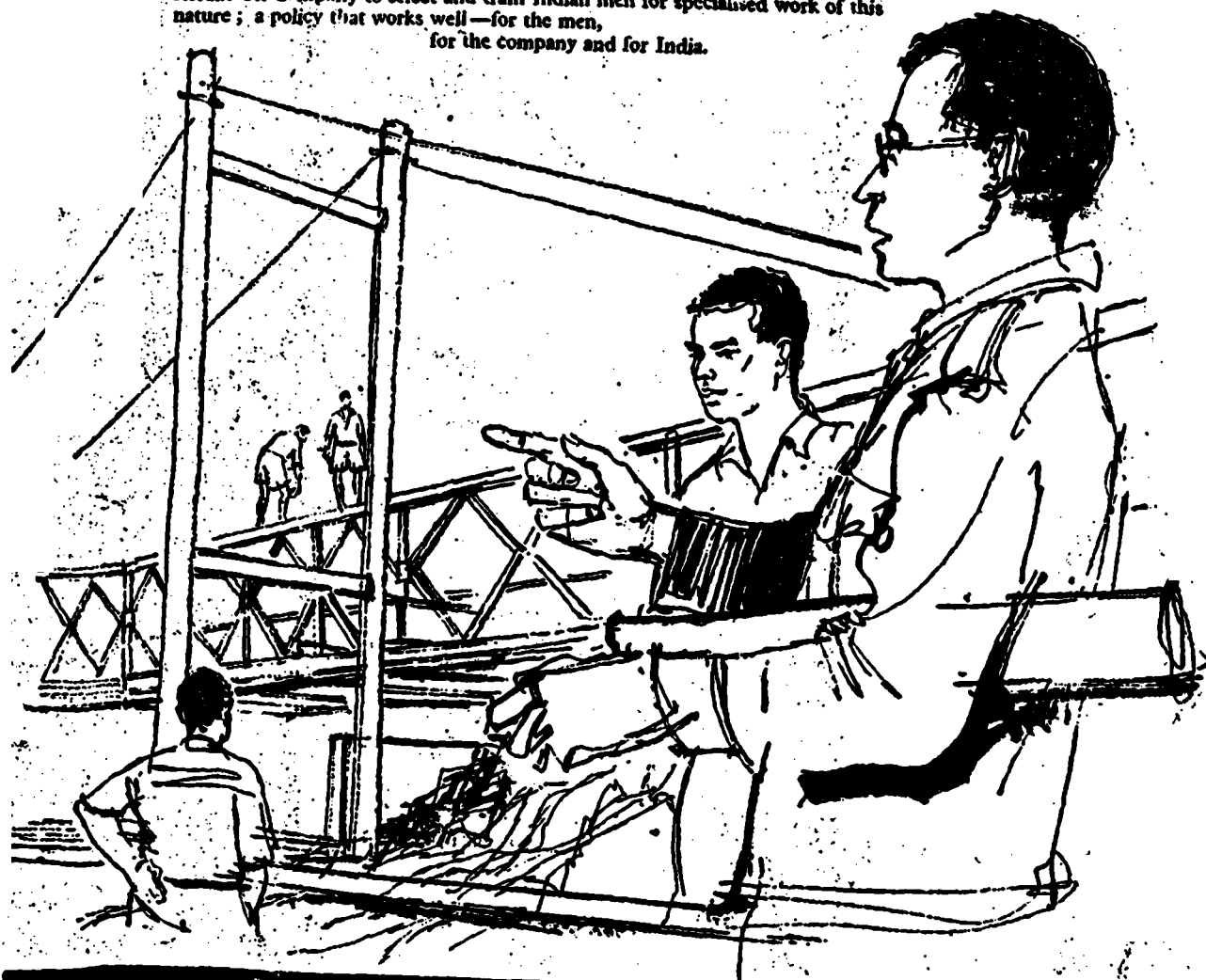
	Diesel engines (vehicular) (nos)	Diesel engines (stationary) (nos)	Power driven pumps (000)	Machine tools (Rs lakhs)	Twist drills (000)	Callos looms (nos)	Ring frames (nos)	Carding engines (nos)	Are welding electrodes (lakhs ft)	Steel files (000 doz)	Machine screws (000 gross)	Grinding wheels (000)	Ball bearings (000)	Storage batteries (000)
1956	282	1,001	3.9	10.02	129.1	239	93	61	156.3	12.9	106.5	207.6	86.7	26.2
1957	278	1,387	5.3	20.90	188.2	239	114	85	177.3	17.3	116.8	271.1	131.4	27.0
1958	355	2,155	6.5	31.33	127.9	266	73	96	197.3	20.2	151.5	228.1	177.2	29.6
June	419	1,848	6.1	26.78	119.8	130	56	105	233.2	18.6	150.9	202.9	230.2	29.7
July	311	2,311	6.9	27.90	137.1	292	66	87	201.5	20.7	141.0	240.3	198.2	28.7
Aug	294	2,070	6.9	27.35	85.5	274	67	89	205.9	20.6	110.0	221.9	149.4	28.6
Sept	333	2,421	7.1	29.85	100.7	293	62	57	189.4	24.3	153.1	223.7	123.8	32.1
Oct	344	2,358	6.3	23.35	100.6	279	71	89	167.1	21.8	171.3	229.5	112.1	27.8
Nov	385	2,454	6.0	28.99	77.5	316	88	75	208.6	22.0	147.1	245.0	127.9	31.9
Dec	366	2,756	6.4	38.17	90.7	392	96	112	198.5	23.9	148.0	269.3	175.9	37.8
1959:														
Jan	487	—	—	—	79.1	237	93	94	—	—	—	188.2	—	—
Feb	598	2,343	—	—	62.4	339	90	81	—	—	—	153.3	—	32.6
Mar	636	—	—	—	71.9	—	—	—	227.6	—	—	—	—	—

Men and Oil

The Field Engineer

Long before the oil drillers move in to start a new well, the Field Engineer is on the scene. One of his first tasks is to build roads and bridges to the new location so that the mass of drilling equipment and machinery can be brought safely to the site. He surveys the land for a suitable plot to take the derrick foundations, marks the route for pipe lines, and arranges water supplies, electricity and housing for the workers and the drilling operations. After his bulldozers and excavators have fully rolled away (perhaps to start all over again at a new location), he supervises the erection of the drilling engines, pumps, tankage and piping, and maintains them in first-class operating order during the period of drilling. For the Field Engineer is concerned with all engineering aspects of the oil search outside the drilling operation itself.

The men who do this work possess a great deal of varied engineering experience, not only in oilfields but in general practice too. It is a long-established policy of the Assam Oil Company to select and train Indian men for specialised work of this nature; a policy that works well—for the men, for the company and for India.



ASSAM OIL

a full-scale petroleum industry

a member of The Burmah Group of Oil Companies



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தவணைத்தாள்.

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